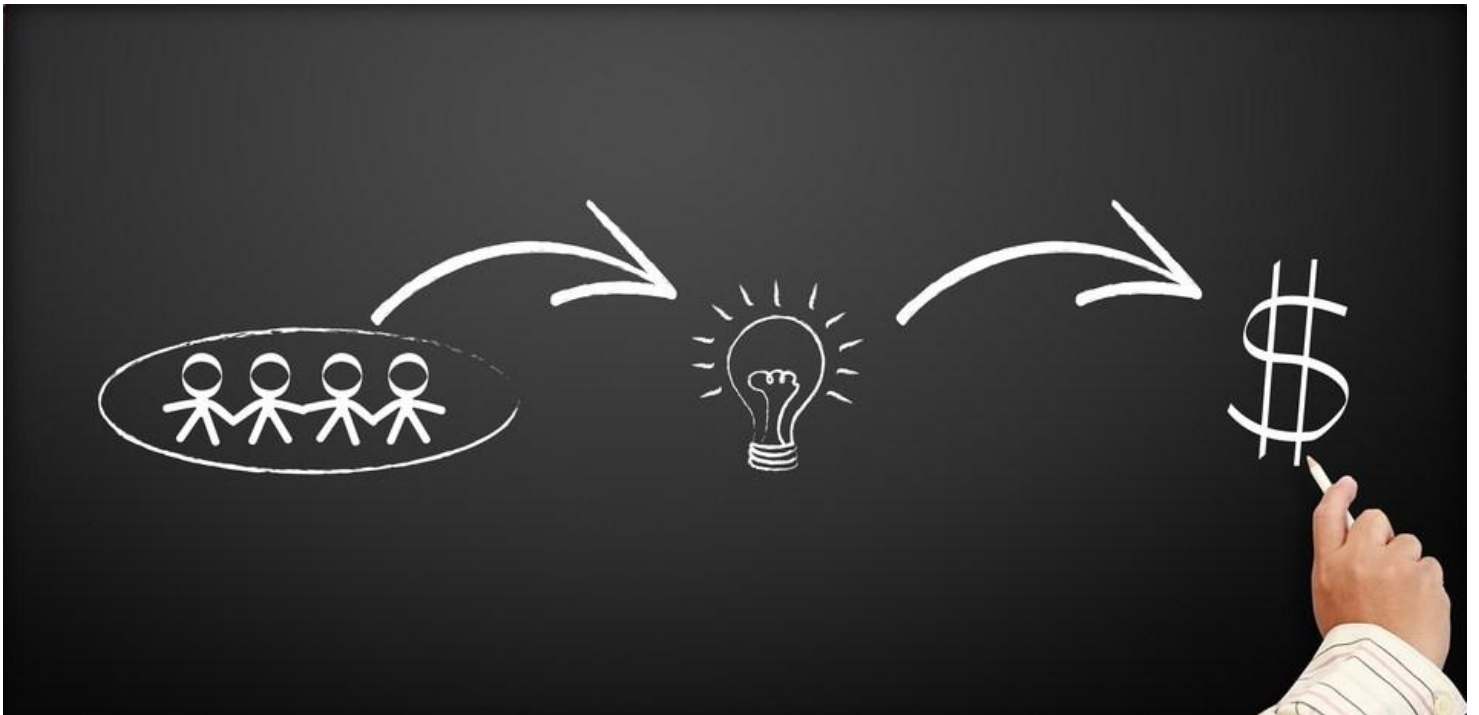


Browne & Mohan

Board & CEO Advisors, Management Consultants



**Delivering outcome based Business Transformation
...insights from trenches**

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Introduction

A Much often quoted example is that of an Eagle which has to undergo a painful process of rebirth where it has to remove and regrow its Beak, Feathers and Talons. While ornithologists may not agree with this, many management books and CEO use this as a great example of change. But for Organizations, this will hold true anytime where they have to let go of the current state and reinvent and redefine themselves in terms of increased Productivity, Better Sales, Efficient Functioning for which they'll have to undergo Multiple, non-standardized set of Changes and be bull-headed against resistance at various stages of the process till it reaches the desired goal. Changes are a necessity when efficiencies are low, outcomes paring below expectations and growth is alluding.

Why does this happen?. Why and how do companies reach this deplorable stage?. The reasons could be many. In the founding years, engagement with the customer is direct, and senior management is actively involved in several touch points. As the organization grows, an essence of formalization sets in, layers of management get added. Visibility of processes, operational insights often tend to get filtered and morphed.

