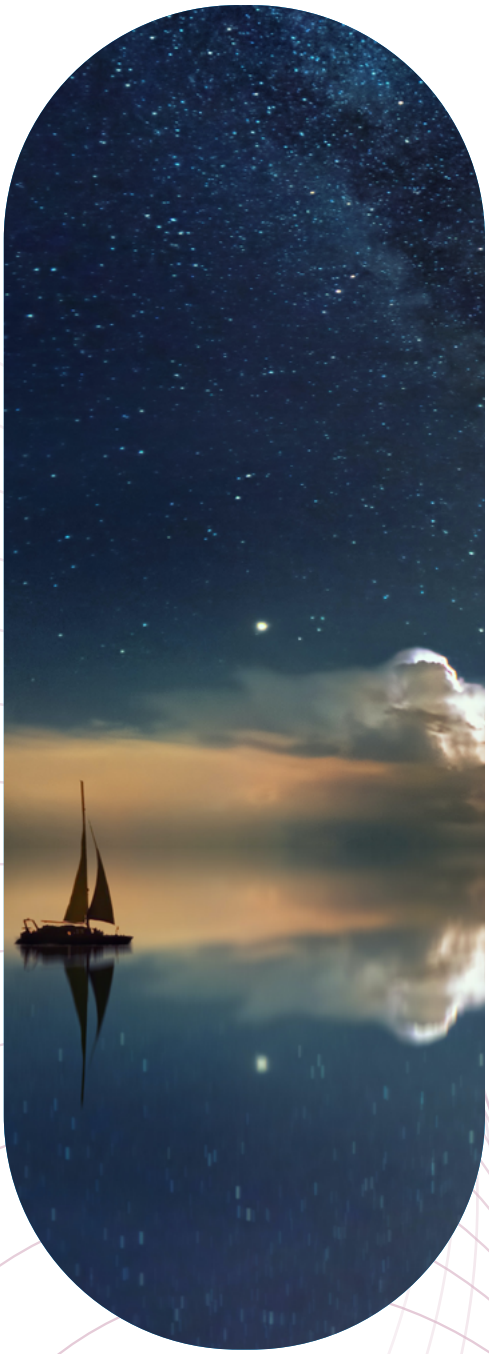
Increasing the probability of success

Redefining Views on Risk

Skarbek ASSOCIATES

#Clearly Focused

Intro



We don't know what the future holds - it certainly looks riskier and more uncertain than ever.

Our imperative is still to deliver sustainable business growth, often through innovation or transformation. But, faced with additional risk, how can we increase the probability of success?

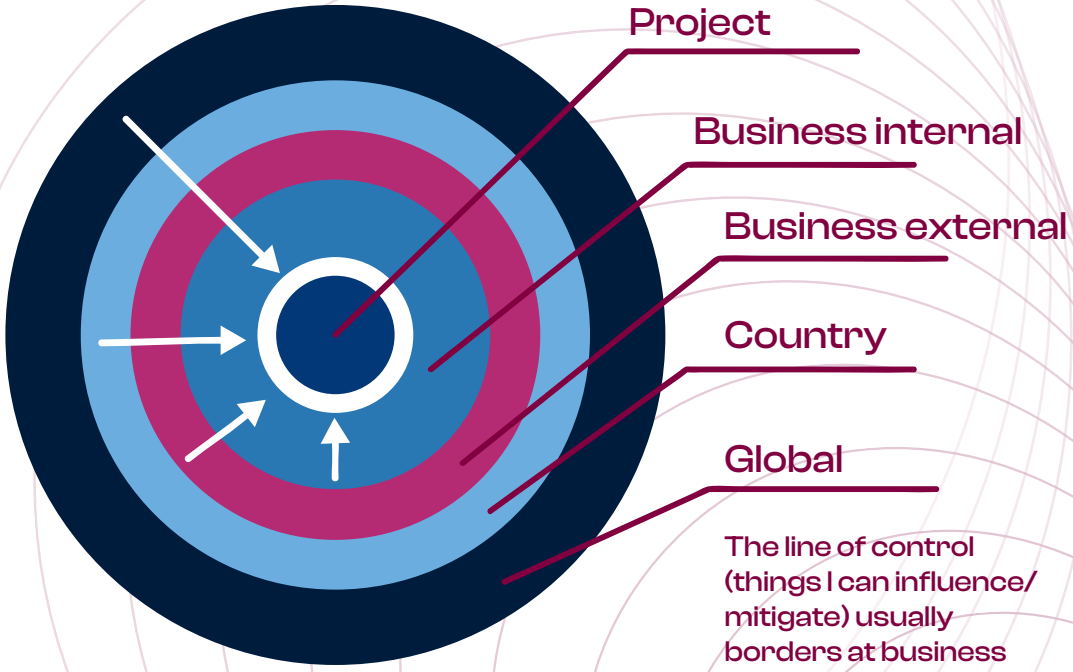
In this first of a series of three articles on risk, we will share insights on how we can think differently about risk and how we can adapt our mindset to be more equipped to better manage risk. Providing simple, powerful concepts that not only change the language and conversation about risk, but also the outcome of a project. Whether you are a middle to senior level leader working to deliver innovation or transformation in an international company, or a start-up business owner striving to grow your company, this will undoubtedly have relevance to you.

