AN ESSAY

The Anatomy of Corporate Failure

And what the few companies that get it right do differently

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I gave a talk last week at the Balkan Business Forum in Belgrade under this title. No slides — just thirty minutes and four ideas. Several people asked for a written version to share with their teams, so here it is.

I want to start with a confession, because it is the hinge of everything that follows.

Over forty years in HR — twenty at Unilever, fifteen as CHRO across Royal KPN, DSM and ING, and the last six working alongside CEOs and CHROs on the acceleration of value creation — I have helped build many leadership programmes. Dozens. The best of them, naturally, were the ones I designed myself.

Almost none of them worked.

I do not mean the participants were unhappy. Most of them gave good scores. I mean they had no measurable effect on engagement, and no measurable effect on company performance. They were enjoyable, which in a corporate context is not nothing, but it is also not much.

There was one exception. At ING we built a programme called Think Forward Leadership. It did move engagement. It did show up in performance. And the reason it worked is, in retrospect, embarrassingly simple. It focused on the skills and competencies of managers. Not on their self-awareness. Not on their resilience. On whether they could actually do the job of managing people.

That observation, which I paid a great deal of money to learn, is one of the two things I want to leave you with. The other is a number: **twenty-five**.

Twenty-five percent. That is the share of corporate transformations, in the most recent serious studies, that actually hit their stated targets. Three out of four miss. The average tenure of a newly appointed CEO before being replaced for disappointing results is now around eighteen months.

I have spent the last six years trying to understand why. Not in the abstract — sitting with the CEOs and CHROs of companies as they go through it. What I want to do here is take you inside that. Four ideas. If you remember three of them, this will have been a good use of your time.

The first failure: activity without impact

Let me start with a story that is not from any one company, because it is from almost every company.

A new CEO arrives. Or an existing CEO senses pressure from the board, from the market, from investors who want to see something. The company launches a transformation. There is a kick-off, a name, a tagline, sometimes a colour. There is a programme management office, a culture component, a digital workstream, a sustainability workstream, a leadership workstream. Within twelve months there are typically between forty and one hundred and fifty active initiatives running across the company, each with its own steering committee, each with its own dashboard, each demanding a slice of the same finite attention of the same finite people.

I once sat with a top team that, when we counted, had two hundred and seventy-three active strategic initiatives. For a company of about twelve thousand people. The CEO, an extremely capable man, asked me with genuine curiosity why execution felt so slow.

That is what I mean when I say activity without impact. It looks like work. It feels like work. It produces an enormous quantity of slides, of updates, of meetings, of well-meaning effort. And it doesn't move the share price. It doesn't move customer relevance. It barely moves anything except the schedules of the people doing it.

Why does this happen? Not because the people running these companies are stupid — they are usually highly capable. It happens because of something I think of as the human condition at the top of organisations. People who reach the top of large companies operate at a higher clock speed than most people around them. They process faster, decide faster, get bored faster. Companies need them; without that energy nothing happens at all. But they have one consistent blind spot. They vastly overestimate their organisation's capacity to absorb change while continuing to serve customers.

So they layer initiative on top of initiative, change programme on top of change programme, all of it stacked on the ordinary business of running the company. And the organisation, being made of people and not of slides, eventually does what overloaded organisations do. It slows down. It defends itself. It performs change theatre upward to the board while the real work, the work that actually serves customers, gets crowded out.

This is what the Oliver Wyman data captures. This is what the AlixPartners data captures. Twenty-five percent of transformations hit target. Three out of four miss. And the CEO who launched them is gone in eighteen months.

The first cause of corporate failure, then, is initiative overload. Doing too much. Mistaking activity for value.

> *If you take nothing else from this article, take this: the question is never what should we add. The question is always what are we prepared to stop.*

The second failure: talent treated more carelessly than capital

The second cause of failure is more subtle, and I find people particularly resistant to it.

Every company has two forms of capital it can deploy when it wants to win, or recover, or change direction. Financial capital. And talent capital. Money, and people. These two forms of capital are treated radically differently, and the difference is the second great hidden cause of corporate failure.

When a CFO is asked to back an investment — a new factory, an acquisition, a market entry — there is a discipline that kicks in automatically. Every risk is named. Every assumption is interrogated. Three scenarios are modelled. The deal team is asked, in effect, to *prove themselves wrong* before they are allowed to be right. A well-understood risk can be managed. An ill-understood risk will overwhelm you.

Now think about how the same company makes its talent decisions.