Over period companies commit several blunders including:

- 1) Many business lines added without considerations of economies of scale or economies of scope.
- 2) Diffused ownership of business and process leading to ineffective sense and response to opportunities.
- 3) Redundant and ineffective layers of management, adding to cost woes and dragging profits.
- 4) Mushrooming of Unproductive and commoditized services/products with no margin growth.
- 5) Jaded and repetitive sales and marketing approaches with no clear focus on acquisition and account management.
- 6) Ineffective Performance systems and incentives.
- 7) Lack of clear and objective communications both internally and externally

When companies realize they need to mend their ways of collecting, processing and reacting to the enquiries, the transformation agenda unfolds. The major objectives of transformation are: a) To attain increased ownership amongst stake-holders, b) Efficient process, c) Increased Organizational responsiveness, d) Goal congruency across the organization (innovation, revenue generation) and e) exit unprofitable/non-growth business and enshrine high growth business.

Increased focus on ownership is to bring back the entrepreneurial zeal into the organization. Employees not only feel the need to adhere to do what is being told, but think of novel approaches to engage customers, acquire newer skills, develop new teams, etc. Efficiency of process, structures is to create lean, mean and efficient system. Elimination of unwanted layers of administration, redundant processes and ineffective administrative mechanism leads to efficiency.

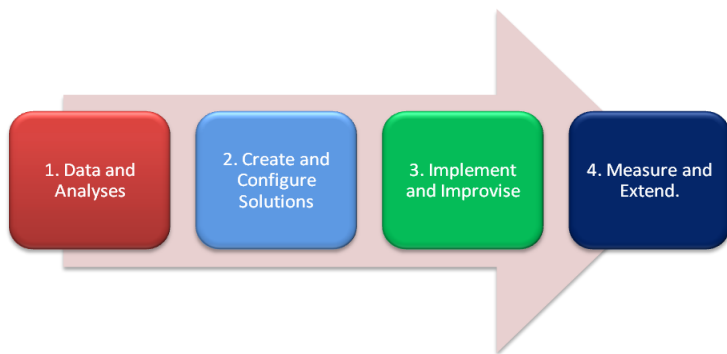
Organizational responsiveness, both internally and externally, has to move from being complacent and reactive to proactive. Increased responsiveness aids in uncovering the latent demand much before the competition wakes up to it, create and position newer services that delight customers and help the company play the price advantage regime.

Complete alignment between the different groups, functions and at all levels of organization is required to achieve goals, be it of innovation or revenue maximization. Groups at loggerheads of performances or activities run the risk of sending mixed signals to the markets and affecting the revenue flows. Finally, transformation is also the process of shedding less productive business areas or products and replacing them with higher value adding activities.

There are several models of change management or transformation in literature. Nadler and Tushman (1989) transformation framework of Scope-Means-Ends, or Lewin (1947) 3-step process or Senge et al., (1999) systematic model or Kotter (1996) eight step approach or many other approaches. Our experience of guiding and managing business transformation at companies like Progressive Infotech, Super Seva or Source Edge indicates no one single framework aid in completely designing and managing the process and means of business transformation. We worked with the frameworks from literature and combined them with the valuable insights of clients and our own judgments to arrive at workable solutions.

The business transformation process consists of four stages as shown in Figure 1. In the first stage, similar to physician analysis framework the emphasis is on collecting the right data to diagnose the current state of the organization. Based on this insight appropriate solutions are configured with participation deliberations of key actors at all levels. Process, structures and measures are rolled out and improved further based on implementation feedback. The outcomes are measured, newer interventions are planned and transformation is extended to cover higher horizons and larger scope.

Figure 1: Stages of business transformation



This framework is consistent with Senge et al., (1999) systematic model approach of “start small, change steadily, do not plan for all events and manage challenges as they unfold”.

In our approach we start by identifying the symptoms, classify Key areas to target in short term that would fundamentally alter the business model of the company, focus only on few key aspects of the changes first, allow iteration and localized experimentation and increase the scope with smaller wins at different intervals so that overall motivation for transformation exists all through the life-cycle.

Data and analyses stage consists of collecting data from multiple sources, in both subjective and objective form, and across different functions. Typical financial data we analyze are Return on assets, Return on equity, Operating Profit margin, Operating Performance and Financial leverage. We also evaluate the changes that can be made in operating performance, financing, or to increase the income generating capacity of the business, fundamentally Cost-Volume-Profit Relationship.

On the sales side, we capture sales volume, domestic Vs international revenues, their growth in last 3 yrs, no of new customers acquired in each quarter/year, Margins achieved , Number of sales Partners, Predictable Sales, Country Spread, Market Share by Segment, Sales through Channels, etc . Data about customers such as Customer Satisfaction, Percent of Repeat business, % of revenue by the biggest customers, etc is analyzed. On the HR side, attrition levels, FTE VS PTE, Innovations and awards, etc is captured.

To create and configure appropriate solutions, we interpret the data and juxtapose the analysis on two well-known frameworks. First one is the Nadler and Tushman (1989) transformation framework to extrapolate what changes could be brought out in Scope (Enterprise, functional or activity level) – Means (Task, Technology, etc)-Ends (cost, perception, offerings). Second, is the PSPD framework evolved by several companies to manage their sales process initially, but could be applied to overall business transformation.

