Towards a Sustainable Excellence: Successful Transformation in modern businesses

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Abstract

Business in a modern world is a constant transformation. Markets, companies and even complete societies are subject to constant change. The ability to transform is a key success factor in business but also a major challenge. „How to" transform? Which factors are relevant for a sustainable and successful transformation? This paper will give some answers to these questions and we will show, that transformation is strongly related to:

Why? The purpose of the future business and transformation process has to be carved out precisely and communicated well. This is essential to get the buy-in of all relevant stakeholders. They have to understand the necessity to change values, behaviors and develop the competencies needed for a future excellence.

How? A well-laid strategy in combination with operational excellence in organizational design and process layouts sets the direction, a structured development of competencies and skills ensures the necessary abilities are in place.

What? In the end the result oriented execution of strategies and plans will be the key factor for success. Only realized results make the difference!

Background and introduction

When talking about Excellence it may be worth to spend some minutes and think about the meaning of excellence. What makes a product, company or even a person excellent? We define three levels of excellence:

1. Technical and design excellence →Craftsmanship
2. Individual skills and dedication → Competence
3. History and Tradition → Culture

On the first level, excellence is related to a proper design which may be easy to use, manufactured on a high quality level. In most cases a brilliant product is not enough but there is also a need for a person who is able to use the product in the right way. A child will not be able to drive the best car and an unexperienced person will not be able to use a golf club properly. One factor quite often ignored but relevant too is culture and tradition. Real mastery is always a result of a time-consuming learning and optimization process, often lasting for generations.

Although there is some kind of excellence in every single of these three levels for real excellence all three have to be covered. To reach real mastery you have to train a lot and be

focused, you need excellent instruments and tools and in most cases a social network of other excellent persons will leverage your excellence. This is applying for the personal as well as organizational level.

Transferred to the sphere of economics the three levels of excellence stand for:
- Craftmanship – Quality and improvement in operational excellence. Only companies who have efficient, result-oriented processes in place and constantly try to change for the better will succeed in the long run.
- Competence – Qualification and motivation of employees ensure a sufficient level of impetus and innovation and customer satisfaction.
- Culture – Clear vision and strategy for the whole company ensure that all employees and managers understand and actively support the company values and strategy. Additionally excellence in business culture requires curiosity and open attitude for new ideas together with hunger to execute towards common vision and clear goals. Last but not least a Leadership behavior engages people for the vision, empowers them for actions and enhances them with feedback.

Sometimes we hear that these three levels of excellence are outdated and less relevant in a modern, global, digitalized economy. We strongly believe the opposite is true. So let´s have a look into the future of business. Most of the relevant consultancies, think tanks and trend evangelists draw similar pictures for the coming changes. The actual trends in globalization (mainly driven in Asia), digitalization, urbanization and individualized products and services force nearly all industries to develop faster and far more radical, as it has been in the past.

Figure 1: Main drivers for cooperation and change, according to IBM CEO Study 2012
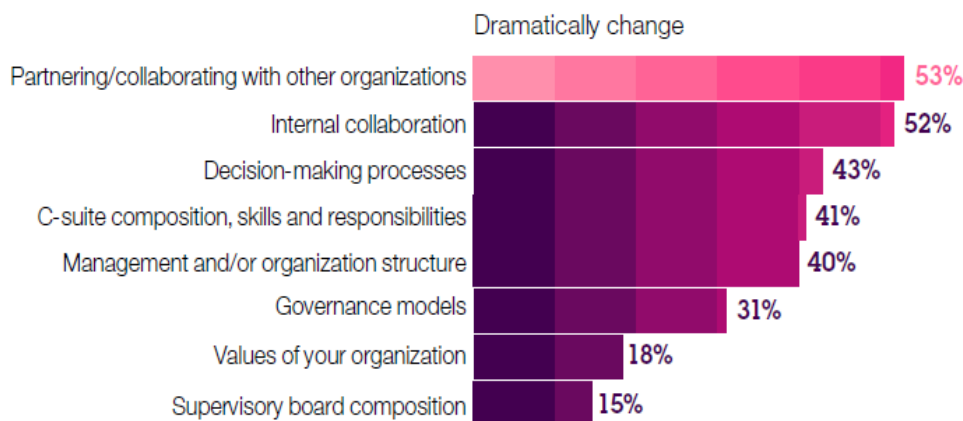
The majority of CEO´s already understood these trends and the resulting needs for their own companies. In the yearly CEO studies conducted by IBM, the increasing complexity of business (2011) and the need to be more and better connected (2012; Source for the shown diagram). The most dramatic needs for change are seen for collaboration with other organizations, internal collaboration, internal processes etc. CEO´s are well aware of the fact that these changes increase the pressure on their organizations to constantly transform and reinvent themselves. Doing business becomes more agile and management has to focus on transformation and learning.