We identify someone we like. They have a strong track record. Maybe they are a bit of a rock star. They are charming in the room. We are warm towards them — quite often, frankly, because they remind us of ourselves at an earlier stage of our career. And we appoint them to a role that is, in business terms, a major bet. Not infrequently, the bet on which much of the strategy actually depends.

And we do not ask what would overwhelm them. We do not name the specific risks of this person, in this role, against these priorities. We do not have a serious conversation about what needs to be in place around them for them to succeed. We have what I think of as the *great-person* approach. They are great. It will work out.

It frequently does not work out. Projects fail. Promising people underperform, often in ways that wreck their confidence and damage their careers. And then we explain it afterwards in terms of personality, or fit, or politics — anything except the basic discipline we forgot to apply.

> *Money flows to opportunity wherever it sits in the company.*
> *Talent flows to hierarchy.*

Money moves toward where the value is being created. Talented people move toward where the title is most senior. And — this is the painful bit — those are very often not the same place. The new value sits in roles that are sometimes three or four levels down. The hierarchy points everyone in a different direction.

I have watched extraordinarily expensive transformations fail because of this single mismatch. The five-billion bet was made. The risk on the financial side was meticulously worked. And the role on which delivery actually depended was given to a senior person who looked impressive in a room, with no examination of whether the combination of person plus role could actually carry the load.

This is the second cause of failure. Talent allocation that lacks the rigour of capital allocation.

A better way: think bigger, start smaller, move faster

If those are the two great patterns of failure — initiative overload, and undisciplined talent allocation — what does success look like?

The operating logic we use in the work I do now with CEOs has three parts. It sounds almost insultingly simple.

The Value Agenda. Across every industry, every geography, every market cycle, we find the same pattern. The strategy of any company can be distilled, without losing any of its substance, into four or five places where value actually gets created. Four or five, not forty. We call them *value hotspots*. They are where eighty percent of future enterprise value sits. Within each hotspot, no more than five priorities will actually do the work of creating the value. So across the whole company, the agenda that matters — the agenda the CEO and the top team should be losing sleep over — is roughly twenty priorities. Not two hundred and seventy-three. The hardest thing in this exercise is not finding the twenty. The hardest thing is being willing to publicly stop doing the other two hundred and fifty.

Critical Roles. Underneath the twenty priorities sit the roles that actually have to deliver them. Here is one of the most counter-intuitive findings of the work. Across hundreds of cases, the roles that do the heavy lifting of value creation are typically fifteen to twenty in number, and they are very often *not* the most senior roles in the company. They are sometimes head-of-this-or-that roles. They are sometimes operational roles in a key region. They are sometimes deeply technical roles two or three layers below the C-suite. They are the roles where if the incumbent is excellent, the priority moves; and if the incumbent is mediocre, the priority dies. Most companies do not know what their critical roles are. They could not name fifteen if you asked them. They could name fifty senior roles, but those are not the same thing.

Mobilization Plans. For each of those critical roles, paired with the actual human being in it, we do the thing that gets done routinely on the financial side and almost never on the talent side. We ask, with real rigour, *what is the risk?* What in the combination of this person, in this role, against these priorities, could overwhelm us? And what specifically — coaching, decisions, sponsorship, support, the design of the role itself — needs to be in place to make it work?

That is the entire trinity. Value Agenda. Critical Roles. Mobilization Plans. Twenty priorities, twenty roles, twenty plans. And what we find, again and again, is that companies that do this with discipline cut their time-to-value — the time between making a strategic commitment and the market actually seeing it in the numbers — by something between forty and sixty percent. Not because they are working harder. Because they have stopped working on the things that were never going to matter.

One thing more, because it gets misunderstood. None of this replaces Programme Management Offices and Culture Change Programmes by adding a fourth thing. *It replaces them.* The PMO of three hundred dashboards is the disease, not the cure. The culture refresh of seventeen workstreams is the disease. The mistake in most transformations is that the architecture designed to manage the change is heavier than the organisation can carry. The work of leadership is not to add the trinity on top. It is to use the trinity to clear the deck.

Think bigger about what matters. Start smaller in what you actually do. Move faster because there is less in the way.

The hidden engine: managers

I would not have written this if I let the article end there, leaving you with the impression that the trinity alone is enough. It is not.

Let me come back to the confession I started with. For most of my career I built leadership programmes that did not work. And then we built Think Forward Leadership at ING and it did work. I have spent the years since trying to understand the difference. Here is what I have concluded.

