



Executive Business Briefing

Beyond planning – strategic leadership
for the real world

November 8th 2006, Imperial War Museum, England

Driving value for clients around the world



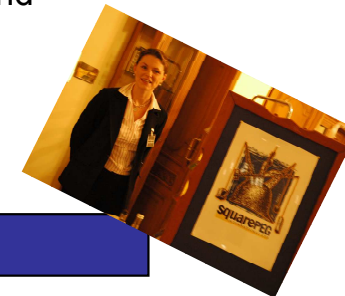
In less than 3 years we have supported 15 good clients in over 20 countries on 5 continents

Who are we

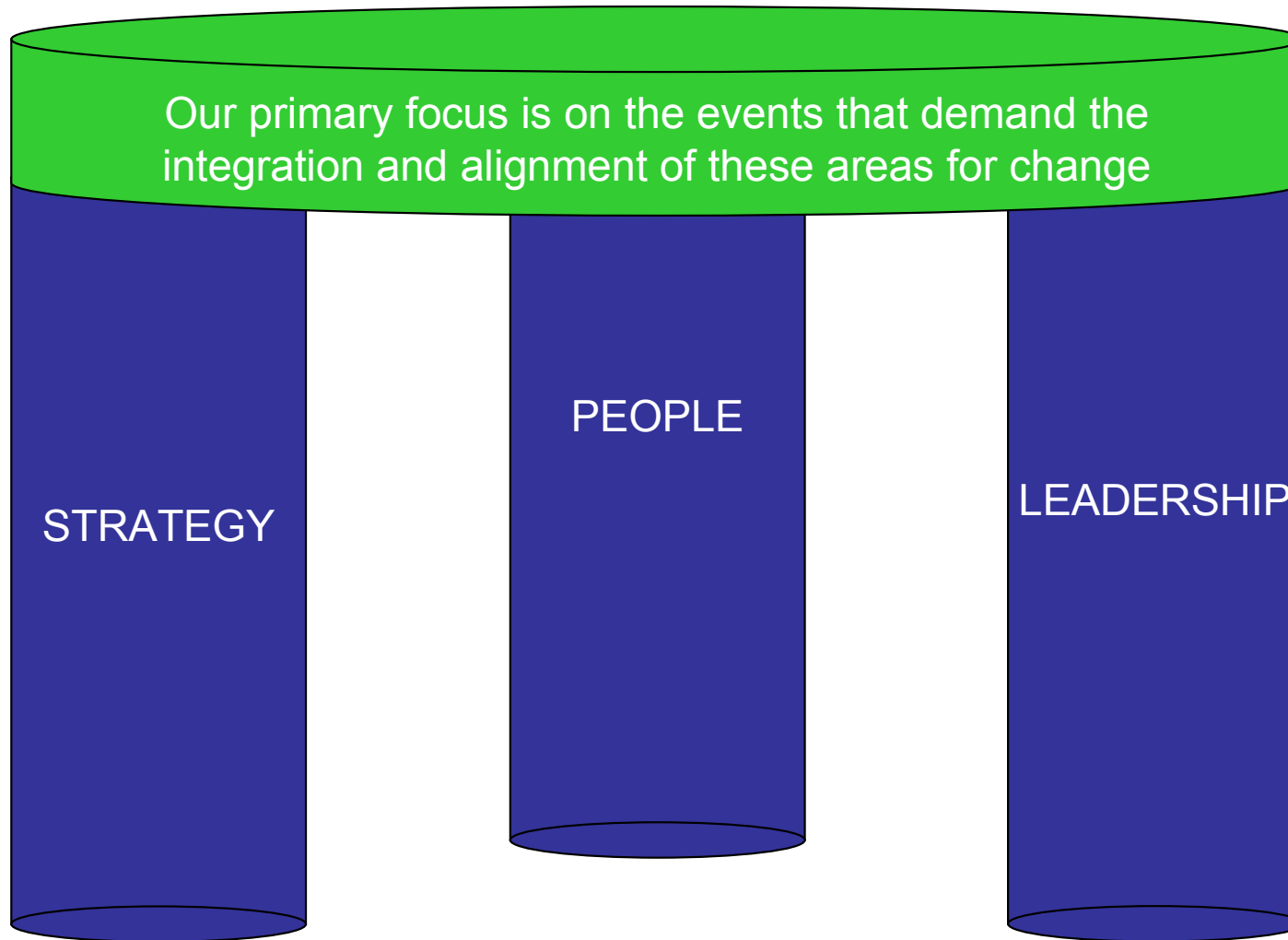
Our associates work everywhere in the world. They come from large multinational organisations and small focused speciality areas. They have been CEO's, line managers, strategists, senior leaders, HR experts. They have been in the thick of things.



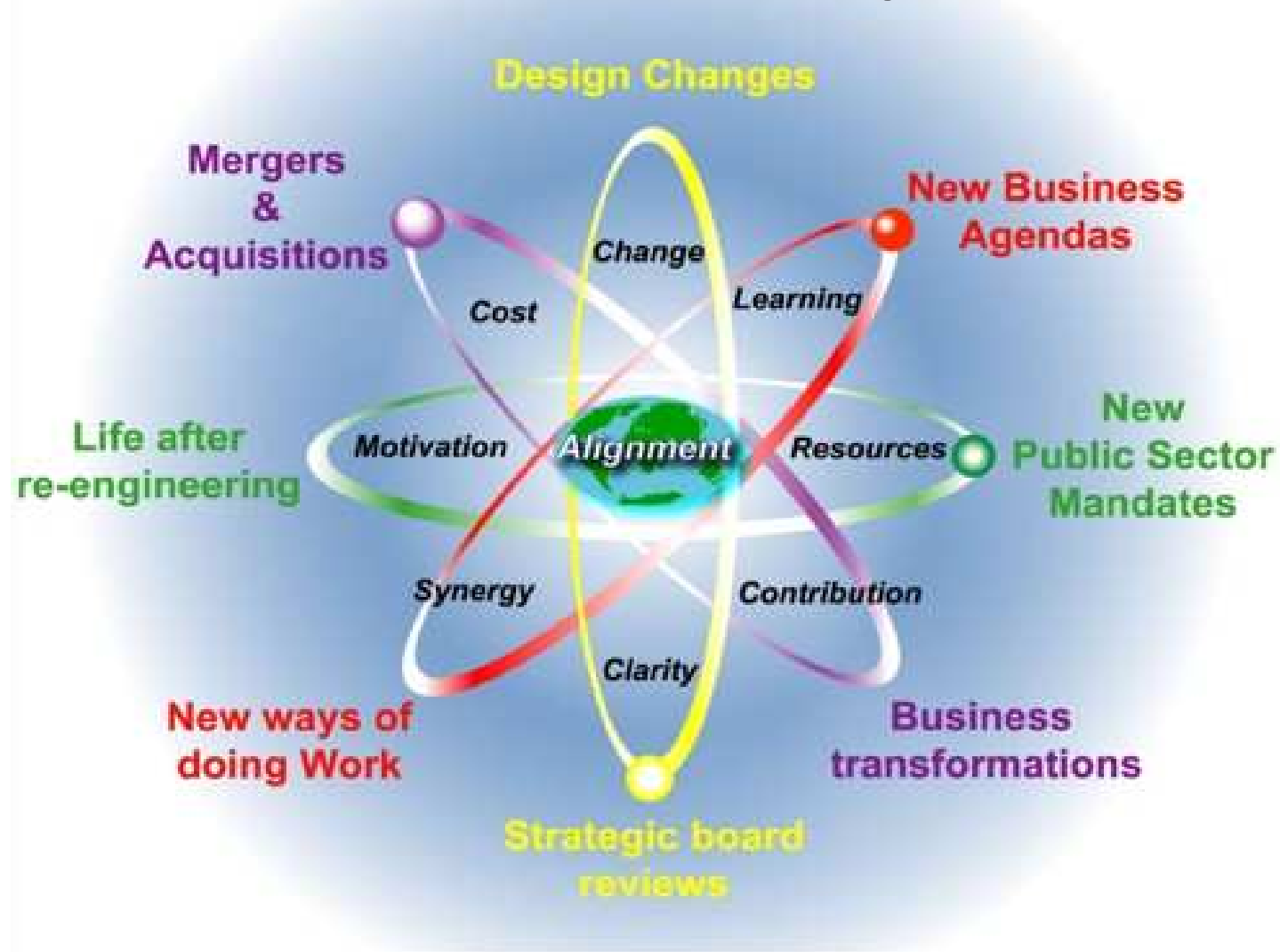
Our associates have managed major change events, provided stability in crisis situations, led complex initiatives, been in the throes of reorganisations and experienced the politics and stress of board operations.