Are companies well prepared for the future world of collaboration? Most probably not! The changes already foreseen by the C-Level have only partly been transferred into operations and

this is a time-consuming process, partly in unknown terrain. For example just a few companies started to use external crowd intelligence for their R&D or qualify their managers to master the digital media which influence our communication and collaboration behavior more and more.

To be well prepared for the future challenges all companies are stipulated to identify which of the drivers shown in the picture have a significant impact and must be handled to ensure business excellence. The given details are only examples but clearly show the complexity in modern business. Whatever the individual situation and driver may be, one message is clear. The need for change and transformation is reality for all companies, competing in global markets. Consequently the capability to realize sustainable transformations is a key success factor in modern business.

Here the three levels of excellence discussed in the beginning become relevant again. As we will show, a culture of change and result-orientation is as essential, as a proper transformation method (craftsmanship) and capable Leaders (competence).

Figure 2: Drivers leading to transformation needs in business.
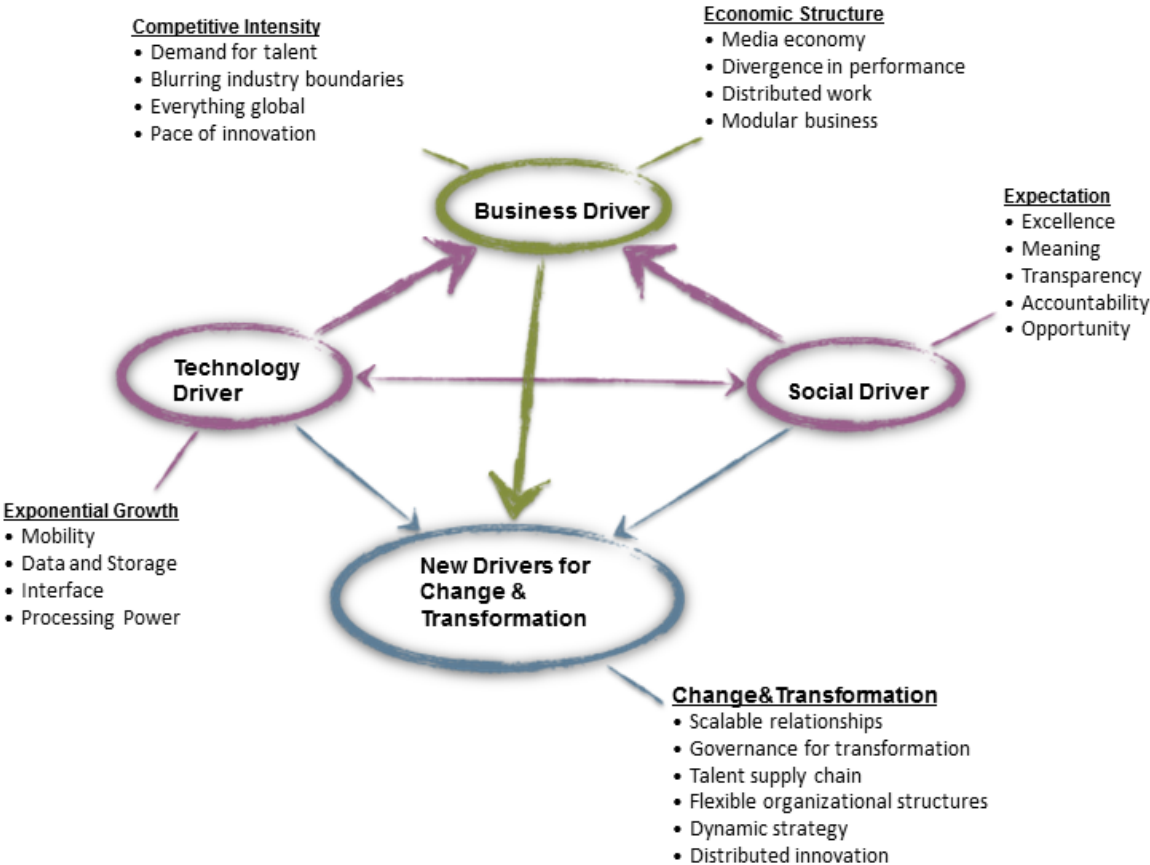
But how does reality look like? In all the years we supported managers in different change and transformation processes we slowly realized there are some patterns in the processes themselves and human behavior, which make it really difficult to succeed in transformation excellence. When looking at a transformation process with the eyes of a middle manager it is "over-". The combination of Old and New increases complexity, often becoming over-

