

# MFB report

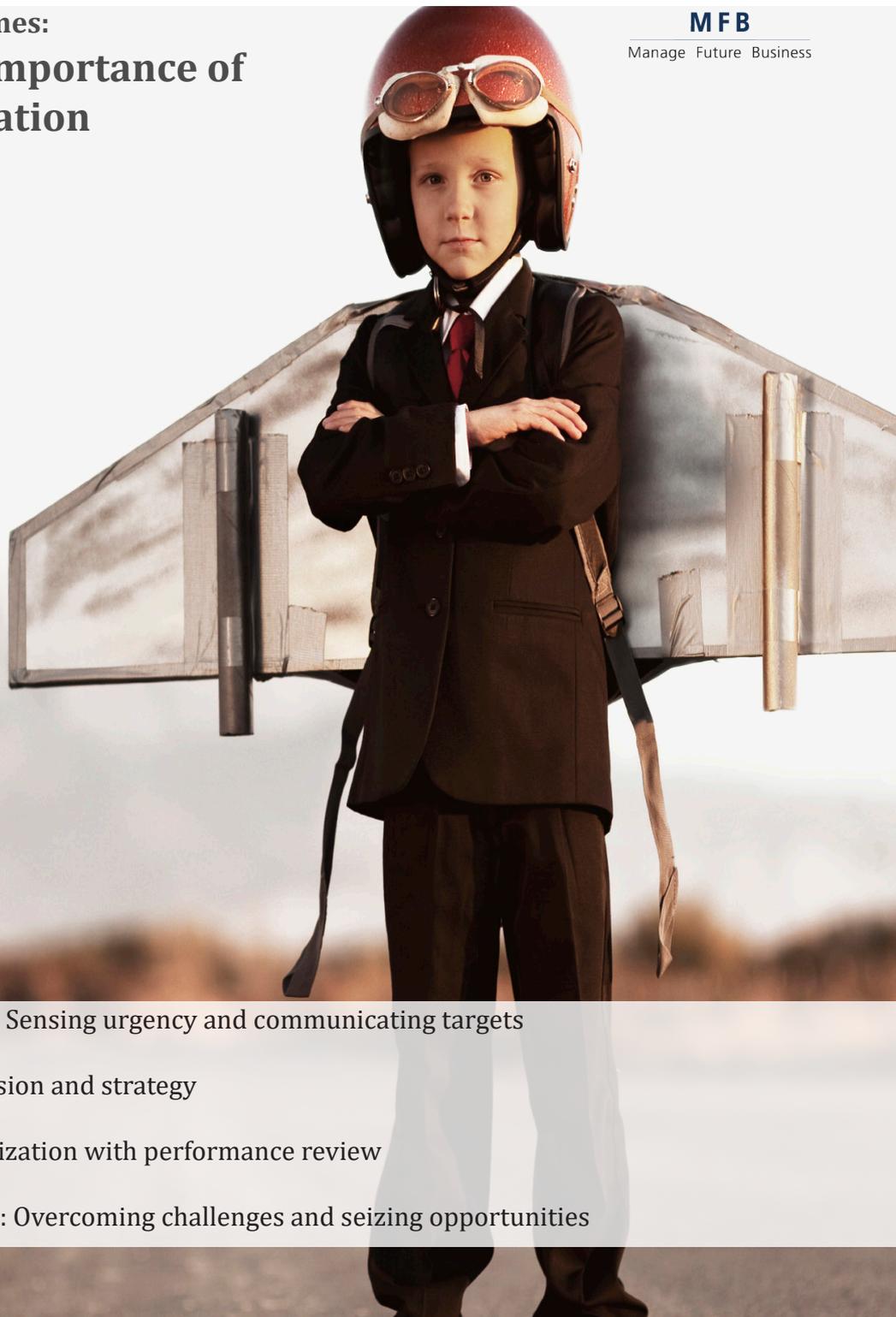
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## Succeeding in Disruptive Times: Understanding the Importance of Business Transformation

**MFB**

Manage Future Business



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## Editorial

Welcome and GutenTag,

Companies across the globe are attuned to the urgent need to transform their business and operating models, in light of evolving customer behaviors, disruptive technologies, and globalization. All transformations require you to rethink how your enterprise creates value today and in the future.

A large transformational project or program can signify new opportunities for an organization. It can also spell a multitude of pitfalls. Getting it right is critical.

Yours,  
Monika Frick-Becker



In an increasingly fast-changing, complex environment, it is challenging for companies to be successful. The dynamics of the market and the speed at which existing practices are becoming obsolete and innovative alternatives have caused an unprecedented need and opportunity for continuing business and operating model transformation, in order to maintain and grow profitably.

Unlike change initiatives a business transformation involves changing the very essence of a company: Apple from computers to consumer gadgets, Google from online advertising to driverless cars, Amazon from retail to cloud computing, and so on. The overall goal of business transformation is to reinvent the organization and discover a new or revised business model based on a vision for the future.

### **Recognizing the need for change: Sensing urgency and communicating targets**

Transformational change is hard. Perhaps the single biggest cause of transformation failure is poor planning, structuring, setup and mobilization. The move from 'running the business' to business transformation requires action at many levels. A formal process that spans from strategy to execution is critical for success. The process should be viewed as a continuous program that monitors strategic catalysts, identifies business and operating model changes and embeds these changes in the organization through a focused execution process.

Business transformation is the opportunity to rethink business and operating models to deliver breakthrough value. It involves strategic decisions that affect customer relations, corporate culture, business design, organizational structure and processes, technology and information architecture as well as the application of metrics in business transformation and their correlation with results.

