

THE GAP: HOW TO UNINTENTIONALLY DESTROY VALUE AND EXHAUST YOURSELF IN THE PROCESS

Abstract

Over the past 15 years, my colleagues and I have been obsessed with business and leadership transformation, understood through stories of success. When I say transformation, I mean how otherwise *ordinary* leaders, teams and organizations become *extraordinary*.

The one thing this fifteen year obsession has taught me above all else is that transformation is not a matter of intention; it's a matter of alignment. Why do I say that? All leaders have noble intentions. I've never met a leader who aspires to destroy shareholder value, irritate customers, and alienate staff. And yet, 70% of all change efforts fail.

Having lived my professional life at the intersection of large scale business transformation and the personal journey of the CEO, I have been granted a unique vantage point from which to study the gap between intention and reality. I have come to understand that this gap is a primary source of value destruction in organizations, and exhaustion in leaders.

In this short white paper, I outline four ways we may unwittingly destroy value, and exhaust ourselves in the process.

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To follow our obsession with transformation visit Peter's blog www.peterfuda.com
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Peter's Blog



About the Author

Dr. Peter Fuda is an author, researcher, public speaker and Adjunct Professor at the Macquarie Graduate School of Management (MGSM).

He is also the founder and Principal of The Alignment Partnership (TAP), a management consultancy specialising in business transformation and alignment, headquartered in Sydney, Australia and servicing clients around the globe.

Peter completed his doctoral research on leadership transformation and this research was featured as an article in the Harvard Business Review. He is also the author of *Leadership Transformed: How Ordinary Managers Become Extraordinary Leaders*, published internationally in August 2013.

For more information on TAP or Peter go to www.tap.net.au

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IT'S NEVER BEEN MORE CHALLENGING TO LEAD

Figure 1 below is a simple 'word map' analysis of how the 5000+ leaders we have worked with and studied over the years describe the greatest challenges they face. The bigger the word, the more prevalent their sentiment.

Figure 1. Leader Challenges Word Map A



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Clearly, we are leading in an increasingly volatile and chaotic business world driven by the relentless march of new technologies, the radical disruption of traditional business models, unrelenting public scrutiny, increasing accountability to more powerful and varied stakeholders, and the public failure of major institutions, to name just a few. The resulting chaos means it's never been more difficult to lead. It's also never been easier to blame external forces for under-performance in our organizations, or disorder in our personal lives.

Figure 2. Leader Challenges Word Map B



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Take a closer look at the word map in Figure 2. If we strip out the elements from the original version that are mostly out of our control, we are still left with more than half of the original content.

All of us must lead amid the chaos, yet some succeed and others fail. That is because some leaders take this chaos and dance with it, learn from it, and adapt to it. Many of us take this chaos and unwittingly create more chaos. The cost is not just unrealized value for our organizations, but lost time with our loved ones, broken relationships, enormous stress, and diminished health.

Before you get too despondent, understand that I'm not describing hopeless leaders or broken organizations. Our sample of leaders comes from more than 100 organizations, across the broadest range of industries, and includes some of the world's most reputable brands.

In fact, the very best leaders have an additional challenge in my experience: success encourages ego, ego tends to encourage complacency, and in a world where nothing stands still for very long, complacency is usually followed by atrophy.

Recently I was challenged by a leader grappling with the chaos in his environment who said to me; "I know we're doing lots of really great things, and I suspect we're doing some dumb things. The trouble is I'm not always sure which is which until it's too late. Your stories of success are great, but what I would really appreciate you talking to me about is failure. How do I recognize the things that are costing me time and money much more quickly?" His provocation inspired this white paper.

Think of your organization as a snowball, where the goal is to create unstoppable momentum toward your noble intentions. What inhibits your snowball is friction and drag. In our research and practice, we have uncovered four major sources of friction and drag that result in value destruction and leader exhaustion.

"Many of us take this chaos and unwittingly create more chaos."