whelming. The workload increases dramatically by additional needs for organization and communication, making managers feel over-burdened. Finally they do their best but will be ower-worked sooner or later. Consequently communication, result-orientation and other key success factors for an excellent transformation process decline, the process slows down or even is turning back.

But is it the manager´s fault? No, mostly it is not. Let´s take the metaphor of a journey to explain why not. Assuming, the promised land we want to reach lies behind a mountain (the mountain of change) it immediately becomes clear, we have to consider some aspects:
- Destination: No one climbs a mountain without a clear picture what he wants to achieve. What is it good for and which route is suitable? Answers on these questions create the will and mental strength to take the hardships.
- Supply: We need ropes, food, proper clothes etc. to master the climb. In business terms it means we need a proper process, tools and instruments etc.
- Training: For a long respectively straining journey we have to be trained. Our physical strength and our capability to use the tools. Many people have to be trained to new IT tools, processes, you name it.
- Guidance: Experience is a key success factor. If this is not available we will rely on a guide showing us the best way and helping us, if help is needed. In many companies there is no need for explicit transformation experience (until we decide to transform) so where should it come from? External experts may be a good idea to guide through the process.
- Network: Climbing a mountain is not only exhausting, it is dangerous. Cooperation in a well trained team is essential and in business we have to ensure that our workforce is strong enough and in numbers and experience. If this is not the case Interim Managers and other "guides" may be hired to strengthen the forces.

Mastering a sustainable transformation process

As laid out before, to achieve real excellence we have to master all three levels of excellence, which applies also for transformation processes. The last two decades have shown giant leaps in change management methodology and skills and most companies also have leadership development high on their agendas. So, why aren't we seeing higher success rates? An educated guess is that only 10-30% of organizations succeed to implement their strategy for change. While craftsmanship and competence are comparably easier to tackle and solve (e.g. through talent management, performance management and leadership/people development), culture seems to be the hardest part. Mastering culture – from our experience - proves to be the real differentiator between poor or average performing companies and the ones who stand out and achieve excellence.

To achieve this sustainable transformation through building the capability to execute and changing the culture we found the framework of the Execution Journey to be a strong driver. It integrates successfully proven methods and tools into a clear and cosistent 4-phase culture change program, which builds the capability to execute (and thus constant change and sustainable transformation capabilities) into the DNA of the organisation.

It is called a "journey" because it is not just a project or a program one may administer or control. It is a clearly laid out path with a well defined starting point and a visible but not yet tangible destination. To get there (and transform on the way) we have to
- Create momentum through correctly directed action
- Design the path

- Evoke emotion
- Change behavior
- … and build capabilities

So where to start?

