



MicroAgility Institute for Business Agility



Business Transformation: Reinvent to Succeed

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1 Introduction

The three critical factors in any organization are people, process, and technology. Business Transformation more closely aligns these factors with radically changed business strategies and visions to meet long-term objectives i.e. the new products or services of an organization.

Transformation has proven to be a vital strategic element in companies' policies. It does not involve merely fine tuning a few areas but requires radical changes in critical business factors. As reinvention of the entire business philosophy is the central idea, very profound consideration is given to reinvention that will lead organizations to succeed and not die away due to stagnation.

This paper defines Business Transformation, explains the benefits of a Business Transformation program and possible reasons for failure, and pitfalls to avoid. It presents a pragmatic and holistic approach for successful transformation.

2 What is Business Transformation?

The phrase Business Transformation has truly evolved with the emergence of the 21st century. It refers to making revolutionary changes to an organization's setup to achieve desired objectives. Transformation has also been referred to as organizational reorientation.¹ Transformational goals shape an organization into something "radically different." It is a "...thinking discipline and not a process that depends on a cookbook approach."²

More precisely, business transformation is a comprehensive process of reinvention rather than a mere reorientation. What was suggested by some authors in the past, that ***only those organizations that can reinvent themselves every five years will survive in the modern business world***, has now become steadfast reality in modern times.

Reinvention requires a completely new set of rules and disciplines for the organization and even rephrases its vision and mission. Reorientation, on the other hand, is akin to rearranging the same old parts for better efficiency.

Therefore, reinvention, utilizing the latest techniques of transformation, aligns people, processes and technology to a new paradigm which delivers the most revolutionary solution for customers' future needs/wants.

Definition

Transformation (n) – A marked change, as in appearance or character, usually for the better. The process or result of changing from one appearance, state, or phase to another.

In Business Transformation, it could therefore be said that transformational change is the process of changing from one 'look' to another, or from one culture to another. If visible change has not taken place (both inside and out), then the change is not transformational.

Transformation is the only formula that enables a business to achieve success and improve Key Performance Indicators, as demanded by the changing market. Suitably keeping and perfecting this formula over time allows a business to not only foresee coming challenges, but to face them. Consequently, the business's market always remains positive, allowing the business to generate and retain a competitive edge over its competitors.

What are the major considerations that usually revolve around any transformation process? Studies suggest that business owners are always sensitive to two factors:

1. Staying in business
2. Remaining profitable

In extreme environments such as the current business climate, the first factor remains the most critical. Companies can choose less profitability but will always struggle to compete. Quitting is always awful and should never be an option. The solution is to understand the need to transform at the right time.

3 Why is Business Transformation Important?

Business transformation is not just important, it is vital for any organization to succeed in today's extremely competitive environment. Disruptions in technology, market needs and wants, the product cost/service delivery model, and world economic trends force businesses to either reinvent themselves to succeed or die away. Many businesses have successfully implemented Business Transformation and reinvented themselves, thus satisfying their clients and increasing value for their shareholders by staying ahead of the competition. Depending on the type of organization, Business Transformation can bring valuable benefits which include:

1. Radically Improved Product and Services



Providing customers with radically improved products and service standards increases their level of satisfaction. Satisfying their current and future needs increases their loyalty and faith in your organization.

2. Increased Revenues



Businesses can harness collaboration and self organization to spur innovation, enhance growth, and drive dramatic improvements in productivity that increase revenues, reduce time to market, improve marketing ROI, and lead to better and faster development of products and services.

3. Reduced Costs



Improved processes, faster adaptability, and greater flexibility result in readiness for coming challenges both foreseen and unexpected. This readiness

eliminates the potential costs (often major) of sudden change or breakdown.

4 Why Transformation Fails

More than 70% of transformation programs fail to deliver their actual targets. One must understand the major challenges to a transformational program and address them before executing it. These include:

1. Unclear view and misunderstanding of the business's vision
2. Vague understanding of the organizational structure
3. Trying to apply the same transformation solutions to diverse business needs
4. Simply reorganizing organizational resources rather than achieving true transformation
5. Failure to understand existing process flows and their objectives
6. Failure to prioritize the factors that need to be transformed
7. Overestimating the goals of transformation in the excitement of making change
8. Communication problems
9. Failure to observe the necessary management discipline in different departments
10. Failure to set specific, measurable, attainable, realistic, and timely (SMART) goals for transformation

5 Holistic Approach to Achieving Business Transformation

In today's fast-paced, dynamic, and challenging environments, many businesses recognize the significance of timely Business Transformation, but few are agile enough to reap its potential benefits. Those who do not adapt in time face the very real possibility of failure. For timely Business Transformation, the following holistic and pragmatic approach is suggested:

1. Emphasize Customer Needs
2. Seek Senior Management Commitment
3. Make Decisions based on Facts
4. Process is the Engine of Success
5. Strive for Open Communication and Collaboration
6. Seek Perfection while Managing Risks
7. Leverage Open Standards
8. Strive for Agility

5.1 Emphasize Customer Needs



Businesses often write mission statements promising to “meet or exceed customer expectations and requirements” but fail to understand their customers’ expectations or even their requirements.