The programmes that fail share a curious feature. They are usually aimed at *senior leaders*. Top two hundred. Top five hundred. People who already know how to give a strategy speech and already have offices with windows. The programmes are intellectually stimulating, emotionally rich, sometimes genuinely transformative for the individual participant. They do not change company performance because the people in them are not the people whose daily behaviour determines whether ten or twenty thousand other people are well-managed.

The programmes that work are aimed at *managers*. Front-line and middle managers. The thousands of people who, every Monday morning, sit across from another human being and have a conversation about work. That conversation, when you add it up across the company, is the actual operating system of the business.

The Gallup data is now overwhelming on this point. Managers account for roughly seventy percent of the variance in team engagement. Not the CEO. Not the values poster. Not the wellbeing app. The manager. And engagement, when it is real and not surveyed-into-existence, correlates closely with productivity, with retention, with customer satisfaction, and ultimately with operating performance.

This is why Think Forward Leadership worked. It was not a personal development programme. It was a *capability* programme. It taught managers a very specific practice: a continuous performance conversation with each of their direct reports, structured around four questions that anyone reading this can remember and that most managers in the world cannot consistently answer.

> 1. *What am I supposed to be doing — how does the company strategy translate into my deliverables?*
> 2. *How am I actually doing — am I delivering or not, and how do we know?*
> 3. *What needs to change — what is getting in the way, what should I stop, what should I start?*
> 4. *What are the actions — what do I do this week, and what will you do?*

That is the whole performance management practice. It fits in a manager's head. The engagement survey we ran after we embedded it showed a sharp uptick in how employees rated their managers. Not how they rated the bank, or the CEO, or the strategy. How they rated their direct manager. And that, in turn, showed up in the harder numbers.

Sit with what this means. If twenty critical roles drive eighty percent of value creation, and the heavy lifting of any of those roles is done through the manager-to-employee conversation, then the daily quality of conversations between managers and their people is one of the most under-managed strategic assets in your company. Probably the most under-managed.

Most companies fix the strategy slide and leave the conversations alone. The companies that win do the opposite.

If you are a CEO, here is how I would put it. You can have the cleanest Value Agenda, the sharpest list of critical roles, the most rigorous mobilization plans. If your managers cannot have a competent weekly conversation with their people about what to do, none of it will survive contact with reality. The trinity will sit on a shelf, and the company will revert to mean. The moment, every week, where strategy meets execution is the conversation between a manager and their direct report. That is where it lives or dies.

If you are a CHRO, this is your seat at the table. Not the engagement survey. Not the wellbeing app. The competence of every manager in the company to drive a real conversation about work, every week, with every person who reports to them.

Who owns this

Value creation is the one responsibility the top team of a company cannot delegate. Running the existing business — running the trains, serving the customers, paying the suppliers — can and should be delegated through the layers. But value creation, in the sense of making the company more relevant to its customers and to its investors than it was last year, sits with the CEO and the top team. Nobody else can own it.

Within the top team, the CEO has two strategic partners. Not three. Not seven. Two.

The CFO, who allocates and deploys the financial capital. And the CHRO — or whatever we choose to call that role next — who allocates and deploys the talent capital.

Those are not support functions. Those are co-leaders of the company. In most companies the CFO has long since claimed that seat. In most companies the CHRO has not. The CHRO is still running an engagement survey, still organising the offsite, still building yet another competency model. And the CEO, who needs a co-leader on the talent side just as much as on the money side, is doing the talent work alone or, more honestly, not doing it at all.

This is the great unrealised opportunity in corporate leadership. The day the CHRO claims the same seat at the value-creation table as the CFO is the day a great deal of the failure I have been describing here stops happening.

The four ideas

Four things to take away.

One. Most transformations fail because companies take on more than they can carry. Initiative overload is the primary disease of large organisations. The work of leadership is not to add — it is to subtract.

Two. Talent decisions in most companies are made with far less rigour than financial decisions. Until that changes, the people on whom your strategy actually depends will continue to be set up to fail.

Three. There is a better way, and it is unfashionably simple. A small Value Agenda. A small set of Critical Roles, often surprisingly junior. A small number of Mobilization Plans that genuinely engage with the risks. Think bigger, start smaller, move faster.

Four. None of it survives contact with reality unless the managers in your company can have a real, weekly, four-question conversation with each of their people. Manager quality is the single largest driver of engagement, and engagement is the single largest leading indicator of performance. Every transformation that ignores that fact will, eventually, become a case study in corporate failure.

I started by saying that the leadership programmes I built mostly did not work. The one that did was the one that focused on whether managers could actually manage. After forty years that is, embarrassingly, the most important thing I know.

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