In an environment where markets and competitors are changing faster than ever, huge amounts of money, resources and management focus are being poured into business transformation programmes. Despite this massive investment, most fail to deliver the hoped-for benefits. But while the risks are high, the rewards for success can be even higher. A small number of business transformation programmes succeed in delivering remarkable results and real competitive advantage. Why do so many continue to fail, while a few achieve such spectacular success?

We surveyed business leaders across a range of sectors about the critical success factors, and the key challenges, in business transformation programmes. They identified a wide range of factors but interestingly, there were few clear standouts - all were seen as both important and difficult to achieve or overcome. These responses shed some light on why so many programmes fail. Business transformation is a complex, subtle and challenging undertaking; the hardest that most business leaders will ever face. This paper outlines some lessons from the survey, and from our own experience, that can help increase the chances of success.

In particular:

- Make sure everyone knows where you’re going - and why

The survey identified clarity of vision and agreement about the need for change as the most important factor in business transformation. Our experience strongly supports this. People need to connect on an emotional level as well as a rational one. Unless there is absolute clarity and a compelling vision, no change programme can succeed.

- Lead - don’t manage

The role of leaders can be very different in transformation programmes. The leadership team must be completely aligned and understand that different leadership styles are needed at different points. One of the most difficult challenges leaders reported was finding the balance between transformation and ‘business as usual’. However leaders who succeed do not make the distinction between transformation and their day job. They understand that leading transformation is their day job.

- Build the capability for change

Having enough people with the right skills to make change happen is a major issue in most organisations. Facilitating major change requires a discrete set of skills and a way of working which is outside the functional experience of most employees. External support can play a major role in kick-starting change, developing the skills required and maintaining focus and direction.

- Remember, it’s all in the execution

In our experience, execution is everything. Many organisations are engaged in a never-ending search for the next bright idea - but without execution, even the best ideas are worth nothing. In our experience it is the ability to deliver that provides real competitive advantage. Even a bronze-plated idea can produce a gold-plated result if it is implemented well and with speed. Indeed, execution capability is perhaps the biggest source of untapped competitive advantage available to business today.

In this paper we explore these ideas and others, drawing on case studies from the survey and our own experience of helping businesses achieve fundamental change.

“In nine cases out of ten, organisations understand very well what needs to change. They just don’t know how to change.”
Unlocking Competitive Advantage
How to Succeed at Business Transformation

“Choose to do one or two things really well.”
David Hoare, Retail Director, Hall & Woodhouse Ltd

“You need a vision which is simple and clear; has to address critical issues within the business, and is developed together.”
Keith Newton, Customer Logistics Director Britain & Ireland, Cadbury

“As businesses seek new ways to respond to constantly changing markets and competitors, ever-increasing amounts of money, resources and management focus are being poured into business transformation programmes.

Why, then, do so many end in frustration and failure to achieve the hoped-for benefits? More importantly, why do a small number succeed in achieving remarkable results that deliver true competitive advantage?

In April 2010, Boxwood surveyed European business leaders about their experience of business transformation. The companies we surveyed were drawn from a range of sectors, countries, and sizes, and from small and medium-sized enterprises to large multinationals.

Their responses shed some light on why business transformation is so challenging. In this paper we explore some of the key risks and barriers to success identified in the survey. We also explore some of the critical factors for success, and share some of our own experience of business transformation programmes.
Business transformation success factors: Importance vs ease

Critical success factors
In our survey we asked respondents to rank 20 key success factors on a scale of 1 (not important) to 4 (critical). We also asked them to rate how hard those factors were to achieve, from 1 (very hard) to 4 (easy).

As the graph shows, there were no clear standouts on either scale. While some factors were seen as more important than others, all were seen as important for success. Similarly, while some factors were seen as harder to achieve than others, all were seen as difficult.

The results confirm our experience that business transformation programmes, there is no magic ‘silver bullet’. All these factors must be managed throughout the transformation lifecycle – and none are easy.

Top ten barriers to change
We also asked respondents to rank the key causes of failure in transformation programmes. Similar issues emerged.

