

Bath Consultancy Group

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ALL CHANGE

These days, they say that change is the only constant. According to a recent survey by Capgemini Consulting, western European businesses have each launched an average of seven major transformation programmes in the past three years. Indeed, 86% of European senior executives believe that business transformation is now an integral part of management.

As Kevin McGuirk, chief operating officer at EA Consulting Group, puts it: "With globalisation, the internet, the emergence of India and China, and the rapid turnover of chief executives, there is now so much change that companies need to transform themselves just to stand still."

Yet, despite the frequency of these projects, and their importance, only 30% of senior executives believe they excel at business transformation.

Mark Thompson, university lecturer in information systems at the Judge Business School, University of Cambridge, says, "Business transformation remains badly understood and often woefully undermanaged. Interestingly, only a few of the top business schools even offer any form of course that addresses the key challenges presented by business transformation."

This is remarkable, because transformation is vital to almost every business. It is likely to become ever more so as the pace of external and internal change increases. The bottom line is that no senior executive in any organisation can afford to ignore business transformation.

What it means

It is worth considering what is meant by business transformation. Sean Connolly, director at consulting firm Egremont Group, says, "If you take the meaning of a transformation project in its true sense, then it is about completely transforming the very nature of the business. This type of project was very popular in the 1990s, when companies such as BT, Reckitt & Colman, British Steel and Zeneca made wholesale changes to company strategy, structure, systems, processes and people, usually over two-to-three years."

It simply isn't feasible to undertake seven of these transformations in three years. So, here we are talking about changes that significantly alter the way a business operates. It includes mergers and acquisitions, aligning IT with business requirements, supply chain management, business development through diversification and, in the public sector, efficiency improvements to comply with the Gershon Report.

Increased competition and technological advances mean businesses have to change just to survive

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While these types of projects are not new, they have in recent years become more critical to business success. This is for two main reasons. First, globalisation is increasing competition and market pressure from new markets. Businesses need to either reduce costs or develop a competitive advantage. Second, the rate of change in technology and society is leading people to look for newer products, meaning that technological

development must continue in an ever-increasing circle. This means that businesses must be constantly changing.

Image transformation

David Pardey, development consultant at the Institute of Leadership & Management, says, "Companies need to realign themselves with these new markets and new technologies, and ▶

sometimes even to redefine themselves. Marks & Spencer is a good example. It has completely transformed itself from a staid underwear seller to a high street phenomenon, leading the way in higher end food retailing and in fashion retailing. Behind the scenes, it has changed its approach to designing and purchasing clothes so that new lines can be put on the shelves in response to emerging market trends."

Clear objectives

But business transformation can be difficult. Jean-François Lendais, vice president of the transformation consulting unit at Capgemini Consulting, says, "Transformation projects are now much more complex and risky than they used to be. The CEO initiating business change is responsible for the impact the transformation will have on a vast number of people across the globe - from customers, shareholders and suppliers to their own employees."

Many companies make an already difficult project even more likely to fail by designing and implementing the business transformation programme badly. The first mistake is to seek change for its own sake, or to embark on change without clear objectives.

Ludovic Relandeau, MD for UK operations at consultancy MEGA International, says, "There is a fundamental need for formal techniques, methods and appropriate expertise. The key to this approach is not to be preoccupied with process and activities, but to think goals and deliverables instead of activities. I know of one case where consultants proposed a project plan consisting of 1,000 activities, but failed to specify deliverables.

"The challenge for an organisation is to articulate in a consistent, clear and concrete manner a set of elementary and important objectives and required deliverables that are applicable from the

top level down to a precise element within the organisation. They need to enable management to see the big picture, their own responsibilities and objectives, and how these factors relate to others. This level of visibility, communication, coherence and control will get everyone in step and working as one," says Relandeau.

Grant Crow, UK MD of recruitment firm StepStone ExecuTrack, believes it is often difficult to get middle management on board with a business transformation project. "In my view, middle management is the biggest obstacle to change. They're often predominantly transactional in their orientation and cynical with regards to business transformation," he says.

No wonder: "Middle managers have usually seen the seven transformation programmes that happened in the past three years, and so tend to keep their heads down, safe in the knowledge that things will return to normal after a while because transformation programmes can be regarded as flavour-of-the-month fads that will go away once top management focuses on something else."

The real problem, of course, is not middle management but the failure to see a small number of genuinely necessary programmes through to their conclusion. To avoid this cynicism, companies must commit for the long term. Pardey at ILM says, "Lord Browne at BP was, and Terry Leahy at Tesco still is, admired because they both seem to know exactly where they're going. To succeed with change you need to make a permanent commitment and be willing to go the whole way."

People, not technology

Too often, organisations think transformation is about technology when it is really all about people. You may need to invest in technology to free the potential of your people, and you will almost certainly need to develop the processes to

the end, however, businesses are about people.

Even those organisations that recognise this and work hard to gain buy-in from staff and then to manage the consequent cultural change can still fail. Peter Hawkins, MD at the Bath Consultancy Group, says, "Our research shows that a major factor in project failure is the inability of senior executives to manage the engagement processes with staff and the culture change that is needed.

"Most of the training that financial directors and other executives have had in change management focuses on the technical and project management skills. It doesn't equip them to deal with organisation-wide systemic change. Nor does this training enable them to deliver culture change effectively. These are fundamental to successful change projects," says Hawkins.

Getting help

Consequently, many companies bring in consultants to help with business transformation projects, because they have the required skills. While consultants can be invaluable in designing and executing a transformation project, it is worth noting two caveats. First, many consultants are linked, often financially, to a particular technology. Only use it, though, if it is right for your organisation. Second, consultants cannot do all the work themselves. As Alastair Clifford-Jones, MD of consultancy Leadent, says, "Consultants can bring the tools and techniques in areas such as assessing how ready you are to change, but they can't do it for you. Only someone who works for a company will know enough about it to run a project of this importance."

So, as the Capgemini survey claimed, business transformation really is an integral part of management. It will be central to business success in the 21st century, and it will become ever more challenging to get right. However, only by designing and executing the transformation programme properly is it possible to do successfully. The good news is that those businesses that get it right will survive and prosper as a result. ■

Read our cover story on company turnarounds at www.financialdirector.co.uk/2156704

SUCCESSFUL TRANSFORMATION

Brendan Cahill, chief executive officer at consultancy firm Trinity Horne, says: "Managing business transformation is not straightforward. It involves people and is therefore complex. A structured, rigorously employed change-management model is critical to success." He uses a seven-step change model he developed with his colleague, Ian Brumwell. Those seven steps are:

■ Establish the case for change and

create momentum. Gather compelling evidence of the need for change.

■ Identify the leadership team. Provide top-down leadership involving key stakeholders.

■ Establish vision, goals, tactics and a roadmap. Create a practical picture of the future and an outline of how it will be achieved. Share the implementation plan, timescales and benefit case.

■ Communicate the vision, approach and

timelines. Demonstrate that change is required and show why and how.

■ Execute transformation programme. Carry out structured execution of your roadmap to realise your vision. Monitor and evaluate.

■ Sustain change. Formalise and anchor the changes in business as usual.

■ Formalise improvement model. Start again. Reinvent the vision. Establish a culture of continuous improvement.