FRICION SOURCE #1: WE ARE USING A SET OF BELIEFS AND ASSUMPTIONS THAT NO LONGER SERVE US

There are many leadership assumptions that destroy value and exhaust us in the process, but I will focus on the two most destructive. The first is that “change can be managed.” Please be crystal clear on this point: change management is an oxymoron. It is underpinned by notions of predictability, safety and control. Its primary tools are the change manager, the change team and the change plan. But in the immortal words of the great poet and pugilist, Mike Tyson: “Every man has a plan to beat me, until I punch him in the face.”

Leading in the 21st century means we will be metaphorically ‘punched in the face’ many times because change is the only constant in our organizations. As a result, leading change must be the day job of an organization’s most senior leaders, starting with the CEO, not a group of delegates. Change cannot be managed, it must be led. And if you think the difference is semantics, then I suspect more chaos is on your horizon.

The second destructive assumption is that in order for people to change, we must instill in them a sense of urgency and fear. This is often colloquially referred to as a *burning platform*.

A leader’s use of fear inducing strategies can be as much a sign of limited leadership capability as it is a sign of genuine and urgent crisis. After all, it’s much easier to scare the life out of people, than it is to inspire them with a compelling vision of the future.

So before you light a fire under those you lead; understand that anxiety is the single most contagious human emotion. It encourages many physical and psychological consequences that turn chaos into more chaos. If you want people to act on your vision, you need to create a *burning ambition*: a fire from within.

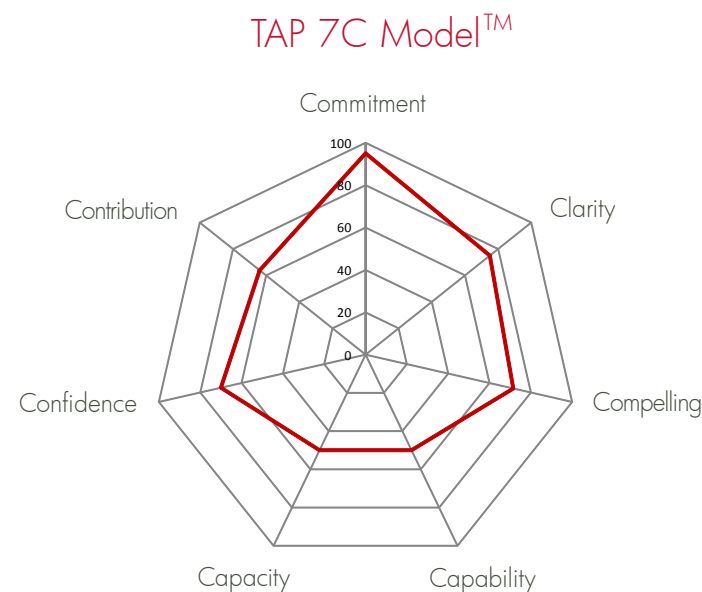
FRICION SOURCE #2: WE'RE VERY COMMITTED, BUT ARE NOT QUITE SURE WHAT WE'RE COMMITTED TO

We all have goals for our organizations, which I refer broadly to as aspirations. In the early days, I used to think it would be really difficult to get a group of senior leaders to agree a shared aspiration. As it turns out, this is not too difficult at all. Most leaders aspire to pretty similar things. In fact, if I showed you the aspiration statements of every client we’ve ever worked with, you would be hard pressed to determine their respective industries, let alone organizations.

The real challenge is that we don’t properly scrutinize our aspirations. Specifically, is every single person in your organization crystal clear on what success looks like? Are your aspirations compelling? Do you actually have the capability to get there? Do you have the bandwidth? Are you all confident you can get there? Are you all truly committed to this aspiration? Are you clear on your personal contribution?

The ‘7C’ model below shows how all of the clients in our database, in aggregate, have rated their aspirations against seven key dimensions. It turns out that we’re super committed; we’re just not sure exactly what we’re committed to, how we’re going to get there, or what our personal contribution is.

Figure 3. TAP 7C Aspirations Data



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Take this simple 7C test with your colleagues. If you are not all scoring in the 90%+ range on all seven dimensions, then you are leaving real stakeholder value on the table, and probably exhausting many in the process.