Where we focus our thought leadership efforts



Because these events are what are keeping our clients awake at night



Our ongoing investment in research reflects areas where strategy, leadership, and people practices interact





Executive Business Briefing

Beyond planning – strategic leadership
for the real world

November 8th 2006, Imperial War Museum, England

Doug Ross
Managing Director
Square Peg

07717 665 007

About the study

- Research partners: Personnel Today and Square Peg International

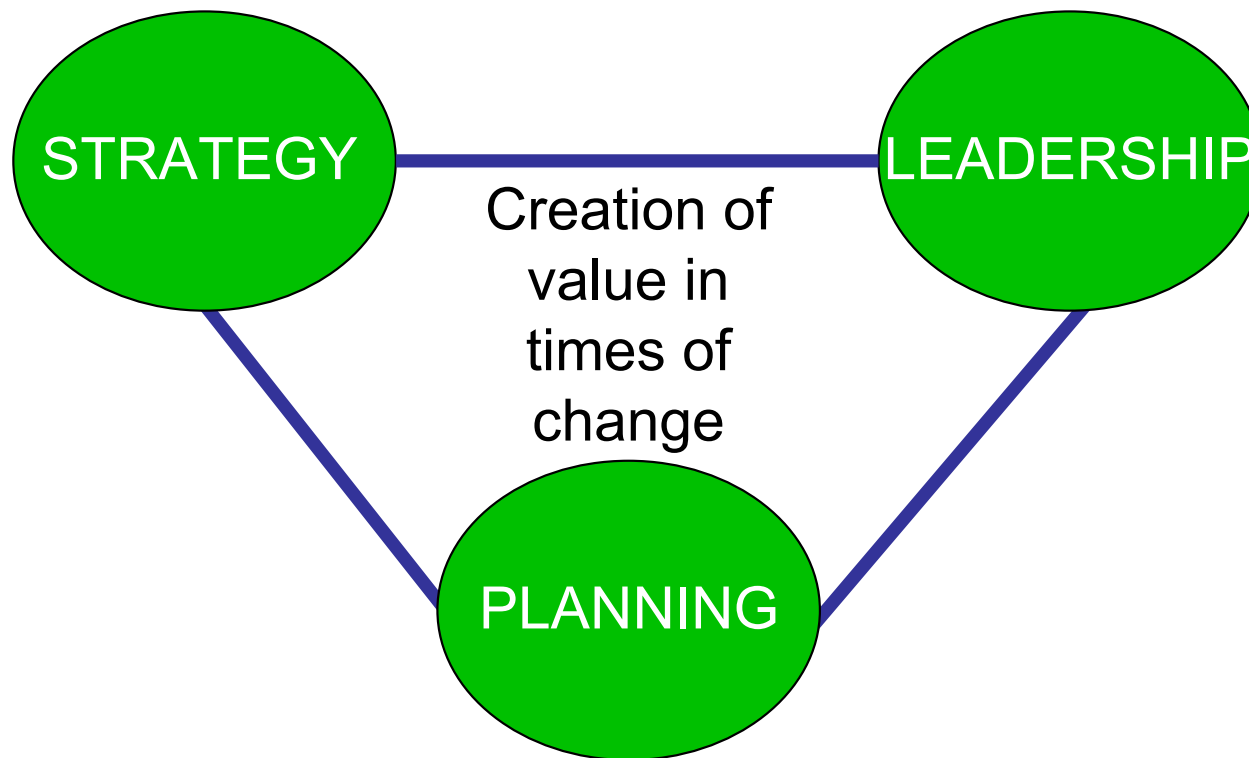


About the study

- Research partners: Personnel Today and Square Peg International
- Time: Data was collected in the autumn of 2006
- Participants:
 - 937 participants
 - 85% above Director or Manager level
 - 18% are leaders of change, 44% support strategy and change from an HQ or support perspective, 14% are line managers implementing strategy and change
 - 30% employee > 5,000, 33% employee <5,000>500, and 37% employee <500
 - 18% are global/international organisations, 74% are regional UK, and 8% represent other global regions
 - 62% private sector, 28% public sector

Our hypothesis

The new world demands a new view of strategic leadership



Our key areas of interest

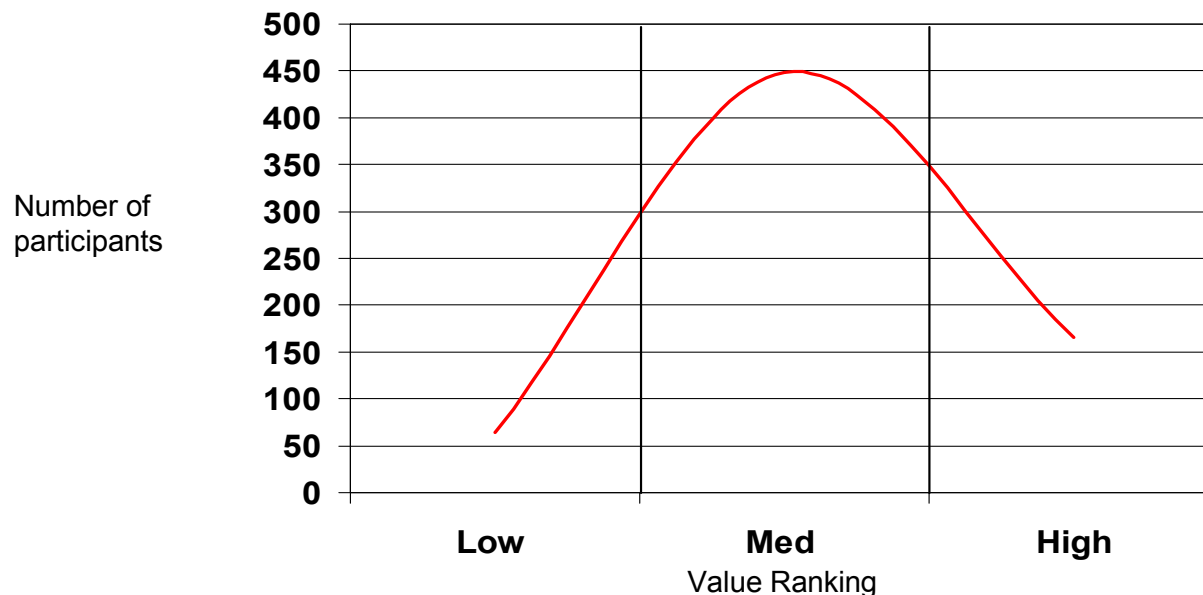
- The degree of change organisations had been facing
- The competence of the leadership
- The planning and prioritisation processes
- The building of leadership capability
- The organisational structure
- The overall success of the organisation

Our benchmark of value

We ranked organisations value contribution as a function of two elements:

Organisation success: The degree to which they had been successful compared with their competitors or peer organisations, and

Customer success: The degree to which customers/users have received increasingly greater value from them