De-risking refers to mitigation across product segments, customer groups, regional markets, market segments (enterprise Vs SMB), etc. First grand solutions that could alter the very business model of the company, in terms of what new products/service, what economic value would be added/deleted, how revenue would be generated, how many revenue streams and what options for revenue capture, delivery and engagement models are enumerated. The solutions are evaluated from PSPD and Nadler and Tushman (1989) frameworks.

Figure 2: PSPD Framework

<p>Profitability</p> <p>EBITA, number of revenue sources, profitability by product line and product segments, revenue losses, up sell and Cross sell of products and services, closure of non-profitable business, etc.</p>	<p>Sustainability</p> <p>Fixed and variable investments to manage a business volume, fixed costs of servicing an account</p>
<p>Predictability</p> <p>Robustness of business and products and economic cycles, complementary business (shoulder & peak), sales funnel growth, funnel robustness, closure management, partner maturity and closures, etc</p>	<p>De-risking</p> <p>Customers, products, market, partner revenue contributions and how to spread them wide</p>

Initially several solutions are generated and grand solutions are brainstormed using either Delphi or any other system dynamics approach. Teams consisting of both client and consultant representative are explicitly probed to seek out opportunity for efficiency by adopting any of the following strategies: consolidation, elimination, outsourcing and creation.

Fig 3: Redesigning features for Organizational transformation

<p>Consolidation</p>	<p>Re-Align the teams, their work, train them accordingly, Re-define their roles, Goals, Expectations, Deadlines, Reformations in Sales Practices, Sales Script, Up-selling of their products and Services</p>
<p>Elimination</p>	<p>Non-Performers, Make Relevant changes in the Org Structure, Redundancy, incomplete processes, Under-Utilization of resources.</p>
<p>Outsourcing</p>	<p>The Focus should lie on the activities that give the company its revenues. Outsource activities like Payroll, Recruitment, Supply Chain Management, Training, auditing, entire accounting function, Tax Management and Invoicing, Marketing Communications.</p>
<p>Creation</p>	<p>New relevant positions, Align Practice and Sales Divisions to diminish the communication gap, Enter new markets/Geographies, Re-look and broaden the scope of Target Customers, Clients, Business Partners, Re-work on the Sales Funnel, Maintain a amicable relationship with the Account Managers of the company with whom the Partnership is built.</p>

Solutions are discussed and vetoed by the transformation committee and the implementation committee consisting of members across functions and at different levels within organizations draw their implementation plans, seek investments and other approvals and own roll outs. Process changes, and associated measurement tools are tracked and discussed both at implementation committee level and strategic transformation group level.

In our experiences, many finer changes to sales structures, partners and marketing happen in the first few weeks corroborating Senge et al., (1999) approach.

Short term:

- Holding weekly and monthly reviews with the Sales Team, Practice heads, Finance Manager, HR Manager in the presence of the CEO, CTO.
- Conduct quarterly review of sales Updates, Status of the Projects, Marketing activities, etc
- Remove resource/ practices and hire new resource or start working on new practices
- Eliminate confusions by helping in transparent communication.

Medium term:

- Half-Yearly review of sales, customer conversions, attrition rates, number of new business partners added etc
- Guide them by suggesting the new technologies to adopt, business opportunities to look into, and new markets to tap.
- Enable each of them to become owners of change.
- Help them imbibe a sense of urgency and a sense of responsiveness to the environment.

Long term:

- Help them to think futuristically and try to bring in a picture of the trends in the market one or two years from now and the kind of technology that will be used and the customers' demands in future.
- Annual review of business performance, product and services expansion, business growth, new verticals and geographies entered, etc are measured. Over period, the scope of the transformation is increased from product groups, enterprise to group company level or holding company level to complete the transformation process.

Our business transformation experience has taught us few do's and don'ts which are presented below.

Do's

- Create process, product and change owners at all levels
- Top management team has to consistently create the sense of urgency (see Kotter 1996)
- Keep challenging the assumptions and nay say, ask for data
- Top management must set all teams to "smaller wins" all across the life-cycle of transformation
- Top Management must trade loyalty-capability right upfront and create a health atmosphere where long-term loyal, not so well endowed employees continue to blossom in new roles
- Communicate the changes to the employees and let it percolate to various levels.
- Hold weekly reviews with the practice heads, the sales heads, back-end sales in the presence of the CEO and other decision makers.
- Know the status of the Ongoing projects, any Lag in the delivery time, If the sales are happening, the messages or signals from the Market, customers, Partners.
- Improvisation is a continuous process and sometimes it is necessary to tweak certain areas after the implementation has been done.
- A need to re-look at the activities from a customers' perspective and state what the customer would like to hear and re-define the solutions in a way that would address the customers' pain areas.

Some don'ts

- Do not attempt transformation if the company do not want to walk the talk
- Some resources may have be let go, including people. No knee jerk reaction strategies
- Overanalyze and under act, emphasize on change in quality of actions
- Never thwart innovation and initiative while transforming
- While transforming and adding newer business, do not neglect the Business as usual, sustain them

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