“You need to create a
burning ambition: a
fire from within”

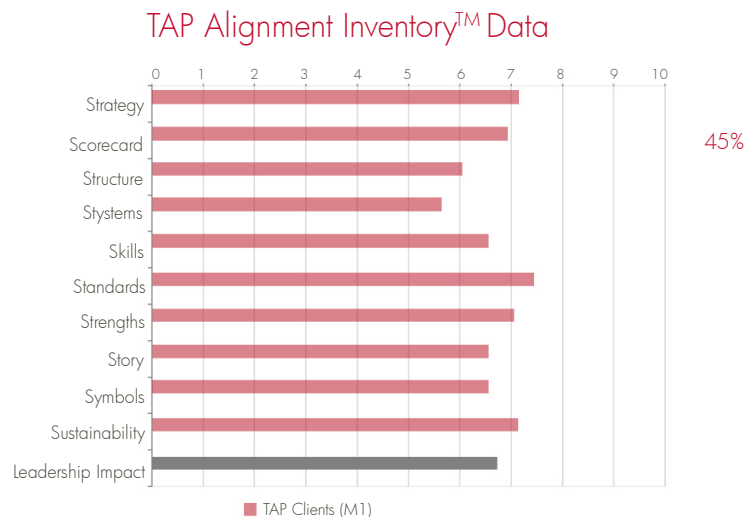
FRICION SOURCE #3: WE ACCEPT MEDIOCRITY

Let's assume for a moment that you are very clear on your aspirations. Our research and practice has identified eleven levers that leaders can pull to get there. Five are so called 'hard' levers: strategy, scorecard, structure, systems, and skills. Five are so called 'soft' levers: standards, strengths, story, symbols, and sustainability. The eleventh lever is leadership impact: this lever is as important as all the others combined: it acts like a handbrake or accelerator (I expand on this later).

Each of the 'S' levers is worth one point in our alignment model (though I have represented each lever out of ten in the graph below for visual impact). The leadership impact lever is worth ten points. So your alignment score is $S10 \times L1$, which gives you an alignment score out of 100.

Below is the first measure of alignment for all of the companies in our data base. That is, the measure of how aligned each of the eleven levers is to the respective company's aspirations in the opinion of the organization's most senior leaders. As you can see, the average score for most levers hovers between 6 and 7, which is how we get to an average alignment score of 45% ($S6.7 \times L6.7 = 44.89\%$).

Figure 4. AI Test Data



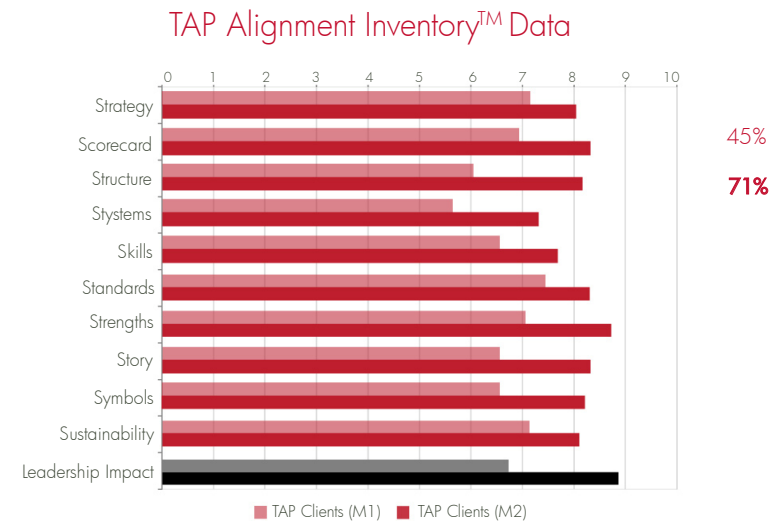
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I recently conducted this same alignment measure in a room of 50 CEOs from multinational companies. The average alignment score across these 50 companies, from the broadest range of industries and sectors, was 43%. My guess is that your first measure would be pretty similar.

How can we complain about the marketplace or head office when we score, on average, 6 or 7 across all of these levers? My provocation to you is that we are accepting mediocrity in our organizations.