First of all, it is crucial to recognize that there is a need for transformation - and then to define this requirement in detail. The business model must be thoroughly analyzed and made fit for change. These tactics include setting clear targets, creating a clear structure, identifying and tracking benefits, clarifying roles and responsibilities across functions, maintaining energy and involvement throughout the organization, and exercising strong leadership. The main objective of each project must be to gain specific benefits for all stakeholders.



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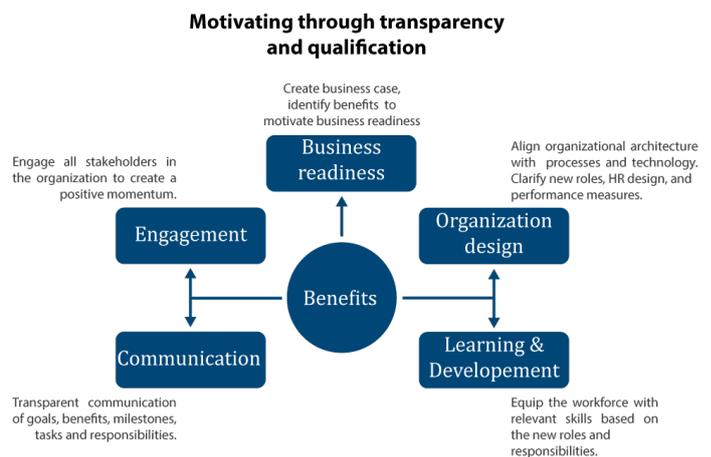
## Leadership: Presenting a clear vision and strategy

Most transformations are relentlessly complex, huge shifts for many organizations. To realize the benefits will depend on leadership of the project, the people involved, the effectiveness of the project team and the quality of communication. And it depends on the engagement of all stakeholders involved in the project. The implications for the role of the sponsor and the project leader are significant. Do they and the wider team have the expertise, and the time, to address the wider issues of transformation? Is there enough focus on resourcing? Can you get the right people, at the right time in the right roles to enable success?

Getting the right strategic vision is critical. To do so, you must have insights into what customers today and in the future truly value. It also includes defining the depth and scope of the changes and the redesign of internal processes and structures. Is a major transformation necessary or will a more limited repositioning be enough?

A sound strategy serves as the foundation for a broad range of enterprise-wide investment decisions, resource allocations, and performance expectations. It helps shape an executable transformation ambition - that is, the value that should come from the transformation. It also helps when leaders develop a clear change story that they share across the organization. Overall, to achieve a successful transformation, it's important to consider people, processes, and systems holistically.

Leadership, transparency and good communication are essential to manage the change associated with business transformation. The participation of virtually everybody is important in order to utilize the collective intelligence of the company. To be motivated employees must have recognized the need for change, accept necessary changes and be empowered to develop alternative solutions and ideas. Underpinning all these factors is the need for skills and knowledge development. This is about training and education and some significant shifts in thinking are required to learn to approach transformation in a new way and not as just another optimization project.



## Sustainability: Continuous optimization with performance review

Getting the right transformation strategy means enabling the organization to work smarter and faster so it can create return on investment even as it continues to innovate. Whatever approach you take, there are some back-to-basics questions you will need to ask. For example: Where do we want to be? What steps will we need to take to get there? What leadership capability and skills will we require? How can we reduce the risk of failure? Answering these questions will enable you to take a long, hard look at your business and to be honest about what you are seeking to achieve and how you will realize this ambition.

The complexity of most transformations asks for experimenting to come up with new solutions. It is a process of many small useful iterative steps. The duration of such a process is often being underestimated and it must be based on metrics that can efficiently measure performance before, during and after transformation.

Once initiatives are fully implemented, the change effort does not end. As the business environment is permanently changing, a corresponding continuous refinement of the business model is essential. It is important to ensure that an organization can function and thrive after its new operating model has been executed. This means to continually develop the own organization and the talent and skills of employees to enable them to succeed in an ever-changing corporate world.

## Business transformation in SMEs: Overcoming challenges and seizing opportunities

Business transformation means different challenges for a large company than for a small-to-medium-size enterprise. In most SMEs, the daily business is dominant. There is simply no time, competence or capacity available to develop a strategic vision. Challenges may also be associated with a strong tradition related to the current business model as well as to the person of the business owner.

On the other hand, the specific entrepreneurial characteristics of smaller enterprises favor a successful transformation outcome. The transformation process is simplified by the company's manageable size and related favorable factors, such as better internal cooperation across functions. Moreover, the business owner usually knows every employee in person, showing a high regard for all staff and involving them in feedback from the market. The implementation of a business transformation requires determination and leadership. Both correspond favorably to the nature of a small or medium-size company.

Through a systematic approach, SMEs can increase the prospects of a business transformation significantly. A formal process that spans from strategy to execution is critical for success. The participation of virtually everybody is important in order to utilize the collective intelligence of the company.

Capacity and knowledge bottlenecks can be overcome by drawing on the expertise of external experts and by exchanging and cooperating with other SMEs. This allows to use external knowledge and not only rely on the own internal perspective. One of the advantages that experienced consultants have is that they understand the human as well as the process dynamics of transformation.

Business success requires sustained growth in the face of near constant disruption, and sustained growth requires agile reinvention. It is important to unlock new opportunities, to deliver new efficiencies. It is not enough to win today. You have to be able to continue to evolve in the future.

### Five critical steps for business transformation success