1 The context - two risky situations; a wrong call on both

Many countries had the risk of a respiratory pandemic high up on their risk maps, however most governments took little opportunity to mitigate that risk. Russia amassed a massive army on the border with Ukraine, but few governments considered the risk and probability of war as high. Business has been impacted negatively by both these crises, particularly as they arrived in close succession. A pandemic we knew was a high probability and Russia invading Ukraine many felt was low or no probability. Neither were mitigated at a national level and little was done by most firms. Despite being tectonic geopolitical events, the ripples spread all the way to daily operations of many organisations. The Pandemic emerging in China had an almost immediate impact on supply chains. One client had spent some time optimising its supply chain to a lower cost base with an increased dependence on Chinese suppliers. Suddenly, what had been a smart competitive strategy looked like a bad decision as it sought to re-route supplies. Transformation programmes, in-flight innovation projects and other strategy execution initiatives are also not immune. In Fig 1.0 below, we see the layers of risk that could interact with key initiatives.

Fig 1.0 The Risk Onion

A project might be impacted by internal risks (technical), business external risks (delisting) and event global PESTLE*, such as supply chain materials disruption



***PESTLE** - Political, Economic, Social, Technological, Legal and Environmental factors

With such catastrophic events fresh in our minds, now is a good time to look anew at risk. BUT, in doing so, how do we avoid the potential side effect of becoming more risk averse and possibly inflicting self-harm to our growth strategies? Many would desire to be less risk averse and have greater certainty of delivering their sustainable growth objectives.

2 Why don't we engage with risk more proactively?

Most firms have a risk register at business unit level, as do many projects. Few are empty; risks have been assessed and often actions that will mitigate the risks have been identified. Our relationship with risk is influenced by the fact it is something that might happen. We often speak about how **probable** a risk is and the impact.

There are two key factors to consider here:

> The first is that even low probability provides no inoculation effect once the event happens.

> Secondly, the way our brains consider something that MIGHT happen.

In daily work, we have many issues to deal with – tangible, real matters that demand time and attention. They often dominate our mind space and problem-solving capacity. Our brains are wonderful machines, superb at both sub-consciously and consciously helping prioritise what to devote mind space to. Whilst we may acknowledge the value in asking the question "what are the risks", we don't like the answer when the response is a list of bad things that can happen, and our wonderful innovation suddenly seems surrounded by Wagnerian clouds and lightening. Responses can range from 'let's minimise the risk for the board, management team, governance meeting', to distancing ourselves from something that might go wrong or, to 'let's just carry on and see how it goes'? **The consequence of both points is that we are biased against engaging with risk positively.**