The journey usually starts after all the analyses, strategy building and business planning have been done. Business cases have been approved, C-Level is convinced that this is the right thing to do, consultants went home, and the only question that is left is: How do we do it and move on from here?

As laid out before just building on craftsmenship and competence alone will not move an organisation beyond the point of no return in terms of a sustainable transformation. But this is what often happens. The (project-) management troops start marching with all their tools asigning tasks, setting up schedules and defining KPIs (craftsmanship). Communications focuses on getting messages through and HR starts to move people around, asigning new functions, assessing competencies and skills, training for new asignments and coordinating change management workshops (competency). As we all know: if capability to change and execute is not in the DNA of the organisation these efforts will not help to the extend that is actually need to sustainably tranform. This is why only less than 30% of change efforts still succed – let alone sustain in constant tranformation need today. Everybody know at least one expample from own experience which terribly failed.

Figure 3: The Execution Journey, a modell for successful transformations. The Execution Journey has four phase: Define, Create, Mobilze, Lead. Growth, mainly out of qualification is relevant in all four phases.
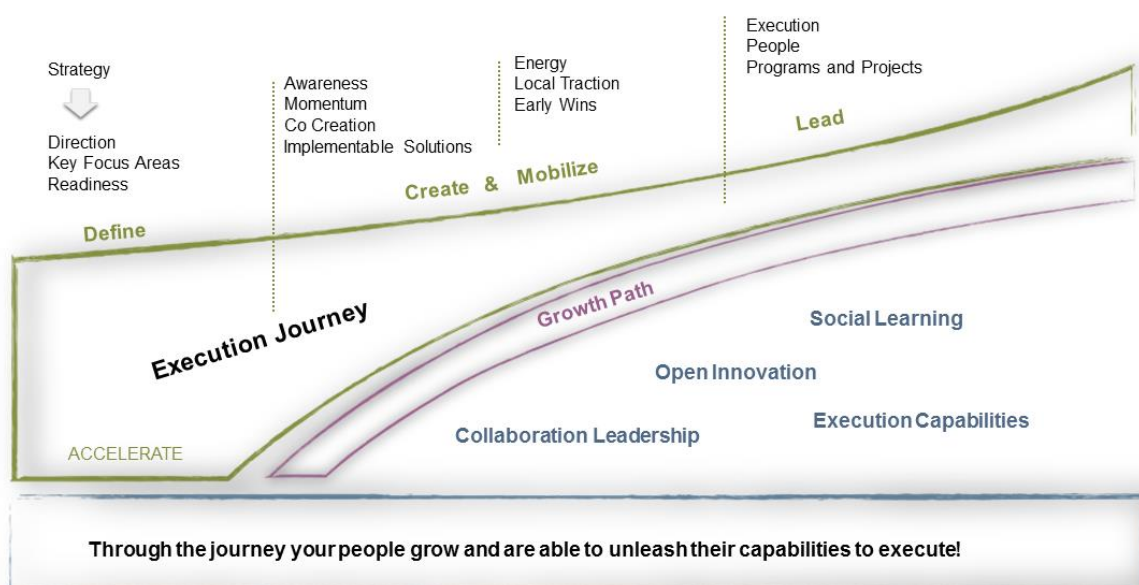
Like in any project, the start of the journey is crucial to the success of the whole effort. Only if a clear direction is achieved a journey should start. Too many times too many different messages are out there for the same thing, or the messages are not precise or clear enough.

This would blur the vision of the journey destination right from the beginning. So getting the direction clear, setting the focus to the right areas that have to be addressed is key for the overall transformation effort to be successful. Another important part is to know about the change readiness within an organisation in terms of mind set, willingness to change, commitment, dedication and hunger for success and innovation. This has to be taken into account when designing the path for the journey and the creating the engery to finally embark on the journey. So this crucial phase we call "Define" and has to take place at the very top-level of an organisation, involving the C-level and/or powerful transformation sponsors within the organisation: few people have to do the right thing, set the direction and the agenda.

