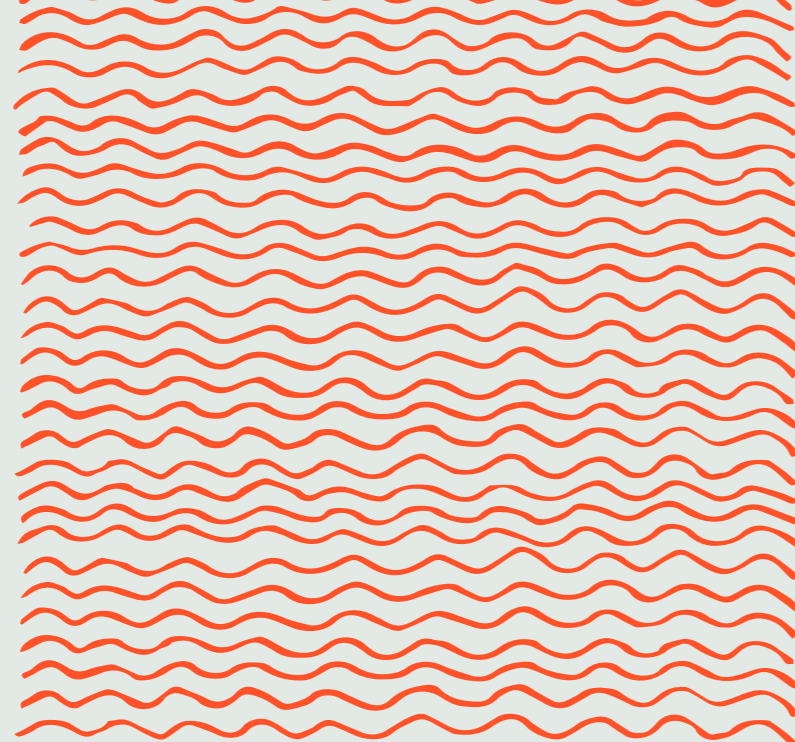


Guide to Business Transformation



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BIE Executive builds leadership teams and enables change through a combination of executive search, interim management and transformation expertise, across five broad market functions - HR, Finance, Value Chain & Procurement, IT & Technology and Executive Leadership. To find out more about BIE, and how we can support with your career or search, please get in touch.

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Summary

This client guide to business transformation covers everything you need to know about business transformation, implementation and successful delivery, from the different business transformation types and drivers through to resourcing and the crucial steps to take to guarantee a successful transformation.

What is Business Transformation?

Business transformation is a change management strategy which can be defined as any shift, realignment or fundamental change in business operations. The aim is to make changes to processes, people or systems (technology) to better align the company with its business strategy and vision.

There are many reasons a business might consider a transformation, for instance, new technologies, shifts within the market, low profit and turnover, or a merger and acquisition. It may involve changes to the entire organisation, such as when integrating the two companies involved in a merger or acquisition. Or it may involve a change to a specific function, such as IT, HR or Finance. For example, a drive for greater efficiency may prompt the implementation of a new Finance system.

General Motors is a prime example of a company that has successfully undergone an operational business transformation. GM overhauled its entire approach to IT, hiring more than 10,000 IT professionals to replace outsourcing contractors, in a bid to free up time from IT support and maintenance work, to new development and innovation.. The result was ten times more productivity and one thousand percent more data. The transformation was also ongoing, as GM looked at methods for unlocking the potential of its new operation to boost the bottom line.

The Netflix story is a perfect illustration of a core transformation. Netflix shifted its entertainment business model from DVD rental service by mail to an online streaming service to become one of the most successful entertainment companies and have expanded into original content creation.

Apple exemplifies a strategic transformation when on the brink of fizzling out in the early 1990's, they instituted a change of direction under Steve Jobs to focus on creating beautiful consumer products. We all know the success they've achieved since.