1. Lack of clarity and agreement about the need for change
2. Ineffective governance
3. Insufficient resource assigned to transformation (or misaligned with business as usual)
4. Key Executives not aligned or ‘on board’ – not walking the talk
5. Ambiguous or inconsistent understanding of the vision
6. Failure to manage risks effectively
7. Lack of Business Transformation experience / expertise
8. Initiative overload – poor co-ordination and prioritisation of change initiatives
9. Lack of practical implementation plans
10. Insufficient support for staff and ineffective management of resistance to change

Out of the survey results on critical success factors and risks, and follow-up interviews with survey respondents, four main themes emerged:

Vision
- clarity on the need for change and a compelling vision of the future
- ensuring the leadership team are aligned, and ‘walking the talk’

We expand on each of these key themes below.

“The VISION thing”
Survey respondents rated ‘Having absolute clarity about the need for change’ and ‘A clear and compelling vision for the future’ as the most important critical success factors in business transformation programmes. 88% and 84% respectively rated them as ‘must-haves’ in all circumstances.

“Paint a great outcome; a better picture of the future.”
Interim Executive, retail bank

Our experience completely supports that view. Much of business is about being rational - but business transformation is such a difficult undertaking that a rational understanding is not enough. People also need to connect on an emotional and personal level. A compelling vision is the first step in creating that connection. It also helps people keep their focus on the end goal when the going gets tough (and it will!).

Interestingly, the survey also showed that creating a clear, agreed and compelling vision is one of the most difficult things to achieve. There are many reasons for this. The vision must be shared by all, from the shop floor to the boardroom. Getting to agreement can be a testing process. It requires honesty and a willingness to challenge existing mindsets – both your own and others.

At the start of the transformation process it may be difficult to convince people that the vision is achievable. However, your vision must be ambitious enough to inspire action and to deliver real competitive advantage – so aim high.

“Start from the customer”
Head of Business Process Management, European telecoms provider

UNITE Group is the largest provider of student accommodation in the UK. UNITE’s leadership team recognised that, while successful, they needed to change if they were to continue to thrive. The challenge was to build a customer-led mindset and a more profitable business.

Rapid growth had created a lot of different ways to do the same thing across their operation. This in turn created a significant overhead problem that they had tried and failed to resolve. As a result, they had little belief that they could change.

Our approach was to facilitate a huge process mapping exercise which clearly showed the true situation – and more importantly, helped them identify significant improvements that could be made. We facilitated a joint team from all parts of the business to define a vision and blueprint for a radically different future. The process used to develop the vision helped to build a shared commitment amongst staff - and belief in their ability to achieve it.

That belief has helped the programme exceed the company’s expectations. There has been a cultural shift towards serving their customers profitably and the organisation achieved the best sales growth in its history with like for like growth of 12%. Operating costs were reduced by 13% with a 24% reduction in overheads, and the programme delivered an overall saving of more than £11.5m.
LEADERSHIP

LEADING, not managing

The role of leaders in business transformation is often very different from their day to day role. By and large, in ‘business as usual’ their main focus is on their functional responsibilities like marketing or finance. Although they are part of a wider leadership team they don’t always work closely together on a daily basis – so to some extent they can ‘get away with’ having different views about the direction of the business.

In transformation programmes, however, everyone must be aligned. Unless the leaders of the business are absolutely committed to the vision, failure is inevitable - leaders who are not committed enough to put their own agendas aside for the good of the business can hardly expect their people to do so. ‘Walking the talk’ is always important - but doubly so in change programmes. Indeed, the first change - management styles must be aligned. Unless the leaders of the business have a shared view about the direction of the business, different views about the direction of the business will often lead to different approaches being adopted.

In the early phases the role of leaders is more about creating the impetus for change and about challenging, confronting, even (in some cases) coercing. However over time it becomes more about facilitating and supporting – for example by removing obstacles to change and providing ongoing encouragement.

“Get the highest senior management support you can.”

Director, US biotechnology company

Transformation also challenges traditional views of leadership. The survey asked respondents which leadership styles were most effective in business transformation. As the graph below shows, there were a range of responses, indicating that a range of approaches can be effective. In our view, the most effective style depends more on the stage of the programme - different styles work better at different times.