To successfully bring about Business Transformation, a business must understand its customers’ current needs and wants as well as anticipate their future needs. This understanding and anticipation will allow the business to align its own people, processes, and technology to meet those needs, deliver more than what is required, and exceed customer expectations. Customers themselves are the right tools to measure performance, and the impact on customer satisfaction defines improvement, eventually increasing the shareholders’ value.

Customer needs define the basis for the transformation. Transformation requires thorough analysis of the existing system and identification of the factors that must be updated to meet future demands and to exceed customer expectations. Henry Ford famously said, “If I had asked people what they wanted, they would have said faster horses.” His point was that you need to understand your customer better than they understand themselves. While other businesses talked to their customers about horses, Ford skipped a few steps and said, “People want to get more work done and horses ain’t gonna do it.” These customers demanded faster horses and had no interest in these “car” things, but obviously Ford understood their actual needs and envisioned a better solution that his customers hadn’t imagined.

5.2 Seek Senior Management Commitment

The major key factors that senior management focuses on are:

1. Customers and their environment
2. Creating value for consumers and stakeholders
3. Focusing on managing strategic partnerships
4. Positioning the firm to optimize value creation
5. Viewing profit as a measure of success, not as an end in itself



Senior management commitment is the main driving force behind an organization’s success. This commitment sets the objectives and vision of that organization. Therefore, senior management must establish a unity of purpose, believe in the benefits of Business

Transformation, set the direction for the successful implementation of Business Transformation, and create an environment that encourages people to achieve this objective with their imagination and innovative ideas. Anticipating future trends and challenges can save a company in hard times and keep them ahead of the competition in good times.

Senior management must strive to envision the future needs and wants of their customers, energize employees by transmitting their commitment throughout all levels of the organization, and give those employees state-of-the-art tools, training, and radically improved business processes.

5.3 Make Decisions Based on Facts



Decisions based on facts are always more reliable than decisions based on assumptions and intuition. So, a Transformational initiative can only succeed after a careful Market and Competitive Analysis. The Business

Transformation model must be defined based on facts specific to the organization and its unique environment.

It is vital to keep all the facts and figures on the table when planning a transformation: the company's vision, available resources, profitability, competition, and all other related factors. Neglecting these facts, and instead deploying only a favorite strategy for transformation, will lead only to disaster.

5.4 Process is the Engine of Success



Mastering processes is essential. Processes should not be confined to a specific functional area. Rather, processes should be analyzed and designed based on the overall new business model (i.e. process within functional silos versus cross-functional boundaries). Process can be the

engine of success in designing new products and services, measuring performance, improving efficiency and customer satisfaction, or even operating the business with its new business model.

Businesses should also integrate parameters that enable a plug-and-play experience from the moment of change. This happens through flexible processes which result in a lower total cost each time transformation is required.

Set the process right and the system will work correctly. Processes must change when the customer needs change. Business Transformation can radically improve organizational processes to an optimum level and provide flexibility for future endorsements.

5.5 Strive for Open Communication and Collaboration



The goal of transformation is to create harmony and collaboration among the various parts and processes of a business. To achieve this goal, businesses must collaborate with their partners, vendors, and other stakeholders.

Transformation does not happen in isolation. It requires allying all resources and stakeholders with open communication and clear understanding. Bringing harmony to an organization requires transformation into a new culture as a whole. This requires open communication throughout the workforce to ensure the necessary level of understanding. The more open and clear the communication, the better the workforce's level of understanding. Harmony can only be achieved with a team effort. Since transformational change affects many stakeholders, so their various interests must also be balanced and considered during the transformation process.³

People are more willing to collaborate once they learn how their roles fit into the "big picture," and can recognize and measure the interdependence of activities in all parts of a process. To encourage this behavior, people should be recognized and rewarded not only for personal achievements but also for understanding the big picture and collaborating with others for the organization's overall success.

Good communication clarifies the standards of each system and sub-system, and the roles of the entire team within them, which generates

an open system with well defined objectives and results in more effective collaboration.

5.6 Seek Perfection while Managing Risks



No organization will ever get closer to perfection without initiating new ideas and approaches — which always involves risks. Enabling innovation and exploring new ideas are major ingredients in Business Transformation. Striving for perfection while constantly pooling new approaches and ideas is risky. People who understand the value of innovation but are afraid of failure will never change. Transformational leaders should be well educated in taking calculated risks to attain a position closer to perfection while consistently trying innovative ideas.