In the next step is the fun part. We call it the "Create"-phase. It is about broadening the base of the involved stakeholders and laying out the path for the journey, creating awareness and momentum among the ones who need to drive the transformation in their responsibility. Depending on the size of the company and the desired transformation this can be any number of participants betwen the low two digits up to more than 500. There are many methods and tools out there, which can actually support this phase. But the strongest by far we experienced is the Design Shop Method (MG Taylor corporation). The method is ideal for a large number of stakeholders to collaborate and co create tangible solutions to complex problems. Engaging all relevant parties into the design through an energetic and structured process ensures ownership. Dedication and quality of the outputs are significantly increased by the method. Learning activities and supportive electronic tools like TEDtalks, Slams or an eLearning platform additionally accelerate the processes. The "Create"-phase leverages the know-how and experience of a broad stake holder base within the organization. Complex problems and initiatives are broken up into manageable pieces that can actually be done. The methodology is agile in any sense and creates solutions, which can be adopted quickly throughout the organization. The transformation capabilities start to root within the organization's culture.

After laying out the path of the journey in detail through the "Create"-phase it is important to involve an even broader base of employees and stakeholders (which employees actually are, sooner or later). This phase we call "Mobilize". This is the classical moment, where "craftsmanship" and "competence" as elements of excellence are usually in focus – and need to be there. But now it is the pivotal point, where culture change either starts to grab a hold or entirely fails. Only if the participants of the create part of the journey can walk the talk and support with their energy and capability to execute in their normal work environment (with their colleagues, peers and subordinates), the capability to execute will spread across the organisation.. To get it right: we need all the competency building and the enhancement of the craftsmanship, but if the transformation is handled as a project, run by a few, not rooted in day-to-day operations, it will inevitably fail, leaving behind an oversized project management infrastructure and a puzzled sponsor team. So the Mobilize part is about spreading the word, showing the others the path and changing things that need to be changed. This usually takes its time, lots of effort regarding communication and classic change management initiatives.

The final phase, which helps to sustain the transformation and tells the good from the excellent we call "Lead". Realizing results in day-to-day operations is the key challenge in transformation. The different stakeholders and their conflicting interests offer a wide range of reasons to deliver not. Consequence and the strong will to get over the tipping point into a better future are essential for success. Here quite often the biggest need for support can be observed, since the strongest thread to a sustainable transformation is the slowly diminishing engery, when the final destination seems almost be reached. If this happens, the next transformation (that will inevitably come) will start at zero – culturewise. "Lead" is about keeping up the will to execute and really concentrating on what matters until the final

destination is tangibly reached. In this phase leadership (development), learning and mentoring are crucial for success. Efforts have to be tracked and achievements to be made transparent. What we see is, that organisations, excelling in this phase, really root the capabiltiy to execute in their DNA. We see a clear drop in number or meetings, less meeting participants, better meeting outputs and things that finally move. As Herzberg found out already in the 1960ies, achievment is the biggest motivator people have, no matter in which organisation they work in. This is, what finally starts to happen in "Lead": people achieve what was laid out in the path, starting an upward cycle to exitement about getting things done.