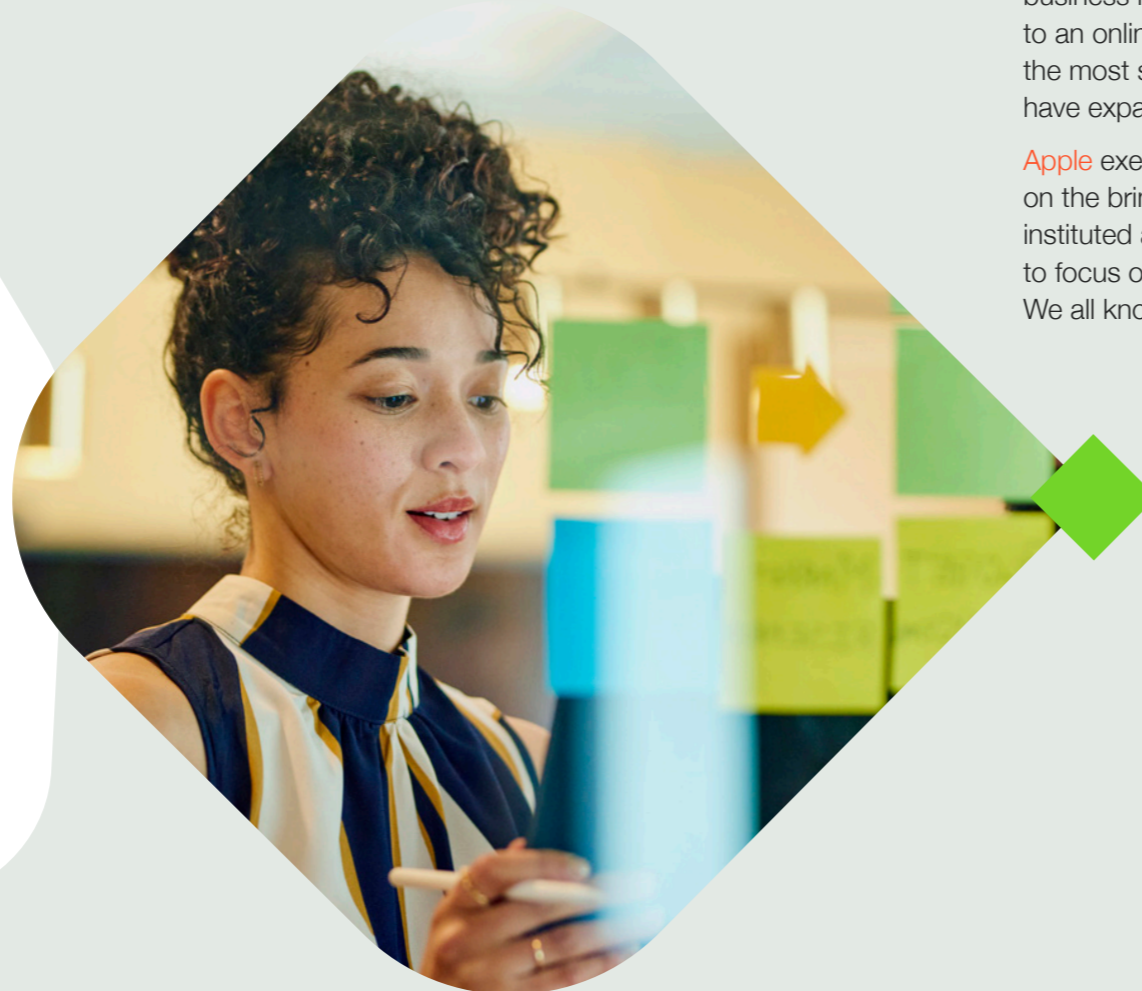
The nature of the business transformation will vary depending on the business's goals and strategies. For instance, it may be focused on one of the following:

- Post-Acquisition Integration
- Cost Out
- ERP and System Implementations
- Shared Service Centres (IT, Finance, HR, Procurement)
- Offshoring, Outsourcing, Insourcing
- Supply Chain Optimisation
- Global Standardisation of Processes

Business transformation types

There are three main types of business transformation:

- 1 Operational**
Making changes to the way you do things to make operations better, faster, or cheaper, for example digital transformation
- 2 Core transformation**
Moving to a fundamentally different way of operating
- 3 Strategic**
Changing the very essence of the company to a new focus



Drivers of Business Transformation

There are a multitude of reasons an organisation may choose to undergo a business transformation. More often than not, it is in response to change.