In particular, one of the major issues from the survey was finding the balance between the transformation effort and the ‘day job’ of dealing with the pressures of business as usual. But in our view, there is simply no contest. Transforming the business is the number one priority. That may mean making some hard choices and giving up some things so that those involved in transformation can have the head room they need to think and plan. But transformation, not day to day roles, is what will drive you ahead of your competition. For leaders and those involved in the transformation programme, it is the day job.

“People - right skills, right time”

The single biggest challenge identified in the survey was having enough people with the right capabilities in the organisation.

Capacity

The first issue is one of capacity. Transformation is complex and time consuming, and businesses that set out on this path need to be clear about the commitment required.

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“The programme delivered improved operating procedures and ultimately customer satisfaction. It also helped to create a sense of empowerment amongst staff that led to new initiatives and an ongoing commitment to change.”

David Hoare, Retail Director, Hall & Woodhouse Ltd

CASE STUDY

Unlocking Competitive Advantage

A major part of Marks & Spencer’s turnaround strategy was transforming capability. Key to making this happen was building the ability and confidence of staff within the General Merchandising (GM) team. A number of different approaches to buying within and across the business units existed, as well as unclear job roles and accountabilities, all of which were impacting on product value, quality, agility, speed to market, and stock control.

We worked with the Marks & Spencer GM team to identify the future vision, design a new world class ‘product to market’ operating procedure, and created a sophisticated learning and development Academy to support the new approach.

Over 650 people from Marks & Spencer and key suppliers – were trained in the new ways of working and thinking required. As well as learning about the new buying processes, staff also gained new skills in collaborative buying techniques – working together with suppliers to deliver a better result.

The programme delivered improved operating procedures and ultimately customer satisfaction. It also helped to create a sense of empowerment amongst staff that led to new initiatives and an ongoing commitment to change.

Boxwood and Marks & Spencer won the U.K. National Training Award in recognition of the enormous success of the Academy programme.

www.boxwoodgroup.com
EXECUTION is everything

As we have already discussed, the results of our survey showed that there is no magic silver bullet in business transformation – but many businesses continue to look for one. They are locked into a never-ending search for the next ‘bright idea’ that will drive them ahead of their competitors. But even the best, most elegant ideas are worth nothing without execution.

One client told us “We’re very good at designing and launching new ships – but we rarely see them reaching their destination.” His experience is not uncommon. We hear of many consultants’ reports gathering dust on shelves because they don’t address the ‘how’ to implement the strategy effectively.

The truth is that even bronze-plated ideas can generate gold-plated results if they are executed well. In our experience it is not the idea, but the ability to deliver on it that provides real competitive advantage. Developing execution ability within your organisation is the key to successful transformation – and perhaps the biggest source of untapped competitive advantage available to business today.

World class execution involves many things, some of which have already been discussed in this paper. Clarity of vision and aligned leadership are both key to effective execution. But it also means paying attention to the details – ‘doing things right’ as well as ‘doing the right things’. Here are some lessons from our experience of implementing successful transformation programmes.

Less is more

Ruthless focus is the key – having a clear strategic direction and focusing your resources on delivering it well. Once we worked with was very good at sourcing and generating exciting new customer offers and propositions. Some of these were truly groundbreaking - but they rarely delivered the expected benefits because they were poorly planned and executed. The company’s response was to keep generating more and better offers. They kept trying to do more and more, when the answer lay in doing less – but doing it better.

Give it your best shot

Don’t make the mistake of thinking that business transformation programme can be done alongside the day job – or that you can do it with the ‘B’ team. Transformation is the most important investment you can make in your business, so give it the attention and resources it deserves. Allocate your best people and make them – and you – accountable for the results.

Pull, don’t push

Pushing or forcing change onto people may lead to some early successes – but it is not sustainable in the long term. The harder you push, the more resistance you create. It is far more effective to generate ‘pull’ by creating an environment where people want to be part of the change – and providing them with the support and tools to act as agents for change. Creating that environment takes considerable investment and takes time to build momentum. But it can also create an ‘army’ of change agents throughout the business, and an impetus for change that is unstoppable.