Our report

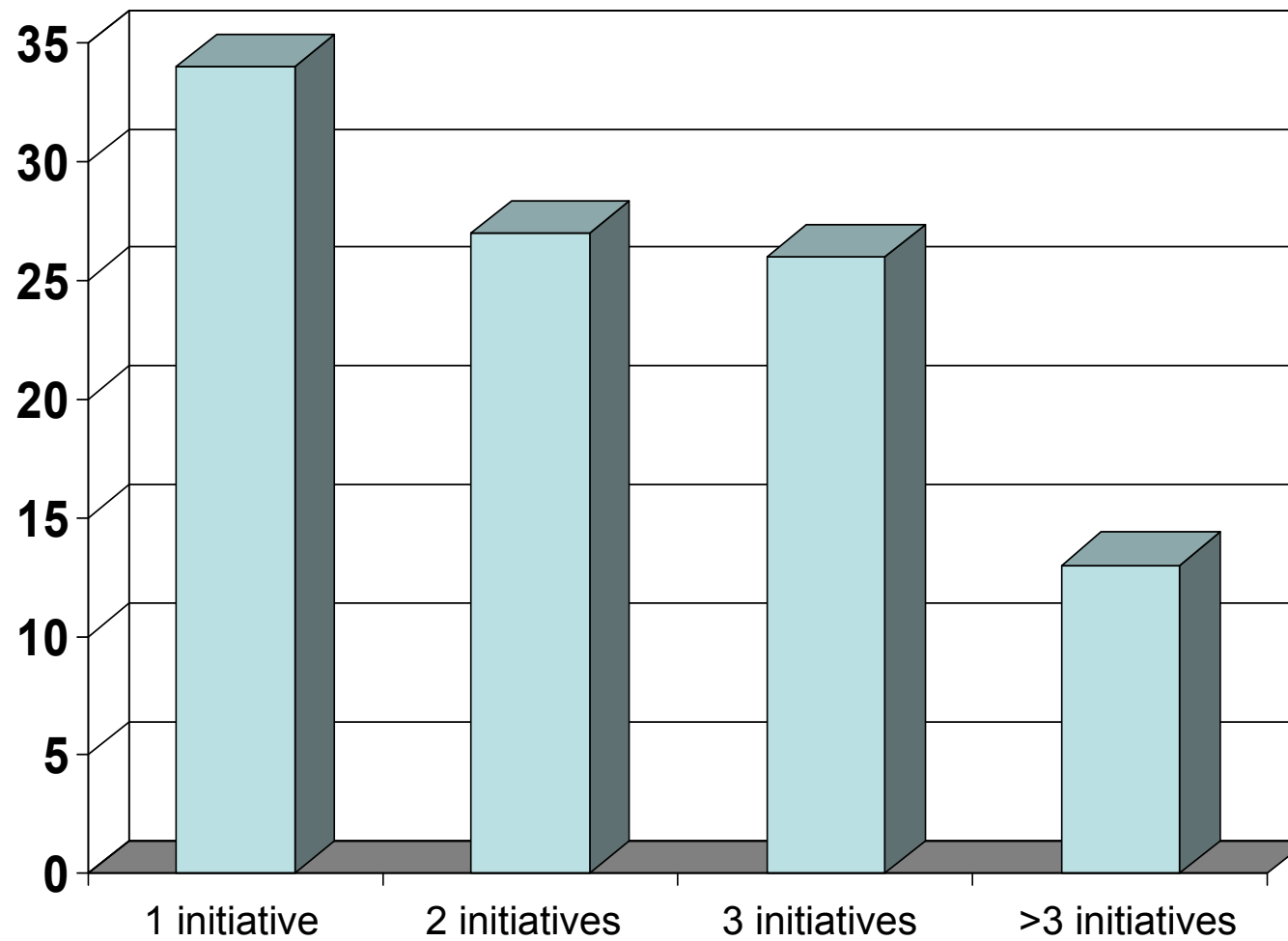
1. The speed and magnitude of change
2. Planning as a dynamic, real time, ongoing process
3. Leadership capability - building ahead of the performance curve
4. Policies and processes – enablers not barriers to making things happen
5. Ideas for moving forward

Section I

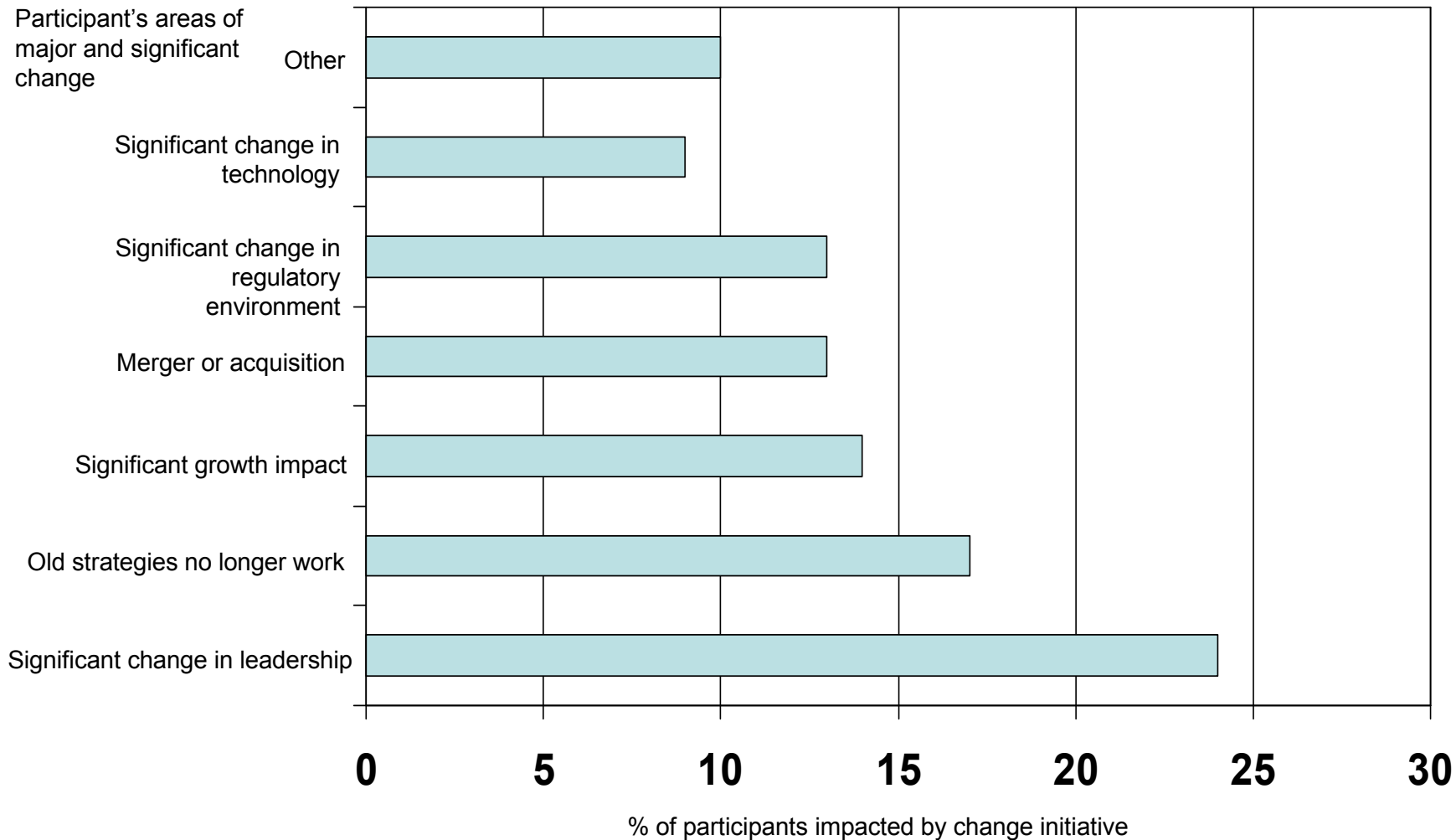
The speed and magnitude of change

Change is significant and constant

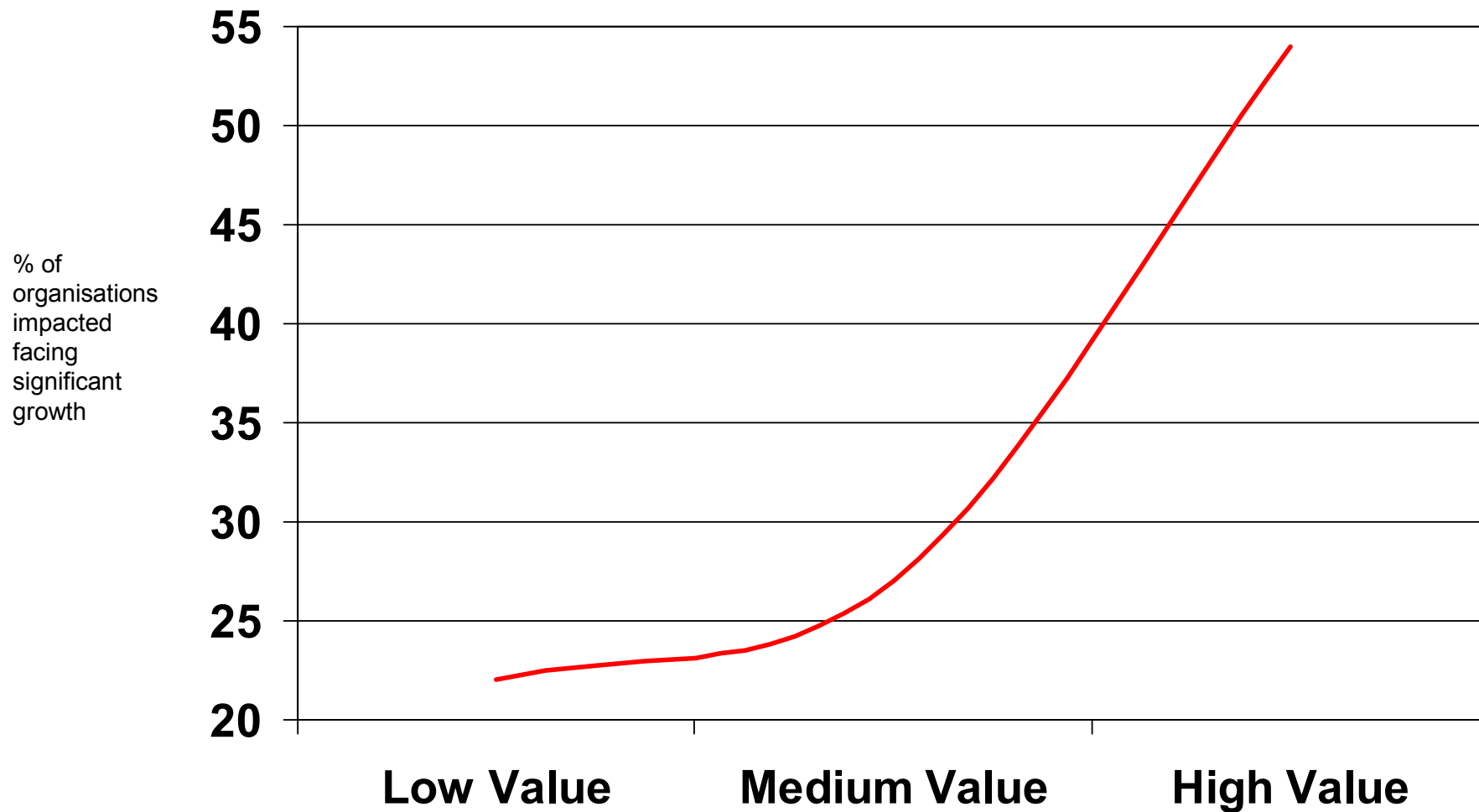
Percentage of participants that have been recently engaged in 1 or more major and significant change initiative