Today, change is a constant. Highly competitive market conditions and disruptive technologies are changing the face of traditional business models and revolutionising employee and consumer expectations. The ability to adapt to change is crucial for businesses wanting to ensure a competitive advantage. Businesses are therefore looking to become more agile so they can flex and adapt in response to constant change.

Business leaders see agility as being a priority for their organisation. Moreover, leading and delivering step change is how the business is conducted to their highest priority.



The factors making transformation a priority today include:

- **Technology change**
As technology advances, businesses are looking for ways to leverage new opportunities to improve their business and challenge themselves to think differently. Whether it's a move to a cloud-based system, or automating certain processes, it's about asking the question: "What can we be doing differently that will both make our customers lives better, and differentiate us from the competition?"
- **Efficiency drive**
If an organisation's goals and objectives are not being met, they may be triggered to find more efficient ways of working. This may involve assessing processes and removing duplicate activities, a change to organisational structure or teams, or a digital transformation with the integration of new technology.
- **Cost reduction**
High costs or a need for cost-savings may trigger a change within an organisation to reduce outgoings, whether in certain areas or across the business.
- **Lack of business growth**
Current operations may not be allowing a company the time and resource to focus on innovation and growing the business, as was the case for General Motors.
- **Merger or acquisition**
When organisations with different approaches and cultures come together, it's complex. Assets and activities need to be merged, for example, IT systems, finance functions, premises, sales and marketing.
- **New business leadership**
A new leadership team might want to make changes to the current organisation, to match their preferred ways of working or implement a new strategy or goal they want the business to focus on.
- **Low customer satisfaction**
If current customers are not happy and retention rates are low, an organisation may seek to identify ways to adapt their business, so they are better able to meet customer needs.
- **Rising customer expectations**
The need for business transformation may be driven by a need to meet increasing customer expectations; for responsiveness, speed or customisation, for instance.
- **Political climate**
A change in political climate, for example, Brexit, or a new policy or regulation that impacts the business, may trigger a need for change within an organisation.

Largely, the driving force for organisations going through change is the need for greater efficiency and organisational effectiveness.

Key steps to a Business Transformation

No business transformation is ever the same. However, there are vital steps that are crucial for any change management plan. A business transformation framework should include the following:

1 Strategy

An organisation wanting to implement change will have a vision of what they want their improved business to look like. The vision should be aligned with the strategic goals and business case, with all stakeholders on the same page.

Developing a strategy starts with defining where the business wants to be (“The Target Operating Model”), where it is today, and understanding how you can bridge the gap.

To understand the current state of your business, map out the people, processes and systems that support the delivery of your product or service to customers. Use this to help you identify your vision for the future.

2 Establish leadership

Appointing leaders to provide oversight and support for the transformation programme is key.

A Programme or Transformation Director is appointed to take overall responsibility for ensuring the transformation is delivered smoothly, on-time, and within budget. They will need to have the right experience and capability to deliver a successful transformation.

With change now a constant for many organisations today, rather than bringing in change leads for focused transformation projects, businesses are increasingly hiring permanent leadership talent to link change with strategy, then support and co-ordinate the work required.

This has led to the emergence of the Chief Transformation Officer (CTrO). This role, stationed at C-Suite level, and with influence across all other business functions, gives organisations understanding, vision, influence and focus for change. From their position, a CTrO has the ability to guide every part of the business in what it needs to do to make successful change happen.

It's important to have buy-in from the senior leadership team, and the sponsor of the transformation should be the CEO, CFO, or another member of the board. The CEO is the most likely programme sponsor, followed by the CFO being the next likely candidate. This is not surprising given cost reduction is one of the key drivers of transformation. And it is the CFO, alongside the Transformation Director, who tends to be most involved when it comes to setting up the actual transformation programme.

3 Planning and scoping

A clear strategy will inform the development of a detailed transformation roadmap to help you achieve your vision for the company.