Below is the 're-test' data for the companies in our database who have achieved transformation status; that is, a case study showing significant improvements across a range of metrics including financial performance, customer advocacy and employee commitment. As you can see, relatively small changes across each of the levers can add up to a pretty significant impact overall.

Figure 5. AI Re-test Data



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These organizations are led by people who have learned to dance with the chaos, professionally and personally. They have also raised standards for themselves and their colleagues; mediocrity is no longer accepted. These opportunities are available to all of us.

"How can we complain about the marketplace or head office when we score, on average, 6 or 7 across all these levers?"

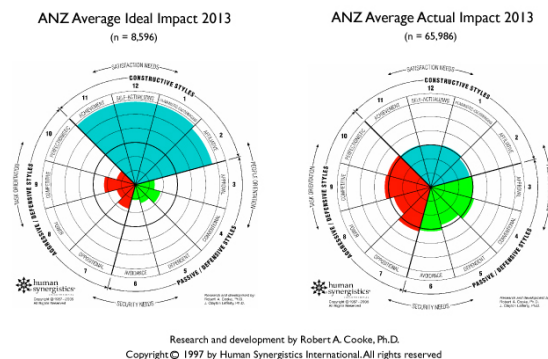
FRICTION SOURCE #4: THERE IS A GAP BETWEEN OUR LEADERSHIP VISION AND OUR IMPACT ON THOSE WE LEAD

One of the forefathers of leadership thought, James MacGregor Burns, famously declared that "leadership is one of the most observed and least understood phenomena on earth." Over the last hundred years, leadership thought and practice has traversed the varied terrains of charisma theory, behaviour theory, as well as situational and contingency approaches. It's all very confusing for leaders and change agents alike.

Here's the short path through this chaos. It doesn't matter what your noble intentions are, whether you're an introvert or an extrovert, or whether your mother loved your brother more than you as a child. In order to dramatically increase your effectiveness, what we need to know are three simple things: How would you like to motivate and encourage others to behave? How are you actually motivating and encouraging others to behave? And if we discover a gap between your intentions and reality, are you interested in doing something about it? This is the concept of leadership impact.

When leaders are asked to articulate their vision for their impact, they generally articulate a desire to motivate and encourage team members to reach high levels of achievement, approach their work with creativity, develop others and work effectively as a team. When we measure their actual impact, which we do using a highly valid and reliable instrument developed by Dr. Rob Cooke of Human Synergetics International called Leadership/Impact™, we find they often motivate a very different set of behaviours. These behaviours include encouraging others to follow the rules, oppose ideas, compete with their peers and avoid responsibility. In other words, we are taking the chaos and creating more chaos. Figure 6 below is a graphic representation of the gap I'm describing. On the left is the average 'ideal' impact. On the right is the average 'actual' impact.

Figure 6. Average ANZ Ideal Impact data Vs. Average ANZ Actual impact data 2013



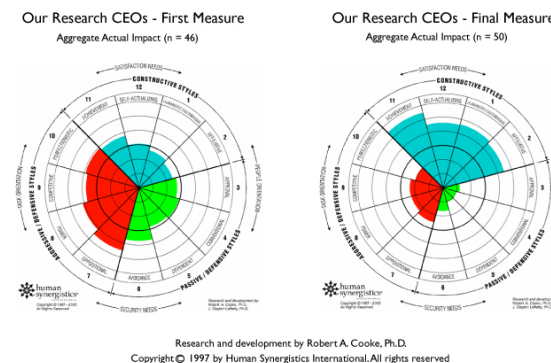
There are three main reasons for the gap. Firstly, two thirds of all leaders are unaware of their impact on others. This can be because they have never asked, because people are too afraid to tell them, or because nobody in that particular environment knows any better.

Secondly, we judge ourselves by our intentions and everyone else by their actions. This is a phenomenon social scientists call 'illusory superiority'; a cognitive bias that causes people to overestimate their positive abilities, and to underestimate their negative abilities. The very same reason that 93% of us believe we are above average drivers!

Finally, we are the product of our environments and conditioning. I may genuinely value creativity and innovation, but I operate in an environment that demands compliance. In spite of my noble intentions as a leader, consciously or unconsciously, I actually reinforce the status quo.