Change impacts areas of organisational direction and leadership

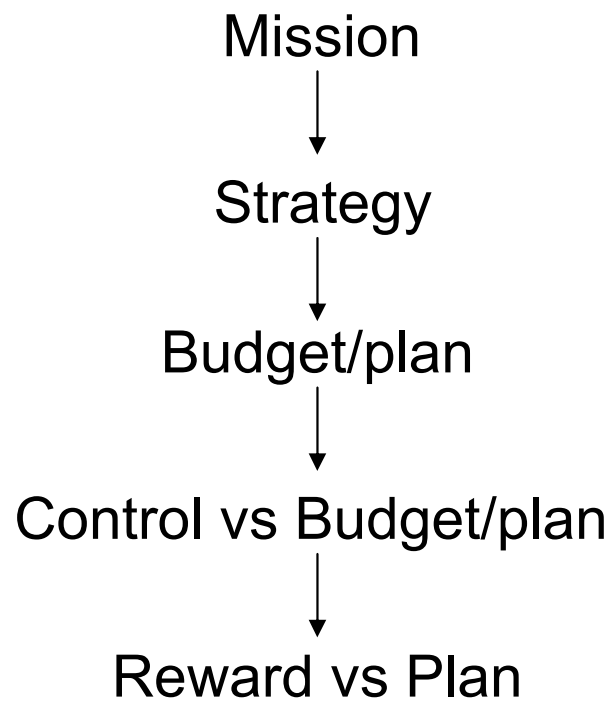


Organisations that have significant growth drive value



Implications for organisations

Our traditional alignment model



Implications for organisations

Given the rate and pace of change in our organisations our alignment models are becoming outdated.



Section II

Planning as a dynamic, real time, ongoing
process

Planning adds value



But the annual planning process is often flawed

- **Leaders can't effectively plan.** 55% of the participants' leadership teams are below average in their ability to plan. In fact, over 30% of these teams are rated sub-standard, or poor.

But the annual planning process is often flawed

- **Leaders can't effectively plan.** 55% of the participantss' leadership teams are below average in their ability to plan. In fact, over 30% of these teams are rated sub-standard, or poor
- **Fixed targets drive inappropriate behaviours.**



But the annual planning process is often flawed

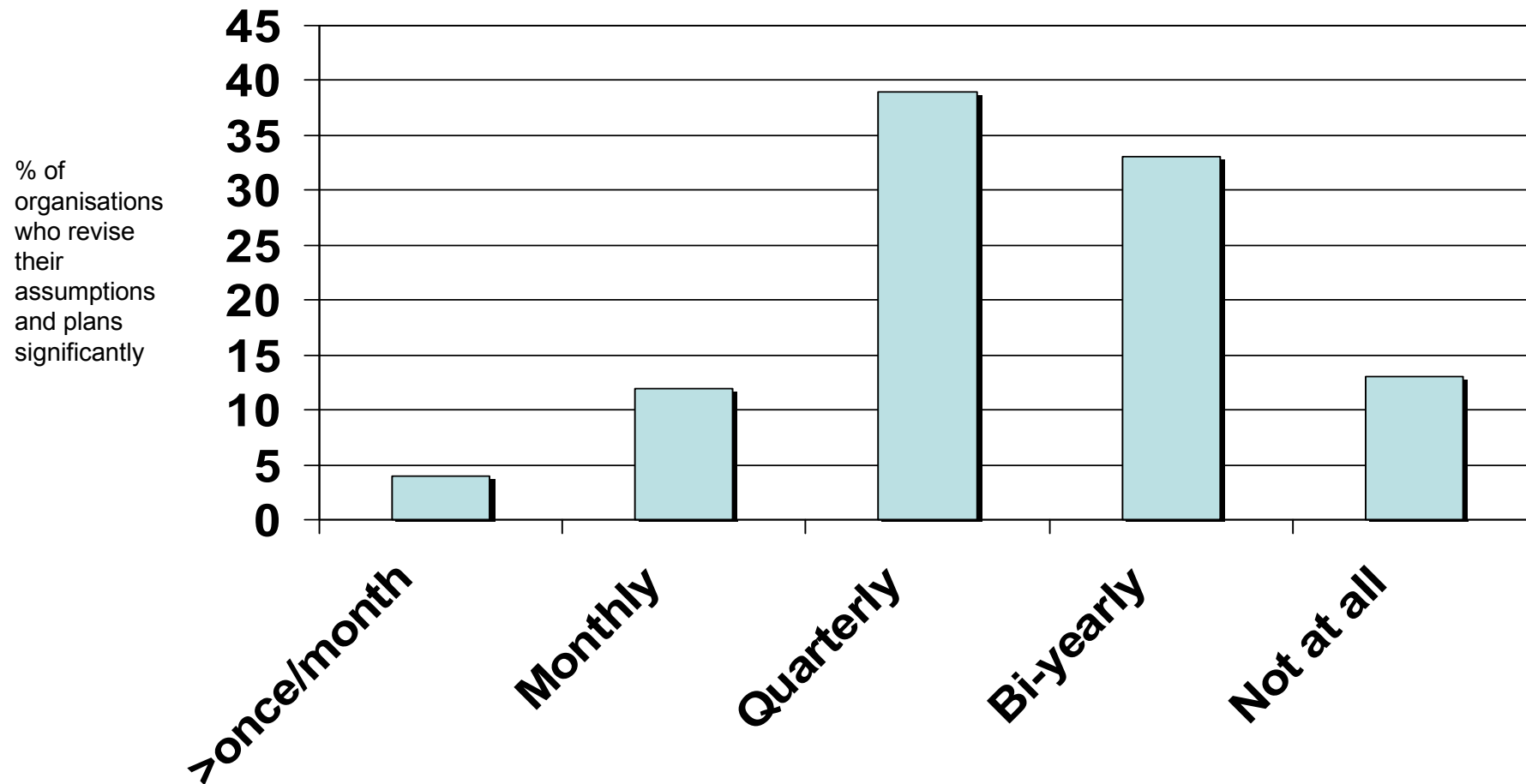
- **Leaders can't effectively plan.** 55% of the participants' leadership teams are below average in their ability to plan. In fact, over 30% of these teams are rated sub-standard, or poor
- **Fixed targets cause inappropriate behaviours.**
- **The process itself is often flawed.** Gamesmanship and egos often dominate.
 - Pipeline building
 - Sandbagging numbers
 - Back stabbing
 - Point scoring
 - Driving negative behaviours – particularly in cost centres
 - False engagement
 - Becomes I not we
 - Acts against doing the right thing
 - The usual Easter egg hunt
 - Passing the buck
 - Value not perceived