It is also important to maximize transformation rather than to simply settle for a lesser level of transformation. Transformation may require time and patience to take effect and produce results. Changing a culture is not the easiest of tasks. So, perfection demands proper focus, managerial commitment, understanding the entire process and system, teamwork, and right execution of the transformation process while keeping a close eye on the various risks involved.

Businesses must implement a structured approach to assess, manage, and mitigate risk through alternative prototypes/pilot programs.

When risk cannot be eliminated, risk management reduces it to acceptable levels. So, it is important to put special emphasis on the pre-planning, initiation, and business requirement phases of the transformation to preempt most issues and focus on perfection right from the beginning of reinvention.

Risk may refer to numerous types of threats including

1. Resources (business, people, and technology)
2. The need for completeness and accuracy
3. Operational risks
4. Business continuity risks
5. Security risks (data and information confidentiality)
6. Quality risks
7. Performance risks
8. Environmental risks such as politics

5.7 Leverage Open Standards



Businesses must leverage on open standards, and strive to adopt lightweight business models which are enabled by the ease of pick-up by early adopters. This will allow more rapid and much less expensive Business Transformation. It will allow the stakeholders to understand their roles and expectations, and lead the process to success.

Open standards will foster interoperability, allowing disparate devices, applications, and networks to communicate. This interoperability is extremely vital for the development of network effects and the operation of Metcalfe's Law,⁴ which demonstrates that the value of a

network increases as users are added to it. Interoperability, in turn, allows the full benefits of each addition to be realized.

It has been argued that open standards reduce the efficiencies that may be gained from using proprietary technology to bind together complex systems.⁵ Also, some have argued that open standards reduce innovation. They claim that the innovation that results from having to “design around” a standard based on proprietary technology is lost. In contrast, we believe that open standards don’t reduce innovation; instead, open standards foster innovation. The Internet itself is an indisputable example of open standards with unlimited opportunities for innovation.

So, with the changes that are inevitable over time, organizations need to adapt to new market realities. They must learn how to benefit from open standards and leverage the opportunities that result. Your competitors will leverage open standards. If you don’t, you’re giving them a competitive advantage.

5.8 Strive for Agility

Business Agility can be the trump card in a successful business transformation initiative, especially when it involves huge investments, organizations and their brand values, and the survival of the entire business. It’s critical for organizations to foresee market and environmental changes, and to adapt to these changes rapidly, efficiently, and effectively. Often organizations can neither limit change nor deny the need for change. Rather, it is more productive to direct those changes from within as well as to master the art of responding to changes forced by external factors.

Similarly, agile enterprises do not adhere to the concept of sustained competitive advantage that typifies bureaucratic organizations. Operating in hypercompetitive, continuously changing markets, agile enterprises pursue a series of temporary competitive advantages—capitalizing for a time on the strength of an idea, product, or service and then readily discarding it when it is no longer tenable.⁶

As a result, Business Agility is not only an important constituent of Business Transformation programs that helps organizations survive in a changing environment, but it is also a valuable by-product of the Business Transformation program. This by-product is a reward for the organizations that take on the challenge of Business Transformation. The enhanced level of Agility enables organizations to stay alert to the next change and the next transformation.

Recognizing one’s role and identifying the importance of its function magnifies the efforts of the individuals and increases agility at all levels, thereby making the entire organization an agile entity.

6 Conclusion

Business Transformation reinforces agility, enhances creativity and information sharing, improves processes, and most notably increases collaboration among users. Businesses that master the art of

transformation delight their clients, increase value for their shareholders, and do greater good for society at large.

No matter how major or how critical the challenge, Business Transformation with the right approach enables companies to successfully reinvent themselves and succeed with a better synchronized set of resources: people, processes, and technology.

Our suggested implementation approach will help transformational leaders to add simplicity, logic, and speed to the process, allowing them to capitalize upon first-mover advantages.

About MicroAgility:

MicroAgility, Inc. is an award winning boutique management consultancy. To learn more about MicroAgility, please visit us at www.microagility.com. Based on the principles discussed above, we have also developed a framework for the implementation of Business Transformation programs. The framework includes easy-to-follow steps, templates, and checklists.



Sajid Khan is the President of MicroAgility and is responsible for MicroAgility's strategy and vision, major client relationships, and leading key engagements. Sajid can be reached at skhan@microagility.com.

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4. Wikipedia, "Network Effect," available at <en.wikipedia.org/wiki/Network_effect>. A network effect causes a good or service to have a value to potential customers dependent on the number of customers already possessing or using that good or service. Metcalfe's law, created by Bob Metcalfe, states that the total value a good or service that possesses a network effect is roughly proportional to the square of the number of customers already owning that good or using that service.
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