The implementation plan determines the changes that need to be made and when and outlines all the sub-projects that make up the transformation programme. Each sub-project should have clear objectives, milestones, scope, timeframes, and budget. It is also important to identify all the workstreams, functional areas, people, processes and systems that will be affected or involved in the transformation.

Managing and prioritising the programme scope of work to demonstrate early success will be important for generating change momentum. Planning appropriately for the ‘people side’ of the transformation is also key. Unless you're an organisation that undertakes a lot of change projects this can be challenging, as you need to bring people on the journey with you by explaining the ‘why’ and communicating effectively.

There's also external communication to consider. How and when will you communicate changes to customers and suppliers? All this needs to be planned for carefully.

4 Set up programme management

It's best practice to treat your programme as a changeable entity that should be adapted as you face new challenges along your transformation journey. By setting up a Programme Management Office (PMO), the Programme Director can establish programme governance, manage all parties involved in delivery, and adapt and flex the transformation roadmap where necessary to keep the programme on track. The PMO monitors progress, providing regular updates to the transformation sponsor and the board.

Leaders should also be appointed in each individual workstream, for example in IT, HR, and Finance, to manage the transformation. It's important that they are aligned with the transformation's goals, and have the capacity, data, and the right skills to inspire teams and make change happen.

5 Build resource

To achieve changes successfully, you need the appropriate executive capability at each stage of your business transformation project. It's about having the right people, in the right roles, at the right time.

However, in a disruptive environment, expecting that these requirements will be met by your current executive team alone is generally unrealistic. Even the most accomplished business leaders do not necessarily have the experience and knowledge to handle every eventuality without some outside

help. Often business leaders recognise that they do not have the internal capability to deliver business transformation successfully, so it's usual for a proportion of a transformation team to be sourced from external talent. They need people with specialist skillsets to come in and help them implement it successfully. The right experts can equip organisations with the right tools, templates, frameworks, guidelines and governance structures to deliver step change successfully.

As a result, business leaders often choose to look for outside help. Executives in demand have strong sector knowledge, enabling them to understand the market, accurately assess business performance, and build a high performing leadership team that will drive the transformation forward. Therefore, the best approach is to create blended teams of internal and external talent to manage each sub-project of the transformation to get you to the end vision, or Target Operating Model.

6 Execution

Business transformation is a journey that can last months or even years – it's only once you take the first step that the journey really begins. Staff engagement will be key, as will the ability to flex and adapt as you encounter new challenges along the journey.

The Programme Management Office (PMO) will need to reassess and re-evaluate the implementation plan regularly to ensure it's still appropriate and adapt it as necessary.

7 Integration

The business transformation programme doesn't end once the change has been implemented. Embedding and integrating new ways of working or new systems into the business takes time and can be complex. If you've moved to a new HR system, for example, it will need to be integrated with other systems in your business, such as payroll, data analysis and financial control systems. In this example, the new system affects everyone in the business too, so your workforce will need training on how to use it.

Getting Business Transformation right

Successfully delivering a business transformation is not easy. Here are 10 top tips for navigating business transformation challenges:

1 Know when to take action

Recognising the need for change and knowing when to take action is key. Often the symptoms show themselves long after the sickness has taken hold – meaning by the time you realise you're in trouble, you're probably already in it deeper than you think.

When this happens, you need to make transformation a priority. Actually figuring out what you need to do and where you need to be can be one of the most difficult elements of transformation because it requires genuine creative commercial thinking, which can be a scarce resource.

2 Appoint transformational leadership

Having a leader who is prepared to take responsibility for implementing transformation is valuable, but it is equally essential to recognise a leader who understands the necessary qualities for effective leadership. While most technical aspects of a transformation, such as governance and stakeholder engagement, can be to some extent learned, genuine leadership qualities that empower, motivate, and inspire are paramount for any business going through a significant change or transition period. This makes up a transformational leadership style.

Transformational leadership is pivotal in driving any change or transition within companies. By engaging employees to truly believe in the vision, creating an adaptable environment, taking a human approach to people and recognising where they need support, transformational leaders are equipped to deliver business transformation successfully.