But the annual planning process is often flawed

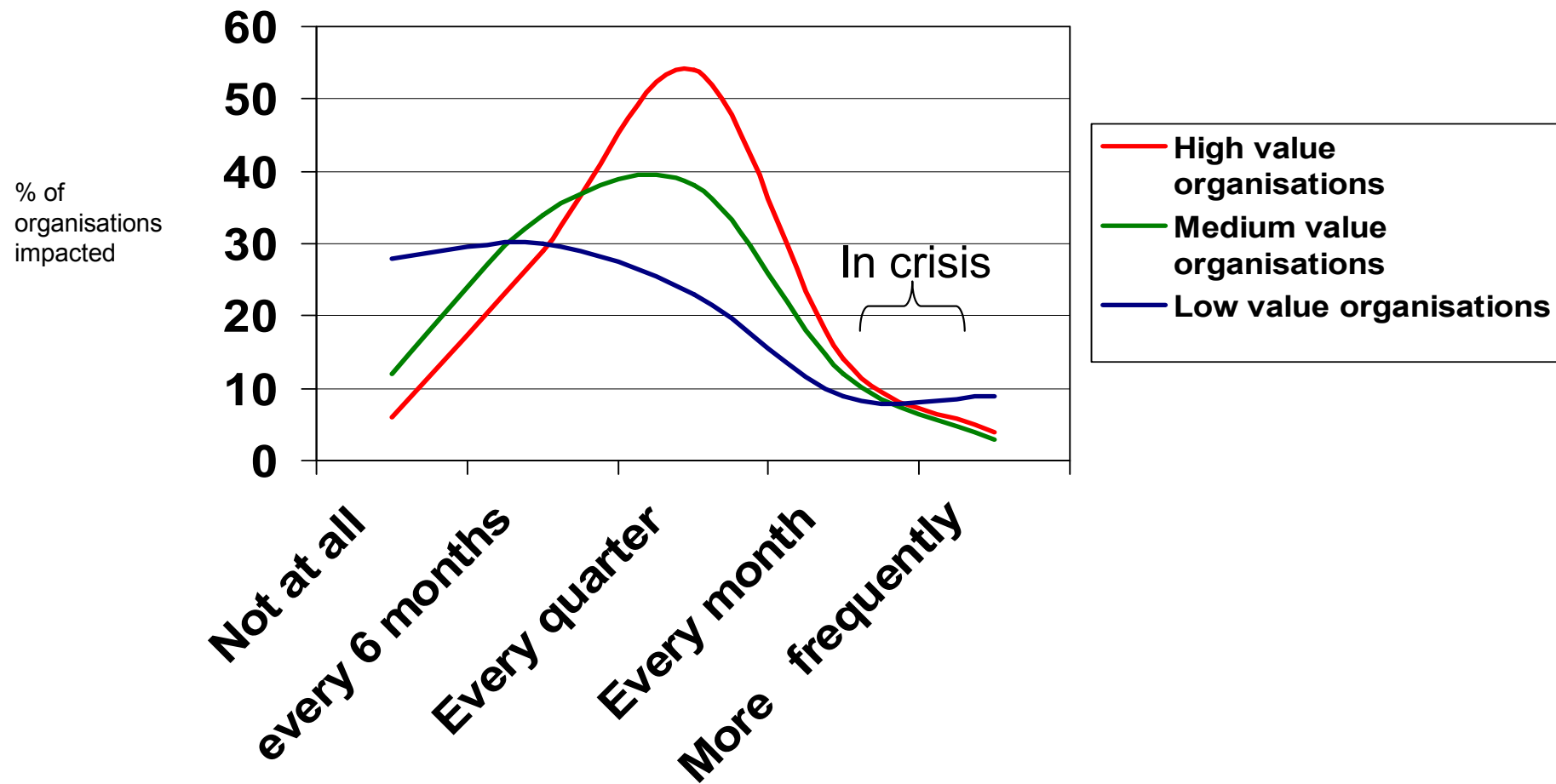
- **Leaders can't effectively plan.** 55% of the participants' leadership teams are below average in their ability to plan. In fact, over 30% of these teams are rated sub-standard, or poor
- **Fixed targets cause inappropriate behaviours.**
- **The process itself is often flawed.** Gamesmanship and egos often dominate.
- **Annual plans are rarely left to run their intended cycles.**

Once in place plans typically need to be changed.

Organisations revise their assumptions and plans significantly, resulting in re-forecast budgets and reallocated resources.



High value organisations regularly review their assumptions and their plans.
Resulting in significant re-forecast budgets and reallocated resources



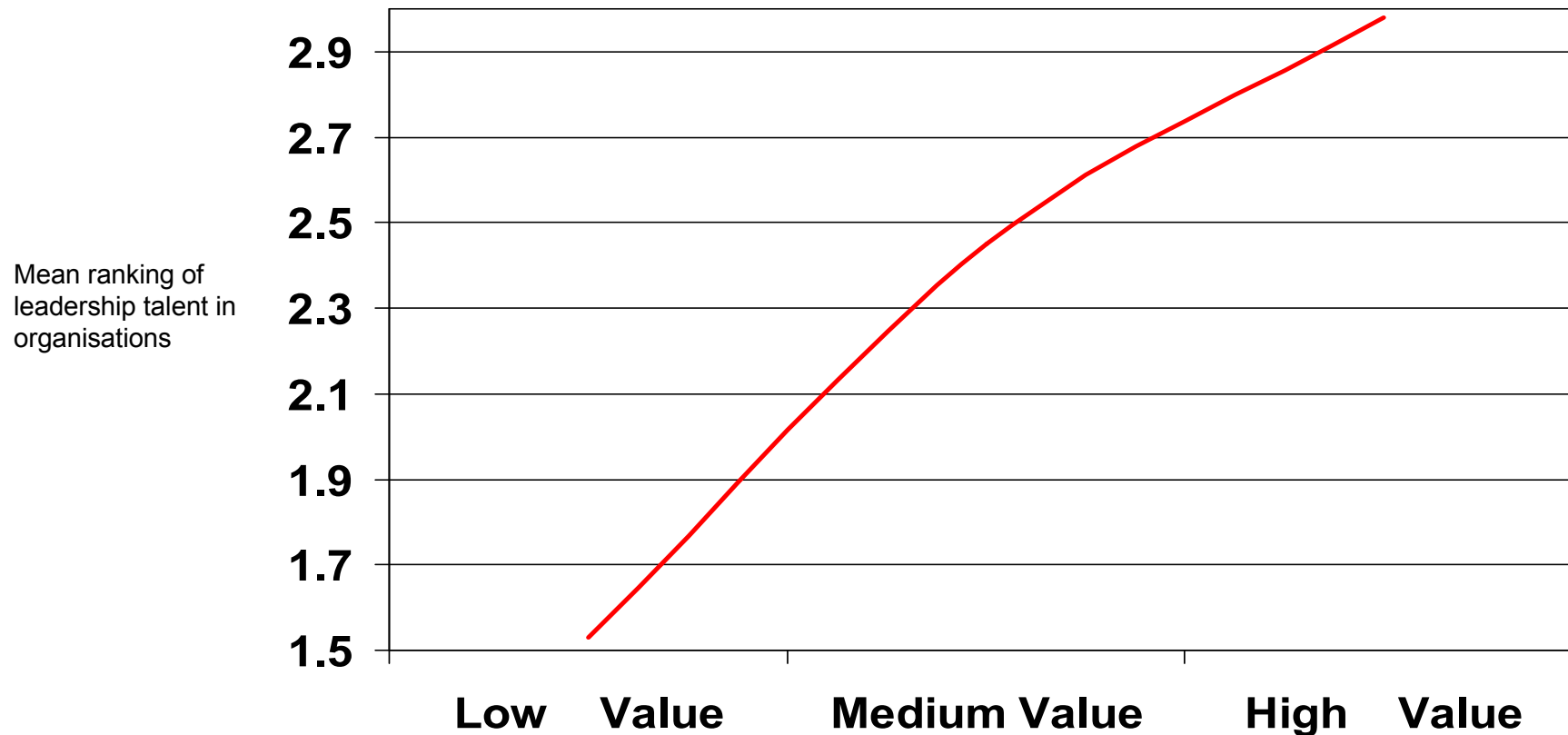
Implications for organisations

- Planning adds value but it also needs to be flexible and ongoing.
- We need to shift our paradigm and break free from fixed planning and budgeting processes.