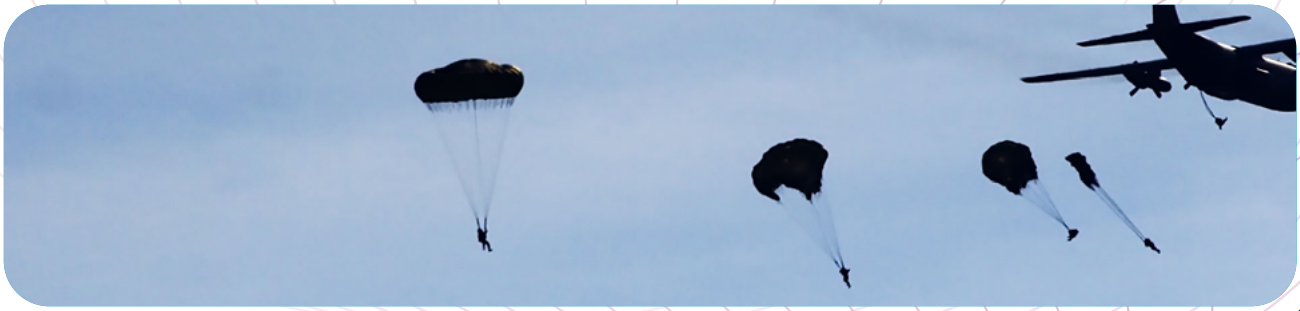
GO TO THE TOP

3 Changing how we view risk to increase the probability of success

There must be and there is another way to look at this. Admiral Bill McRaven was the commander of US Special Operations Command, a US Navy SEAL with 37 years of experience. As a young officer, he was fascinated with the question **'why are special operations successful and can we identify common factors and themes?'** Thus begun a doctoral thesis: "The Theory of Special Operations" and a later book: "Spec Ops"*, in which he undertook a retrospective analysis of dozens of Special Operations. To try and make sense, he mapped in **graph** format each **operation as events unfolded over time** and what happened to the **probability of success.** These graphs provide useful perspective on the objectives that when accomplished increased the probability of success.

** "Spec Ops: Case Studies in Special Operations Warfare: Theory and Practice"*

Let's step back and consider what is being attempted. Special Forces by their nature are small teams, most often heavily outnumbered by the enemy and made even more vulnerable by operating deep behind enemy lines a long way from easy support and assistance. This is high risk stuff. McRaven's analysis highlighted that each SF mission focused on a few objectives that, if achieved as early as possible in the mission, would increase the probability of success and pass a point on the graph he termed the **'Relative Superiority line'**, where the much smaller force was now much more likely to succeed than fail in it's mission.



