



Stop press: 50% of leadership teams can neither plan nor execute

LONDON, December 7, 2006. By their own admission, few leadership teams are doing a good job of leading their organisations through times of change.

Research conducted with 937 senior leaders¹ by the business consultancy Square Peg reveals that 50% of senior management teams can neither plan **nor** execute... Just 8% believe their leaders are 'fantastic and extremely talented' and a shocking 14% are 'void of any real leadership talent.'

Fortunately our global survey also delivered a more positive message. 30% of the leadership teams were excellent at both planning a direction/strategy for their organisation *and* being able to successfully execute it. The challenge is to identify the 30% that can really make a difference.

The study also revealed a number of practices that differentiate high performing organisations from low performing ones²:

Square Peg concludes that we need to go beyond the constraining concepts of annual planning so as to get to work running organisations in dynamic fashion.

A flexible and ongoing approach to planning is important. Organisations that apply significant resources (time, energy, people) to planning tend to drive more value yet many annual processes are flawed and yearly plans are rarely left to run their intended courses.

In general, the high performers surveyed tended to review their assumptions and plans more frequently than low performers, resulting in significantly re-forecast budgets and reallocated resources. Doug Ross, MD of Square Peg explains:

"Leaders need to manage their organizations as dynamic, going concerns, not as bureaucratic machines that are fixed to annual cycles with distinct start and finish points. Leaders may need to break free from traditional fixed planning and budgeting so they can successfully prioritise and reallocate resources in real time".

The right process and policies are vital - reducing bureaucracy is critical. Our survey shows that over 50% of the processes and policies that organisations put in place frustrate the 'right' behaviours and drive the 'wrong' ones. Excessive bureaucracy was identified as a significant obstacle to success for low value organisations while employees in the high value organisations feel significantly less hamstrung by organisational bureaucracy.

¹ 85% of respondents were above Director or Manager level and the research was co-sponsored by Personal Today Magazine.

² Performance was calculated as a composite of responses to: a) the organisation's rate of growth, and b) level of perceived value being delivered to customers/consumers.



While a degree of bureaucracy and policies most certainly help manage risk and aid decision-making, the proliferation of business processes can reduce a manager's flexibility to act. To be a high performer means achieving an optimal balance between risk and flexibility. Doug Ross elaborates:

“In a world where processes can only be shortened so much, HR, Finance, Audit and other key functions will increasingly have to ensure that policies and processes *enable* knowledge workers rather than *constraining* them. Competitive advantage can be achieved by allowing people to make things happen with the speed and flexibility that market issues demand.”

Without the right leadership teams – planning will mean nothing. We found that many organisations do not have leaders that are effective at planning. 55% of the participants' leadership teams were rated as below average in their ability to plan and of these over 30% were rated as sub-standard, or poor leaders overall. Given the relentless pace of change it is critical that leaders are able to plan on the move, motivate employees and maintain their loyalty when strategic direction is unstable.

It is obvious that we can't simply remove such a high proportion of leaders so investment in leadership development becomes central to success, especially in the area of interpersonal skills and displaying organisational behaviours and values.

Conclusion

Given the complex relationships between strategy, leadership, planning and change, leaders need the flexibility to handle an evolving environment.

Complex, fixed and bureaucratic systems make organizations unresponsive to change. We need to go beyond the concepts of annual planning and get to work running the business in a dynamic fashion by:

- Reviewing and reassessing our approach to annual planning to ensure that it truly meets our decision making needs
- Enabling, our employees with our processes, policies, and bureaucracy, not constraining them.
- Investing in the dynamics of leadership development not just on technical skills allows individuals to act collectively in both developing and executing strategy.

For further information about Square Peg or the author of the research, Doug Ross, visit www.squarepeg.com or contact Katherine Woolf: katherine.woolf@squarepeg.com or 07905 805 445.

About Square Peg - Square Peg International is a business consultancy firm focused on the people side of change. We help leaders and their organisations through transitions, basing our services on the interrelationship between strategy, leadership, and people practices. Our solutions are holistic, innovative yet practical, using common sense and with an emphasis on real-world results. Our particular strengths lie in the support we give leaders in a variety of enterprise-wide business change events such as M&As, establishing new mandates, realigning and/or redesigning organisations and meeting new performance expectations.