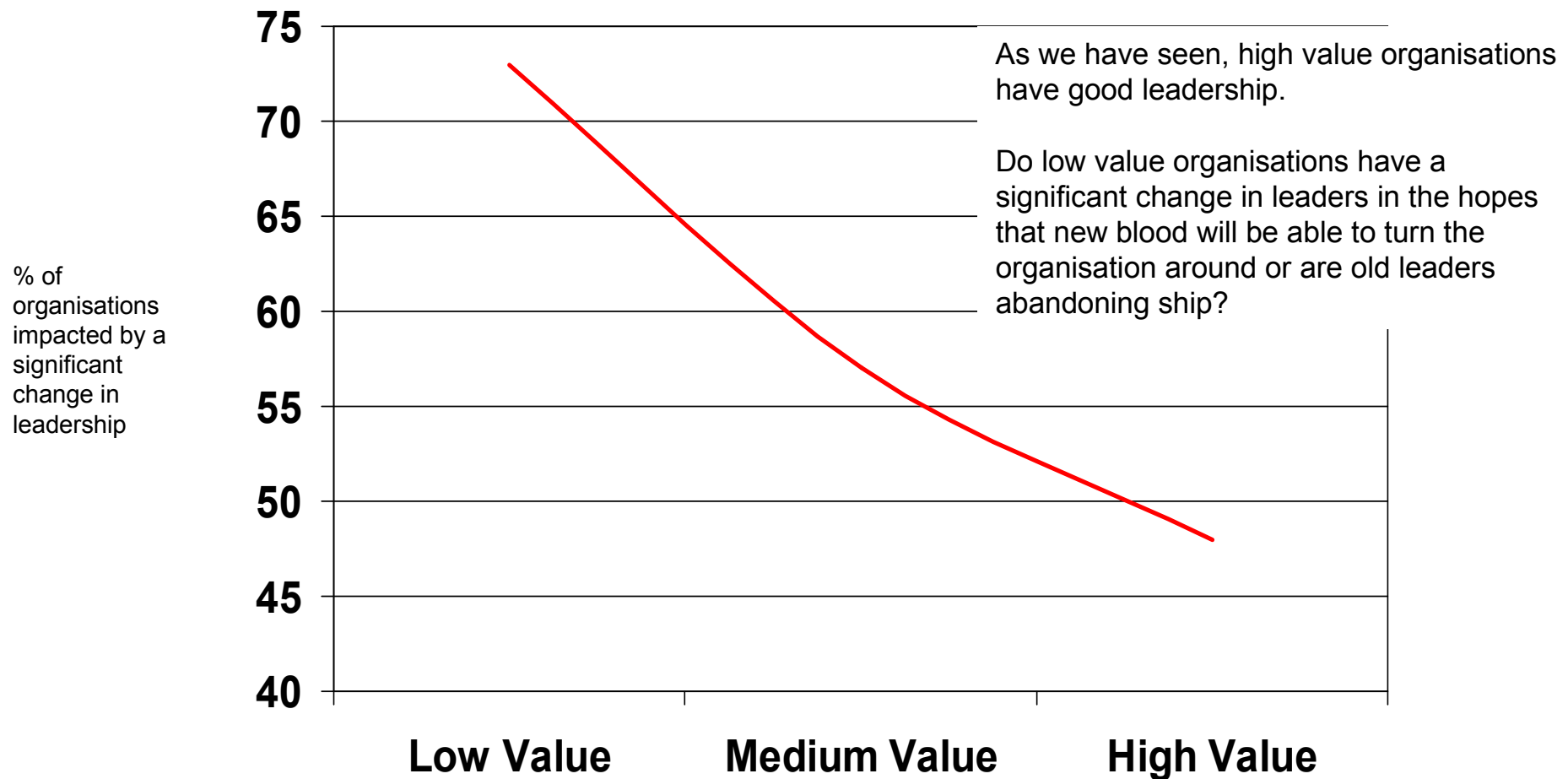
Section III

Leadership capability - building ahead of the performance curve

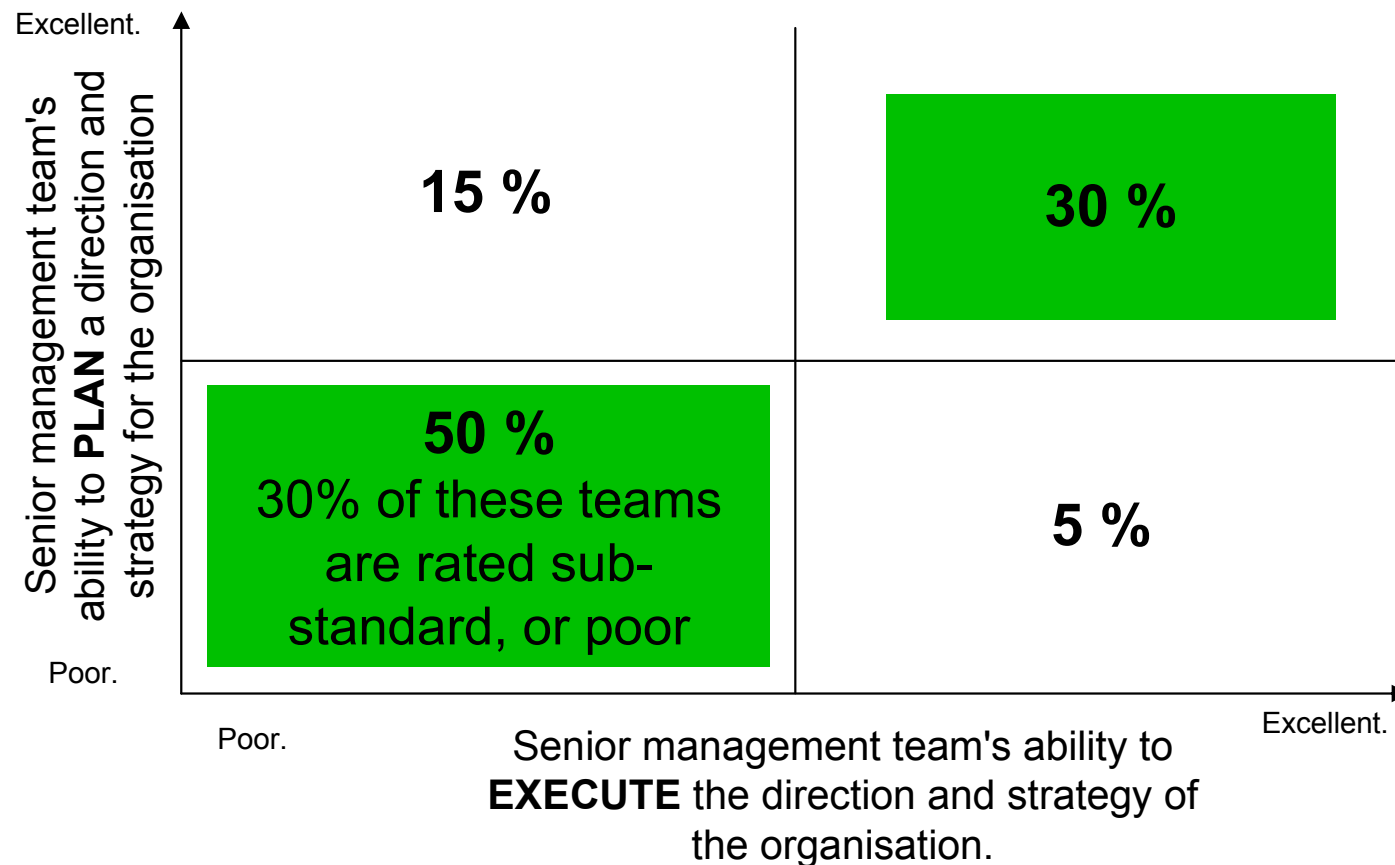
High value organisations have considerably better leadership talent