GO TO THE TOP

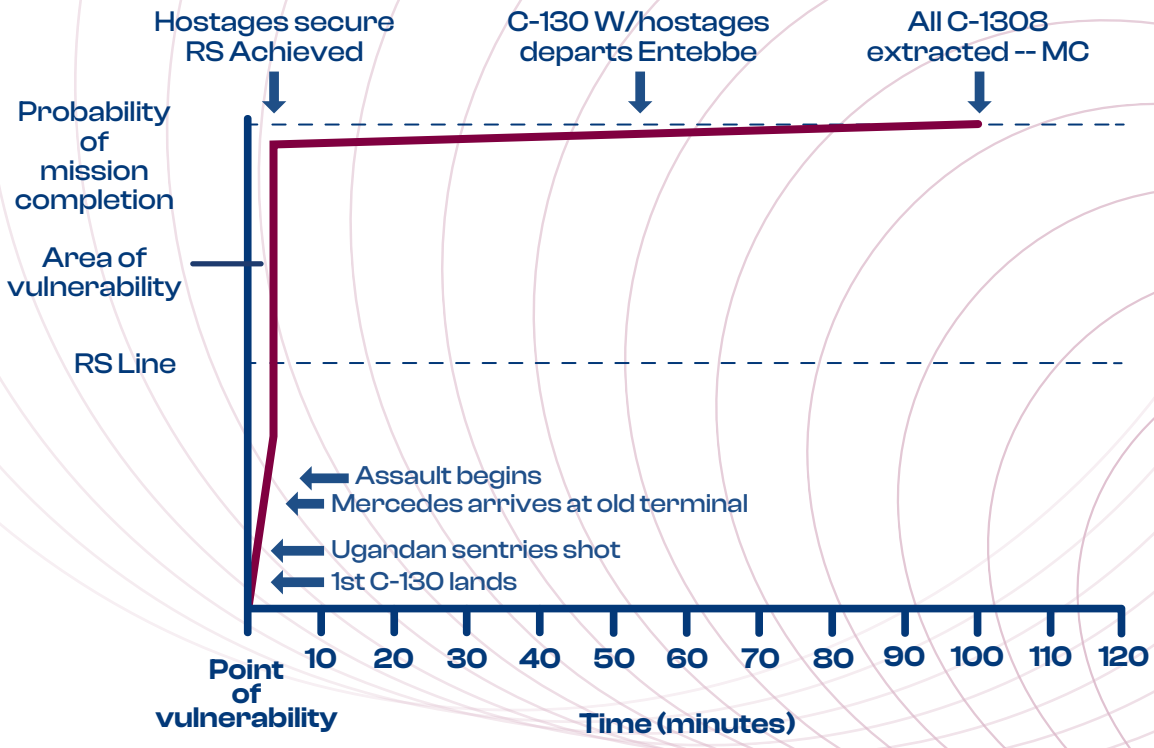
4 Special Forces example - Entebbe

To illustrate the concept, let's look at an example from McRaven's thesis and book; the Israeli Special Forces raid on Entebbe.

On 27 June 1976, Air France flight 193 bound from Lod in Israel to Paris, France, was hijacked as it departed Athens, Greece. It was diverted to Entebbe in Uganda where two Popular Front for the Liberation of Palestine (PFLP) and two German Revolutionary Cell terrorists were joined by another three Palestinian terrorists. Although some hostages were released, 103 hostages were kept under guard by the terrorists in the Old Terminal Building at Entebbe airport. Idi Amin, the president and dictator of Uganda and a critic of Israel, had provided soldiers to create an outer cordon guard around the Old Terminal building where the hostages had been moved to.

The Israeli government tried to negotiate unsuccessfully, but also asked the Israeli Defence forces to prepare a plan to rescue the hostages. The high-risk plan was approved and at 2301 hours on 3 July, Israeli commandos landed at Entebbe, killed the terrorists and rescued the hostages. To achieve mission success they overcame multiple challenges including: flying four C-130 Hercules military transport planes 2,500 miles with the rescue force, vehicles and equipment without being compromised; landing the aircraft at Entebbe airport at night; breaching the outer cordon of Ugandan soldiers guarding the Old Terminal; gaining entry to the Old Terminal building; surprising, identifying and neutralising the Palestinian and German terrorists; securing the hostages; destroying Amin's air force at Entebbe to prevent follow up and safely reembarking the hostages and rescue force on the aircraft, before returning 2,500 miles to Israel safely. The copy of the **relative superiority graph** that McRaven used to analyse the raid (Figure 2 below) illustrates the concept.

Fig 2.0 Bill McRaven's Relative Superiority Graph for the Israeli hostage rescue at Entebbe



Increasing the probability of success

GO TO THE TOP

"(They) succeed when they focus on few objectives and concentrate on achieving them as quickly as possible"

On McRaven's graph, the X-axis is 'Time' and the Y-axis is the 'Probability of [mission] success'. McRaven termed the 'Point of Vulnerability' (PV) as the point in a mission when the attacking force reaches the enemy's first line of defences [sic]. At this point, the frictions of war (chance, uncertainty and the will of the enemy) risk impinging upon the success of the engagement. Within 3 minutes of landing, the assault on the Old Terminal began and at this time the Israeli commander Yoni Netanyahu was shot and his deputy took over. With an intense focus on two key objectives in less than ten minutes from landing, the probability of success jumped to >90% as hostages were secured and the terrorists were all killed.