3 Develop an integrated approach to people, processes and systems

A business transformation involves many parts. The complexities of your business processes mean a change in one area of the organisation will have an impact on other areas. For instance, changing the organisational design of your Finance team may impact your HR team. Changes to technology might influence how finance data is generated, how this links with HR, and how you go about creating reports. To succeed, you need a truly integrated approach that looks at all parts as a whole.

4 Structure and resource effectively

Structure and resource underpin success, so it is vital to appoint a sponsor and programme team who will be responsible for the transformation. Transformations that include a 'people' and an 'organisation' workstream have a better chance of implementation success. These workstreams will be responsible for the management of change.

5 Focus on the bandwidth

Capacity to deliver transformation whilst simultaneously running the business as usual (BAU) is fundamental. You need people in general management to have the time and focus if you're asking them to help you deliver change, which is where bringing in interim executives – either as backfill or as specialist additional capacity – can be so useful.

Interims also bring with them high energy, broad expertise, and the right language to empower

internal teams. All whilst building internal talent and embedding a positive legacy for achieving continuous growth and success.

6 Create a clear vision

Agreeing with all stakeholders a clear vision of what your evolved business will look like is crucial. After that, the challenge is maintaining coherence and alignment around all elements of it – i.e. technology, organisation, people, process, performance management, and interaction with customers, partners, suppliers and regulators.

Change is driven by people, and without their engagement, the change programme simply won't deliver. Transformational leaders have the ability to motivate, inspire and convince everyone in the business to join them in their pursuit of the vision. While it is key to communicate a sense of purpose so people know where the business is going; it's the employees accept and adopt the messages, that leads to lasting change adoption.

7 Understand internal capability for transformation

Running a business on a day-to-day basis is what most managers are good at, so it should come as no surprise that designing transformation is not a common skill amongst them. Transformation skills are not commonly on the hiring agenda, so the chances are that you're unlikely to have all the skills you need for a transformation, no matter how capable your people are.

Really understanding how things could be done differently usually requires an external fresh pair of eyes. Only when you really understand the 'from', the 'to' and the 'how' can you begin to have honest conversations internally.

Tension between tactical needs and strategic needs is common. Transformation often involves taking steps in a direction that is counter-intuitive to the tactical need – so you have to be prepared to be courageous as well as focused.

8 Understand the importance of pace

Change is normally slow and organic. Transformation, however, often involves getting five years of change done in six months, often leapfrogging a lot of the organic stuff.

It's important to build this pace expectation into the transformation process. The other challenge is related to the size and the length of a transformation. Often organisations are so focused on getting to a certain point but fail to realise that embedding the change will take a long time, probably years.

9 Engage internal staff

Managing change in the workplace in terms of the impact it has on people should be a key consideration when undergoing any business transformation. The success of a business transformation will be reliant on engaging employees to move to new ways of working.

So, what is the best way to prevent employees from becoming disengaged with change and incentivising them to stay motivated when the results may be years away? Our research showed that most organisations rely on regular and open communication to keep employees engaged, followed by financial reward upon project completion.

The best way to engage people with change is with quick wins. Demonstrating immediate benefits and improvements in the workplace fosters buy-in and enthusiasm. If the process of embedding change becomes laborious and time-consuming this will lead to disengagement and resistance.

For change to be embedded properly, a company needs to drive their own transformation, gaining support from all levels of employees. Appointing internal advocates or sponsors who are real change promoters will also encourage engagement across the business for the transformation.

10 Reassess and re-evaluate

A challenge which is frequently misunderstood is how to sustain transformation coherence in a dynamic market environment with changing customer needs, possibly an evolving, immature supply chain or the emergence of new disruptive technologies.

It's easy to be caught out if you don't reassess and re-evaluate as you journey through the business transformation. Things are changing all the time and you need to have that constant eye on whether your transformation roadmap is still appropriate.



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BIE identifies and attracts transformation talent across all sectors, geographies and ownership structures. With an integrated search and interim offering, our Business Transformation Practice enables leading brands to build the right leadership capability to meet evolving needs, confront operational challenges head-on and retain their competitive edge.

**If we can help with your career or programme of work,
please contact our Transformation team.**



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