Organisations that have had a significant change in leadership drive less value

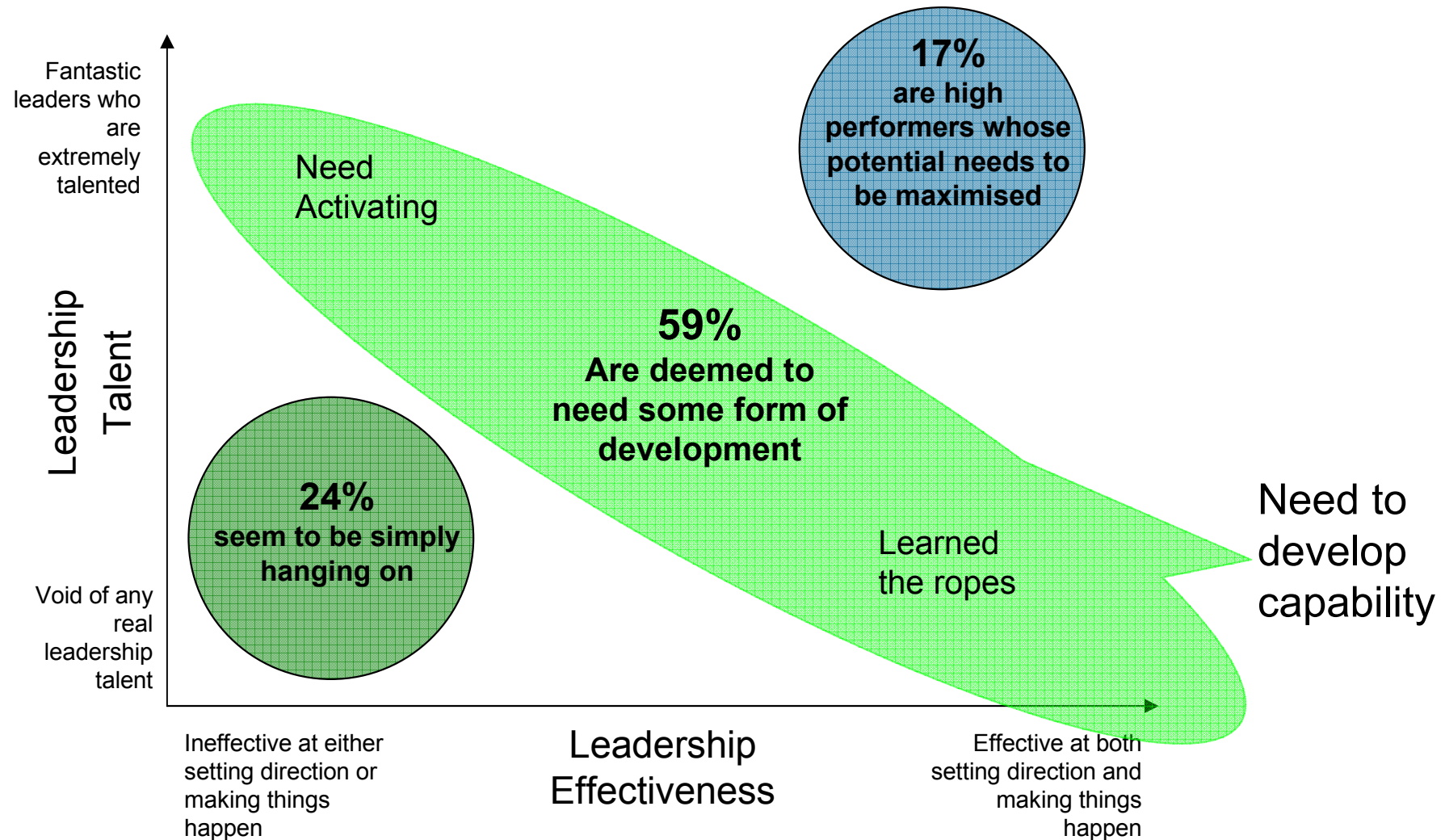


Half of the leadership teams can neither plan nor execute

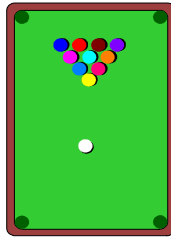


We also found that if leaders can execute then they are also typically good at planning. However the reverse is not true. If leadership teams are good at planning they are not necessarily good at executing.

There is a distinct need to develop our leadership talent



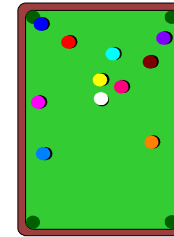
Development needs to focus on the dynamic areas of leadership



In the mechanics of leadership

22%

- Develop strategy and planning skills 19%
- Develop industry knowledge, technical, and other skills 3%



In the dynamics of leadership

76%

- Develop their interpersonal and communications skills 24%
- Personally display the organisation's behaviours and values 21%
- Develop an approach that minimises their personal agendas 20%
- Influence others to do the work rather than doing it themselves 11%

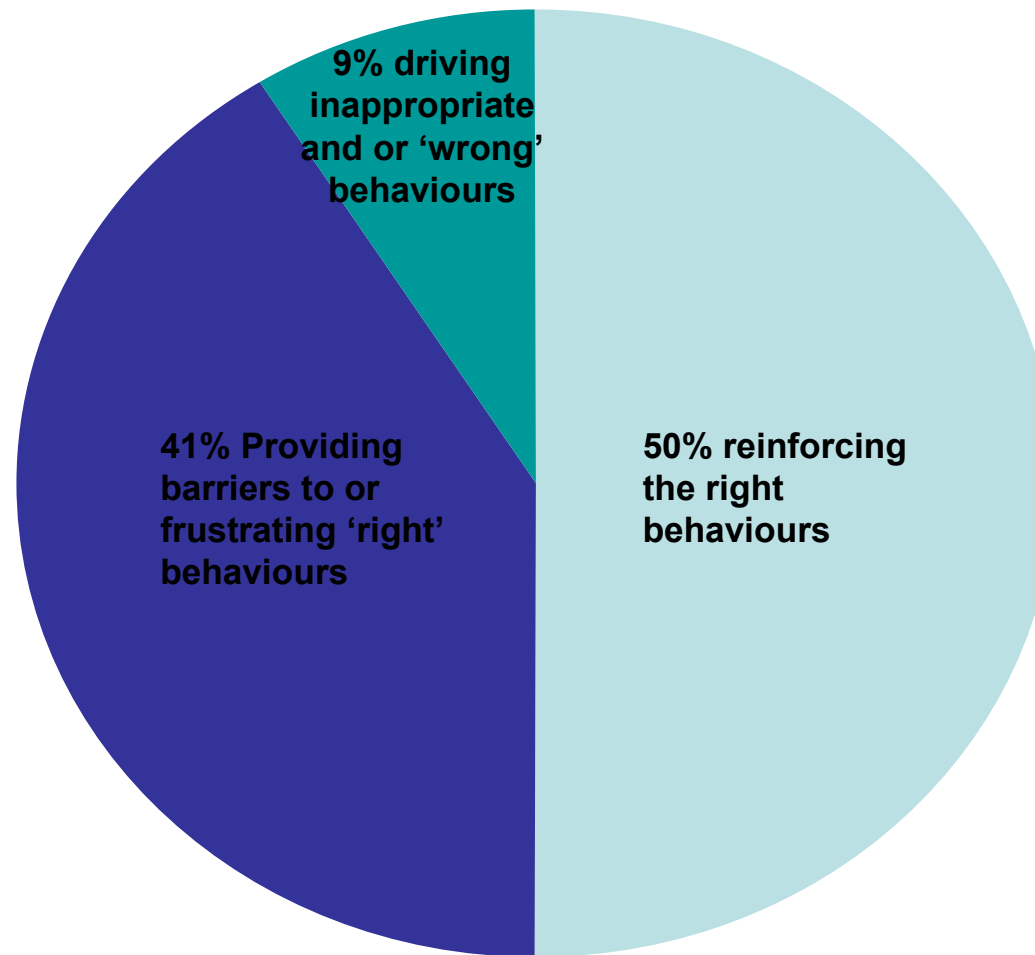
Implications for organisations

- Executive are being challenged to think one-step-ahead and build organisational capability to meet future strategic requirements.
- Experience is the dilemma. Experience is gained by allowing emerging leaders to take risk. As the pressures of change impacts today's leaders there is often less propensity to allow juniors to take risks.
- Development of organisational capability is critical to success not the development of specific talent and capability aligned simply to today's strategy.