“Stay focused on the long-term, not just the short-term, hold your nerve & slide with the process!”

Kirstie Hepburn, Director of Transformation & Network Support, Lloyds Pharmacy

CASE STUDY

– driving results

Balfour Beatty Ground Engineering (BBGE) is a successful player in a competitive part of the construction industry. They enjoyed steady but modest growth and realised that achieving their goal of being the industry leader required radical change in performance, which in turn required a radical change in mindsets.

We worked as part of a joint team to identify opportunities, develop targets and design an ambitious ‘Excellence’ programme with a number of workstreams and some 50 individual projects. We worked alongside the BBGE team at all levels to assist them in implementing the programme. This included, coaching the teams and building their execution capability by transferring skills in performance improvement techniques, project planning, managing stakeholders, influencing people, making change happen and measuring results.

We also introduced a continuous cycle of: measuring performance; identifying ways to improve; creating and managing improvement projects through to successful completion and; measuring the impact on performance. This process was rolled out in every department, with relevant measures cascaded down from the BBGE level Key Performance Indicators.

The programme achieved BBGE’s ambitious targets, delivering £115 million turnover, a 40% increase, and doubling net profit to 7.9%.

The success of the programme was acknowledged through Boxwood winning the MCA Management Award in the Best Small Firm category for this work with BBGE.

“It was exciting, we got the right people fired up!!”

Graham Wren, Managing Director, Balfour Beatty Ground Engineering
Business transformation programmes are not to be taken on lightly. Transforming your business is a complex, subtle and challenging undertaking; the hardest that most business leaders will ever face.

One of the reasons transformation is difficult, is that it is both a rational and an emotional undertaking. For example, you need a vision that will engage the hearts and minds of your people - but you also need the clarity to recognise when difficult decisions need to be made, and the resolve to make them. You need to allow people time to work through their response to change - but you also need to recognise the point at which negative responses cannot be allowed to continue preventing progress.

Quite often, it is simply about having the experience to know what works. So here is a collection of observations from the experience of Boxwood people, drawn from our experience of working on many successful transformation programmes. We hope you find them useful.

“Put your trust in your people, be prepared to take managed risk and recognise that sometimes things might go wrong – it is the only way to ensure that everyone is learning and that the transformation is truly stretching.”

“If you succeed in really engaging people, you’ll be amazed at the creativity and commitment that will flow – it’s a tremendous opportunity to uncover the hidden stars in your organisation.”

“As a leader, it’s your job to keep the faith. One thing you can be sure of is that there will be dark days ahead, when it feels as if the programme must fail and the world is against you. You know this will happen, so be prepared – trust in yourself, your team and your plan and you will triumph!”

“People aren’t afraid of change so much as uncertainty about the future. If you can show people what the future is going to be like for them and explain how they are going to get there, most people will support it. Unfortunately all too often those things aren’t developed in sufficient detail. That creates uncertainty about the future and allows people to fill in the gaps themselves (often with a pessimistic view of the change).”

“Measurement is essential – you get what you measure, particularly at Board level.”

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ABOUT BOXWOOD

Boxwood specialise in the design and implementation of business transformation programmes that deliver tangible and long lasting results. We work across many industry sectors and with organisations of all sizes. Our focus may be on whole organisation transformation, or it may be limited to a particular function or component of the business.

Our approach is to bring together our expertise in the hands on delivery of comprehensive and often, radical transformation programmes with our partners’ in depth knowledge of their business and markets. As a result, our combined endeavours have added several billions to the bottom line value of organisations we have worked with.

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Karolos Alkalai
General Manager, Star Channel

Keith Newton
Consumer Logistics Director, Cadbury’s Britain & Ireland

Kirstie Hepburn
Director of Transformation and Network Support, Lloyds Pharmacy

Mariola Allafzai
General Manager, Star Channel

Neil Morrison
Group HR Director, Random House Group

Nils Tengberg
VP Global Quality, Aker Solutions, Subsea business area

Siddarth Sancheti
Executive - Business Development, Orchid Chemicals & Pharmaceuticals Ltd.

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