Figure 7 below is the 'test/re-test' data for the leaders in our doctoral research. On the left, you can see that their first measure, in aggregate, is even worse than the average of all leaders in the database. On the right, you can see that their re-test data looks like an 'ideal' impact. Once again, these leaders have learned to dance with the chaos and, as you can imagine, their world feels very different today than it did then. This shift looks dramatic, and in many ways it is, but it can be achieved in as little as 12 months.

Figure 7. Aggregate Impact Data for CEOs - First Measure Vs. Final Measure



"We judge ourselves by our intentions and everyone else by their actions."

TO DANCE WITH THE CHAOS, YOU NEED A BIG BRAIN AND A SMALL EGO

The chaotic world in which we now live and work offers us readymade excuses for underperformance in our organizations, and varying degrees of disorder in our personal lives. But as you've probably determined from the four sources of friction and drag, much of this pain is self-inflicted.

We do not have to settle for mediocrity or exhaustion. These are choices we are making, consciously or unconsciously. There is a better way, and relatively small changes can have a profound impact on your organization, your leadership and your personal life.

The challenge is not whether you are succeeding or struggling, because in a highly changeable world, one can become the other quite quickly. The real challenge is, in the words of the legendary basketball coach John Wooden, "Are you good enough to get better?"

Below are some resources to help you on your journey. All but the book and HBR article are free to access.

Overview & Resource Hub

Blog: 'An Obsession with Transformation': <http://www.peterfuda.com/>

YouTube Channel: <http://www.youtube.com/user/PeterFuda>

Friction Source #1

White Paper: 'Why Change Efforts Fail': http://www.tap.net.au/resources/TAP_WhitePaper_WhyChangeEffortsFail.pdf

Blog: 'Why 'Change Management' is an Oxymoron': <http://www.peterfuda.com/2012/10/29/why-change-management-is-an-oxymoron/>

Blog: 'From Burning Platform to Burning Ambition': <http://www.peterfuda.com/2012/06/28/from-burning-platform-to-burning-ambition/>

Blog: 'Tim's story: From 'pants on fire' to Earth Hour': <http://www.peterfuda.com/2012/08/07/tims-story-from-pants-on-fire-to-earth-hour/>

Media: 'The five 'enabling assumptions' of successful change': http://www.hrdaily.com.au/nl06_news_selected.php?act=2&stream=0-8b&selkey=1277&hlc=2&hlw

Friction Source #2 & #3

White Paper: 'Organisational Transformation: Creating Alignment from the Outside-In': http://www.tap.net.au/resources/TAP_WhitePaper_OrganisationalTransformation.pdf

TAP Alignment Model: <http://www.tap.net.au/our-practices/organisation-transformation>

TAP Case Studies of Transformation: <http://www.tap.net.au/case-studies>

Friction Source #4

Book: 'Leadership Transformed - How Ordinary Managers Become Extraordinary Leaders': <http://www.peterfuda.com/book/>

HBR Article: 'Fire, Snowball, Mask, Movie: How Leaders Spark and Sustain Change': <http://hbr.org/2011/11/fire-snowball-mask-movie-how-leaders-spark-and-sustain-change/ar/1>

ChangeThis Manifesto: 'From Burning Platform to Burning Ambition; How Leaders Sustain Change': <http://changethis.com/manifesto/show/110.06.Leadership-Transformed>

White Paper: 'Leadership Transformation: Creating Alignment from the Inside-Out': http://www.tap.net.au/resources/TAP_WhitePaper_LeadershipTransformation.pdf

7 Metaphors for Leadership Transformation and Leader Case Studies: <http://www.tap.net.au/our-practices/leadership-transformation>

Metaphor Animations on YouTube (Fire, Snowball and Mask): <http://www.youtube.com/user/PeterFuda?feature=watch>

Online Tools and Resources for Leadership Transformation: <http://www.peterfuda.com/leadership-transformed/>

Media: 'Ten rules for being a better leader': http://www.afr.com/p/national/work_space/ten_rules_for_being_better_leader_gJJPvIHdKlCBGmVCRcnGkl

"Are you good enough to get better?"