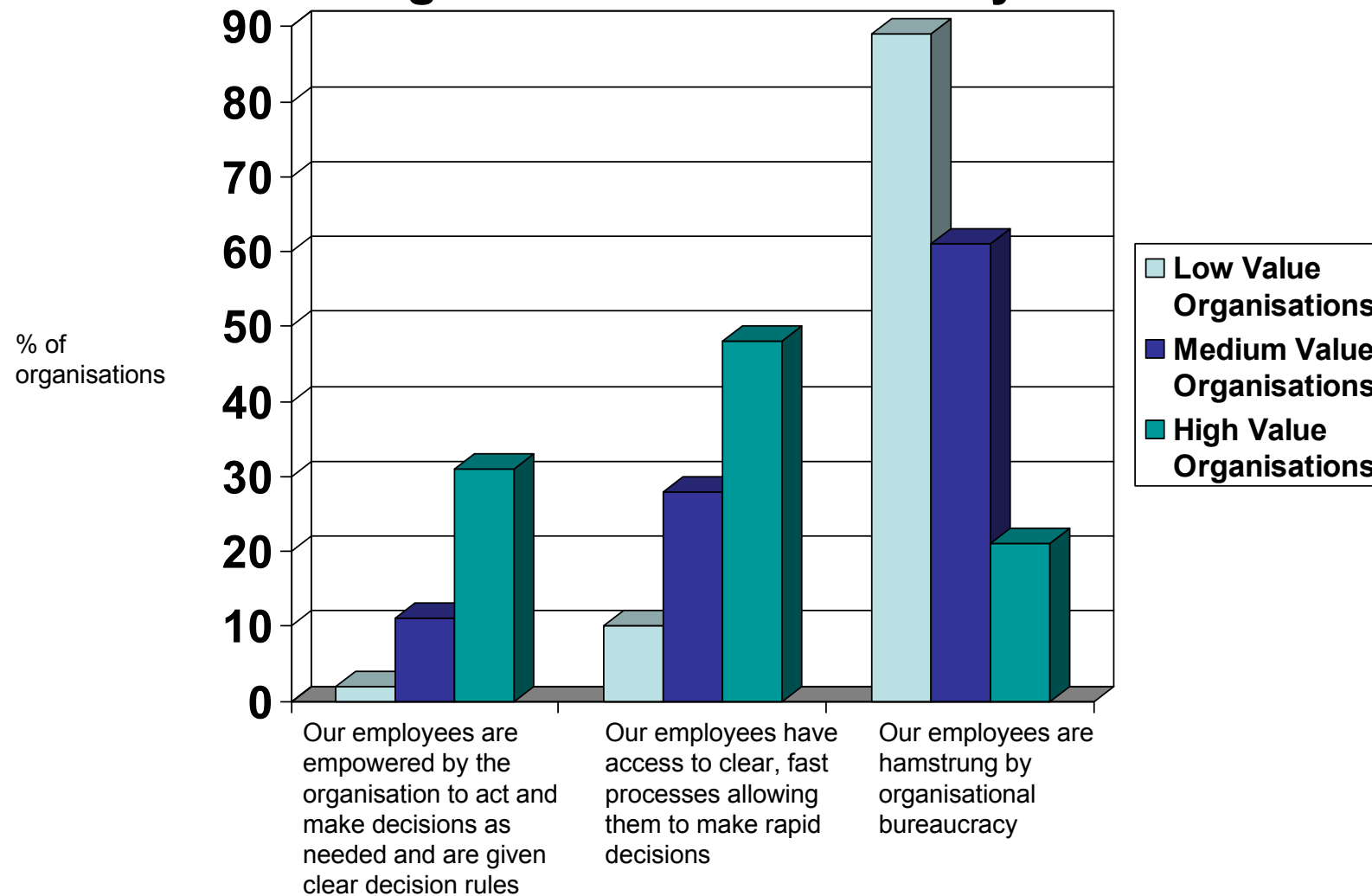
Section IV

Policies and processes – enablers not
barriers to making things happen

**Processes and policies
frustrate the 'right' behaviours and drive the 'wrong' ones.**



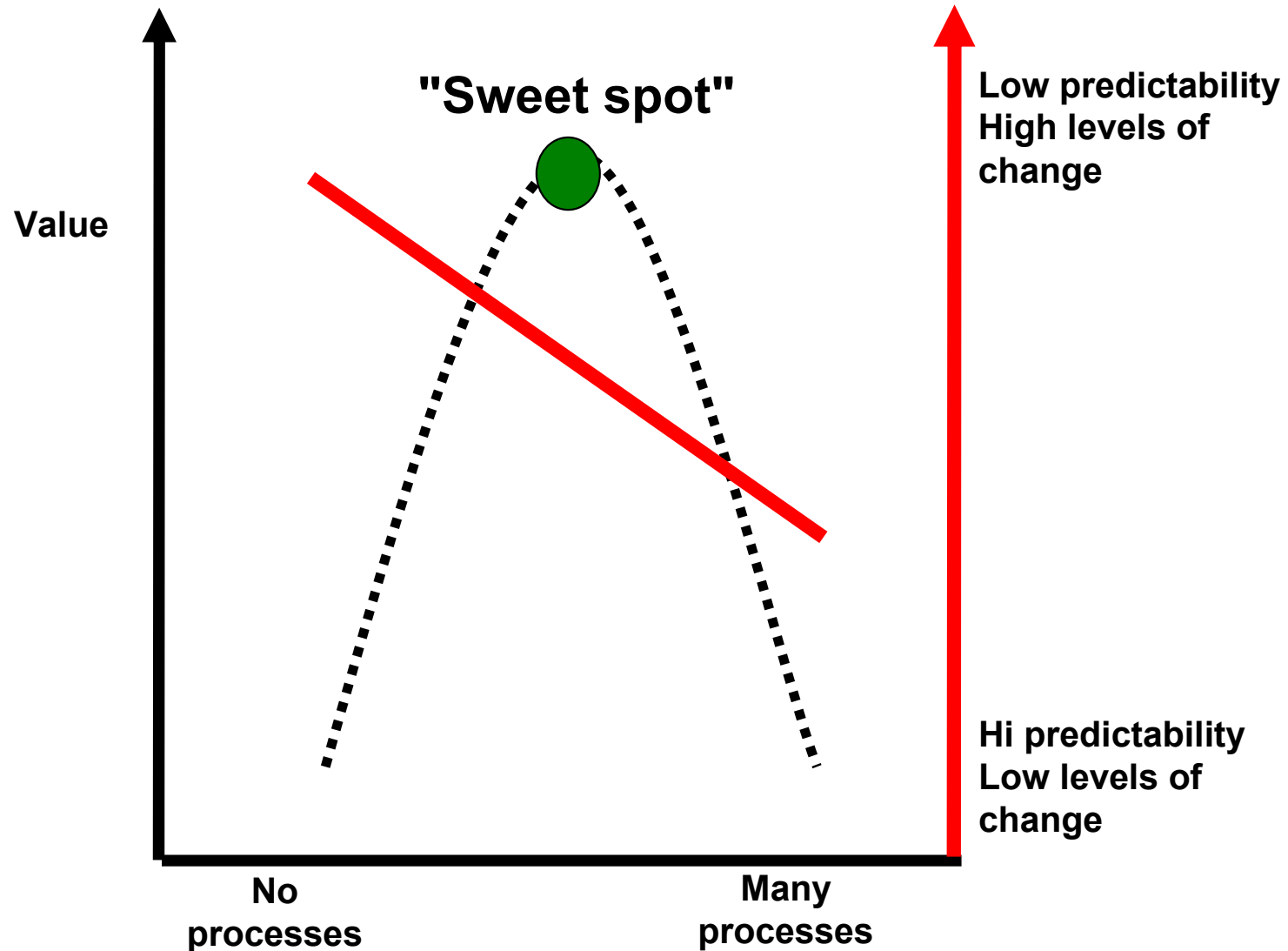
Employees in high value organisations feel less hamstrung by organisational bureaucracy



Implications for organisations

- We are becoming addicted to processes and these processes are becoming barriers.
- We are trying to manage HR/people risk with process and thus sub-optimising personal impact and effectiveness.
- Processes constrain knowledge workers who can make adjustments on the go.
- The value of processes and rules are a function of an organisation's propensity to adjust to change.

Are more processes and rules better?



Section V

Ideas for moving forward

4 Concepts and 9 emerging ideas

CONCEPT #1

**Develop and instil the
organisation's DNA**

Concepts for tomorrow's success

Concepts for tomorrow's success

1. Develop and instil the organisation's DNA

- Paint the big picture
- Identify your Success Formula
- Provide the inspiration

2. Focus on developing leadership capability

- Use battleship tactics

3. Manage the operation as a dynamic, real time going concern

- Eliminate the annual planning and budgeting process
- Invest not expense your resources
- Use portfolio management
- Teach project behaviours and capacity building

4. Enable not constrain employees with your processes and policies

- Discard your annual processes

Conclusion

Today's strategic leadership and planning

- Planning/budgeting value is in question
- Processes are becoming barriers
- Change makes it difficult to align to strategy



Given the complex relationship between strategy, leadership, planning and change, leaders need the flexibility to adjust in an evolving environment.

Fixed, bureaucratic, and complex systems make organisations unresponsive to change. We need to go beyond planning and get to work running the business.