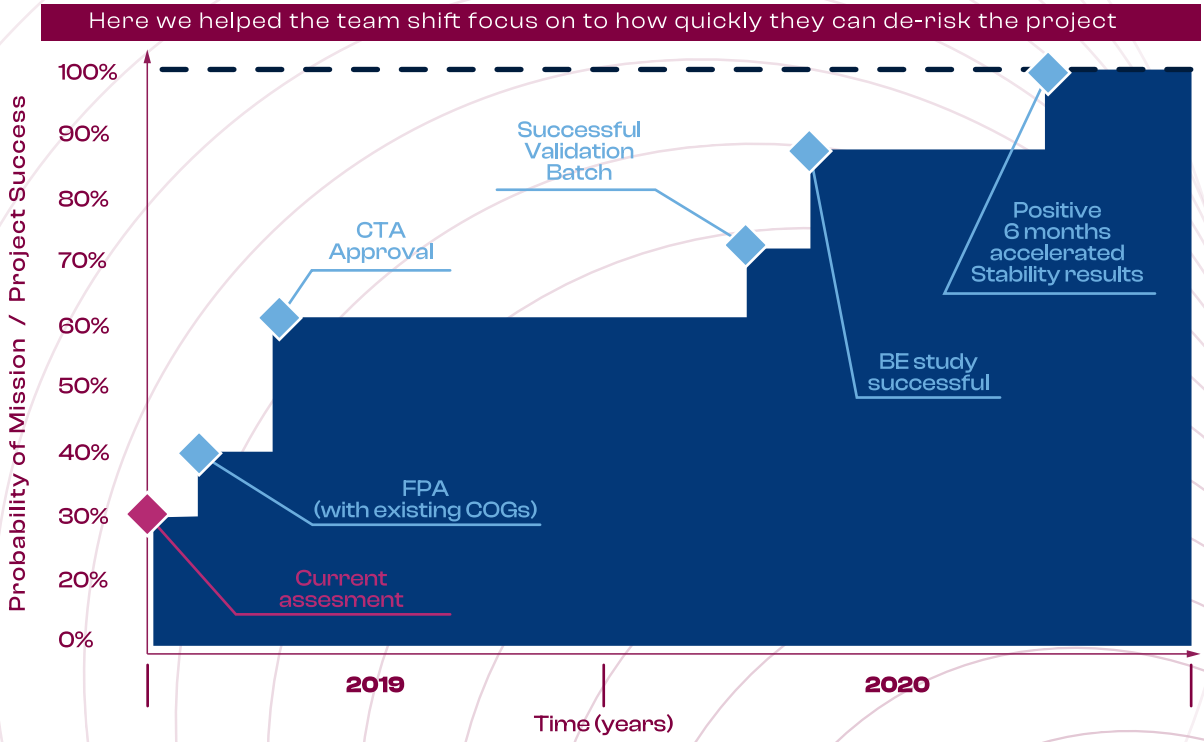
Entebbe illustrates very well McRaven's thesis that Spec Ops succeed when they focus on few objectives and concentrate on achieving them as quickly as possible to pass the line of relative superiority, where we are more likely to succeed than fail.

This changes the conversation about risk entirely. The Israeli SF team focused on the few critical items that would increase their probability of success and used the available time to design and rehearse the best plans they could come up with. **By repeatedly asking "how can we improve our chance of success on this objective", they were able to develop many ideas and contingencies.** We have applied this concept numerous times graphing new product development and launches, transformational changes and the ensuing conversations are positive, engaging and extremely helpful. It provides a simple graph of the project journey ahead. Like many useful tools, the simplicity and elegance of this graphic picture adds value and aids decision making. It can be a surrogate measure of the confidence of the team and we know that a team's confidence is a highly correlated indicator of successful delivery.

5 Applying the concept in business (eg. innovation development)

In the example below, a project team working on a new product development have generated a simple McRaven graph. At the time of graph creation, part of the way into the development activities, they assess their probability of success as 30% and within less than six months their probability of success will double to 60% after hitting two key objectives. Nearly a year later, they achieve successful formulation validation batches and their bioequivalence (BE) study reads out. When considering how the team could increase the probability of success, they identified the BE study as a key vulnerability and identified additional activity (at considerable cost) they could undertake that would reinforce the probability of success of this objective. The cost benefit of this activity was clear and the additional actions commenced. Each objective / milestone representing a point of vulnerability was reviewed for additional questions that would improve the probability of success.

Fig 3.0 Relative superiority example



WHAT CHANGED?

The whole nature of the conversation changed. The mindset changed. The probability of success had changed. This approach turned what was a conversation about risk (something that might happen) and the thus giving reasons not to do something about it (It's only something that MIGHT happen), to a conversation focused on developing plans and taking action early to maximise success on each objective and each point of vulnerability. The use of the McRaven graph as a simple tool for mapping the probability of success has changed the conversation from a negative one to generating positive action. (Note that the volume of area above the line is representative of the quantum of risk).

