

SUSTAINABLE VALUE DELIVERY
EVIDENCE IS THE KEY



EVERY ORGANISATION WANTS TO DELIVER VALUE, BUT NOT ALL DO.
ANDREW KAKABADSE SUGGESTS THAT FOLLOWING THE
EVIDENCE IS THE SUCCESSFUL FORMULA

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The studies of top teams and strategy creation process across 12,500 organisations in 21 countries highlight that just over 34% of top team members are continually divided on the mission, vision, strategy, and nature of value and competitive advantage

Value delivery has been held as fundamental to the continued success of any corporation.

The attention given to continuously enhancing product and service quality, ever-greater team work and collaboration, improved strategy creation, more focused marketing and sales, and gaining that deep understanding of customer and broader stakeholder requirements are all testament to the drive for ever-enhanced value delivery.

Yet my research shows that delivering on value remains elusive. Many organisations experience that whatever value is intended, it is not the value that is ultimately delivered.

My global studies strongly indicate that one reason for inconstant value delivery is that no one definition of value or even competitive advantage exists within an organisation.

I have studied top teams and the strategy creation process across 12,500 organisations in 21 countries. Just over 34% of top team members are continually divided on the mission, vision, strategy, and nature of value and competitive advantage.

The result is internal strife and undermining behaviours at the top of the organisation, which all too quickly become the norm for the rest of the enterprise.

A further finding is that 66% of top management are too inhibited to raise this uncomfortable issue and through such paralysis permit the organisation to deteriorate to the point of failure.

In effect, strategy derailment and the continued lack of value delivery are the results of nothing being done to re-address unwelcome circumstances. Why?

My latest global study of over 100 organisations across 14 countries provides some interesting insights.

Quizzing corporate leaders concerning poor value delivery led to revealing responses. It became clear that two contrasting approaches to creating value are held by leaders. One is about perceived value; the other is about delivered value.

In the course of my research I noticed that these different ways of going about creating value indicated two different types, or styles, of leader.



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My latest global study into value delivery comprised over 100 organisations across 14 countries and provided some interesting insights

The creator of perceived value is more likely to be a big-picture thinker who elevates strategy above all else; while the creators of delivered value are characterised by their closeness to customers and other stakeholders. Most leaders have a default setting, leaning towards one or other mindset.

So, what do I mean by perceived value? Leaders with a pre-disposition to perceived value start by formulating a value proposition (actually it is probably best described as a value hypothesis) and then look for evidence to support their strategy.

They have a pre-conceived notion of how their organisation can create value and enact a strategy to achieve it. Usually, the strategy emanates from inside the boardroom and is informed by a value hypothesis that determines the strategy.

One senior manager in Australia confided that his CEO's attempts to get a major change of structure and practice in the organisation were pursued without any trial run.

"The CEO's friends in the top team and on the board supported his idea and those who attempted to challenge were brow beaten into submission. The line managers did not dare say a word and yet they all knew that a new service offering to the market was going to fail. In this case, it was a vigilant press and media in Asia and Australia that brought the failing strategy to the attention of the board. What happened? We, the general managers, got the blame."

With the perceived value approach there is a real danger that strategy becomes dogma as senior management seeks to justify its preconceived view of value creation and of the world.

In one case I encountered a legal services firm that had decided it should go into employee development. The head partner was convinced this was what the market wanted but did not check with customers or service deliverers whether that would create value. It did not and is a good example of how a strategy-driven approach can backfire.

What happens next is an all-too-familiar pattern: value creation becomes uncoupled from reality and from evidence. Routine and denial take over and the organisation may run on pre-existing competence for some time rather than on excellence. But ultimately it is doomed to failure.

As shown by my previous research, strategy formulation is often highly politicised – a factor frequently driven by consulting firms. In working with organisations throughout the world what we see repeatedly is the CEO going through political machinations trying to find support for his or her strategy where there is scant evidence to back it up.

The research shows that there always is some evidence partly to support the view of the CEO. However, this evidence is never fully tested and remains unchallenged by the very people who have a strong grasp of what will and will not work – the general managers below the top team.



20%

The organisations that had sustained success over many years – which consisted of only 20% of the sample – focused on achieving engagement and alignment of view

There is another way. Leaders can gather evidence from stakeholders inside and outside to determine the value the organisation is delivering today and can deliver in the future. A strategy is then put in place to support those findings – and is deliberately exposed to challenges from stakeholders to create engagement. These are value delivery-driven organisations.

Evidence is the key. Leaders of organisations that sustain success over a long period recognise that gathering evidence has two purposes: first, as a way to understand what is really happening in their markets and in their operations in order to create a strategy to deliver value; and, second, as a transparent process to build alignment and create engagement to create traction for the strategy.

Once a strategy is created and understood, the forces that enable it to become a reality are engagement and alignment.

Evidence-based leaders gather evidence from stakeholders to create engagement and alignment and to adjust the strategy if necessary to deliver value. They constantly interrogate evidence in order to facilitate engagement and alignment.

These leaders seek to understand how the strategy looks from different viewpoints. Are there obstacles that the leader is not aware of? Does the Chinese operation face different operational or cultural challenges that mean the strategy will fail? Is the southern European market more resistant to the new approach?

In interrogating the evidence the leader also signals that he or she is prepared to listen to the people on the ground and consider their perspectives (creating engagement and alignment with the strategy).

The organisations I have encountered that have had sustained success over many years (which consisted of only 20% of the sample) focused on achieving engagement and alignment of view. These two elements, together with market conditions, constitute the context within which an organisation had to operate and therefore within which the strategy had to be effective. The strategy was then added to support and serve the proven value proposition.

In other words, in the best-performing companies the strategy is a good fit with the context, not the other way round.

Rather than attempting to shape the context to fit the strategy, these organisations place great store in collecting evidence to understand the context. This open mindedness and willingness to consider multiple points of view – a willingness to embrace diversity of thinking – allows them to maximise alignment and engagement.

Seen in this light, the purpose of collecting evidence is to optimise these two components (alignment and engagement). The evidence gathered may support or challenge the value proposition underpinning the strategy.

Either way, senior management should listen to it. If the evidence contradicts the value proposition then the strategy has to change. Collecting evidence becomes the safety catch that prevents an organisation embarking on a disastrous strategy. Fully understanding the context sharpens the strategy.

As these principles became clearer in the research interviews, I created a shorthand way to denote the different elements and their relationships. I captured the three elements – strategy, engagement and alignment in a formula – not in the scientific sense but more as an aide memoire, a handy reminder and a constant and simple means of making sense of these organisational phenomena.

Strategy + (engagement x alignment) = value

The logic of the formula is that leaders need first to achieve consensus about where value lies and the organisation's capability to deliver it. Then, and only then, they must formulate a strategy to deliver that value and constantly test that strategy and the assumptions that underpin it with stakeholders and reality.

Research shows these are the principles of consistent value delivery captured in a successful formulaic pattern.

Making it happen, of course, is the real and constant challenge. But of the 100 organisations I studied only few practised the success formula and displayed consistent success despite up-turns and down-turns in the market.

The reason there are so few is that top management must have the humility to accept better, alternative, perspectives. In effect, the gathering of evidence needs to be coupled with the control of one's ego.

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