6 Key Points

- Risk – because it is something that MIGHT happen, our minds do not engage with it as fully as needed
- Many conversations about risk have a negative connotation
- Looking instead at Probability of Success and how it changes over time on a programme of transformation, or a new product development, can increase our focus on activities that could increase the probability of success at Key Vulnerabilities / milestones on the journey
- Simply visualising this in a McRaven graph helps simplify and focus
- This technique changes mindset, conversations and increases focused action that in turn increases the probability of success
- There are many tools and techniques for quantifying risk and tracking mitigations. Our observation is that the more sophisticated the analysis, the more distanced teams become from taking pragmatic action in the moment

How can I apply this?

For anyone interested in trying this approach, we have provided overleaf Tools and Tips on applying the Probability of Success and McRaven Graph technique. PPT and Excel Templates can be requested from enquiries@skarbek.com.

For any further help or support in applying this and other techniques to manage risk in your innovation, transformation, or other strategy execution projects, please contact the team at Skarbek via enquiries@skarbek.com.

This article was written by **Phil Gadie** and **Paul Heugh** of Skarbek Associates

7 Your Tools And Tips for Risk Management

To apply this technique on your project, follow these guidelines:

INPUTS (You will need)

Your Project Team members, or at least well-informed members representing the different functions / departments involved in the Project.

The project time plan.

A whiteboard and sticky notes, or virtual equivalent, such as i-Obeya or Mural.

The Process

1. Assemble the project team in a physical or virtual room and brief them on the purpose of the exercise
2. Draw two axes of what will become the McRaven Graph: the vertical (y) axis label Probability of Success (POS), the horizontal (x) axis label Time
3. Start with a precis of the project plan and place stickies describing the key milestones on or just above the x axis
4. Discuss together at which key points does the probability of success increase and by how much – this is a subjective judgement by the team hopefully with some consensus. Aim to identify 4-7 key objectives where the probability of success jumps by a significant % aligning the sticky notes to POS and Time
5. Once completed, discuss and adjust, then draw in the line from today
6. Ask the questions:
   - How could we increase the probability of success of that key event / milestone? Is there something we could / should do?
   - What can we do to get to a key milestone faster?

The Output

- A 'McRaven' graph
- **Actions** to either accelerate achievement of an objective, or to reinforce / increase the probability of success
- **Team with clear visual picture** in mind of the journey and the relative probability of success pathway.

Uses

Once created, a McRaven graph is a useful artefact to support discussions in project team meetings, in project governance reviews and in approval meetings for example capital investment decisions, major organisational change timings and so on.

Further Reading on Risk

For those wishing to enhance their knowledge and thinking around risk, we recommend: "*Risk, A Users guide*" by General Stanley McChrystal and Anna Butrico, a masterpiece on the subject.

GO TO THE TOP

With these tips and considerations in mind,
you're well on your way to increasing the probability of success for your key strategic initiatives.

About Skarbek

Skarbek is an international strategy implementation and advisory firm that supports clients in the execution of their strategic priorities and goals.

We support our clients in a variety of ways through a **bespoke combination of our services** to address your unique needs and challenges, often starting with a set of robust **Diagnostics & Health-Checks**

Project and Portfolio Management
We deliver your projects and lead your portfolio

Transformational Change
We make your transformation and change plans a reality

Capability Building
We equip and enable you to operate with agility and excellence

Innovation Fitness
We get you in your best shape ever to drive new growth through winning innovation

M&A Integration
We make your M&A integration happen

Strategic Alignment & Prioritization
We help you align & prioritize to reach your strategic goals

Delivery with Excellence

Our proprietary Implementology® strategy execution model ensures a holistic approach to serve your unique challenges

Methodology
The hard skills, processes & tools

Technology
Technology solutions to support best practice ways of working

Humanology
The soft skills and human engagement

Sophie Crousse
Head of Operations
sophie.crousse@skarbek.com
+44 (0)1932 366 585


Skarbek
ASSOCIATES
#Clearly
#Focused