Figure 4: Elements of the four phases within an Execution Journey
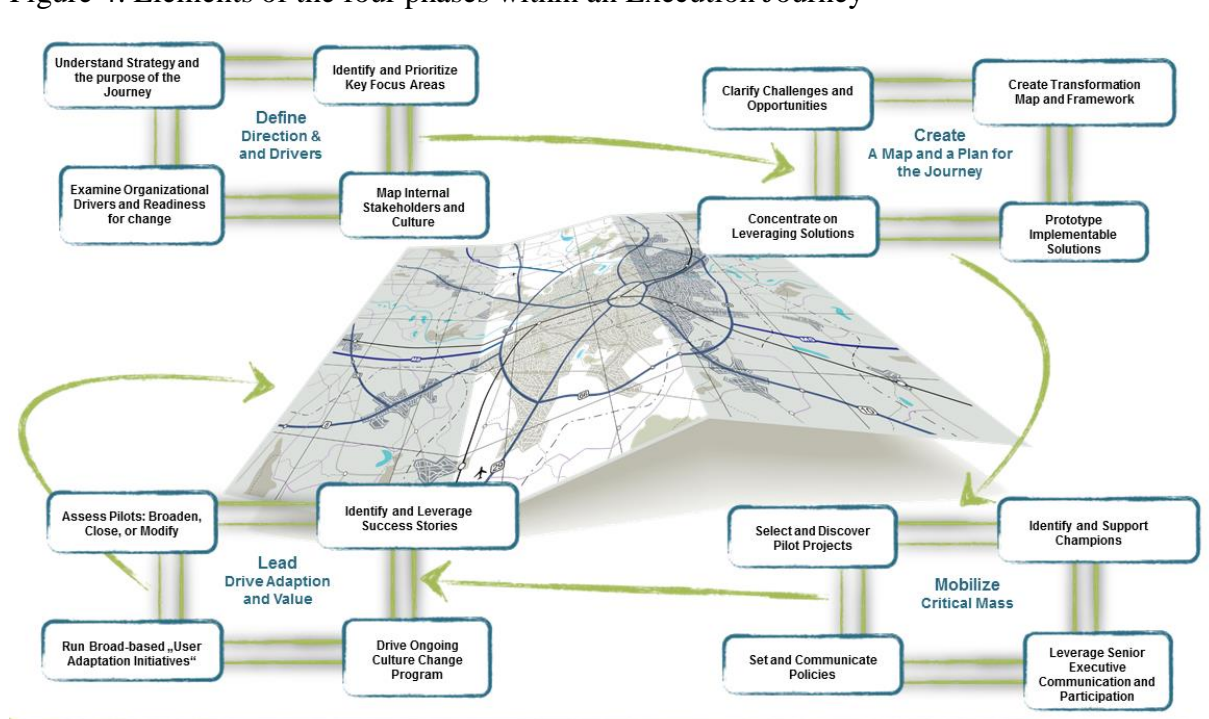
Qualification of Transformation managers

As shown in the discussion, another aspect of transformation management may be of high relevance. In standard qualifications for managers the specific aspects of transformation processes are not covered and hence it is no surprise that many managers feel overburdened when becoming involved in a transformation process.

So one part of an organizations capability for change and transformation is qualification. What kind of knowledge and competences do managers need to be well prepared to lead a transformation? From our point of view we suggest a formal qualification should cover the following fields:
- Strategic Management
- Project Management
- Leading complex and flexible systems
- Methods for transformation processes
- Personal and leadership skills

- Digital media competence and communication

Beside this operational experience shows that within a transformation process a formal qualification may not be sufficient. Quite often the complex and demanding situation is overwhelming and a personal accompaniment is needed. Like a buddy system an experienced external manager helps to focus on the relevant aspects and intended results. He acts like a shadow of the manager and jumps in, when help is needed.

In a business world streamlined for efficiency it may be realized that the actual bandwidth of management is insufficient. In a transformation process the need for communication and coordination is significantly increased. Therefore not only the qualification may be short but also the number of managers needed. One solution may be the use of Interim Managers who temporarily join the team to make sure the right management capacity is in place.

Summary and outlook

In a global and digitalized business, the ability to transform is essential for sustainable success. On one side this is connected to operational excellence in day-to-day work but on the other side it means to establish a culture and organization of continuous transformation.

The keyword for successful transformation is capability. It stands for a culture of professional change, operational agility, result orientation and individual competence. As a framework for sustainable transformations we suggest seven rules for success:
1. Develop a culture of constant change and hunger for excellence. Striving for excellence is a key factor for success.
2. Ensure the purpose of any change or transformation is well understood and shared. People want to know, why their work makes sense.
3. Empower experts and teams to ensure agile, result-oriented operations. The people knowing best, what is the right thing to do are those who should do the work.
4. Focus on Capabilities and execution. Results are what we are looking for!
5. Digitalize the company for better communication and collaboration
6. Qualify the relevant persons to ensure the time of transformation, i.e. uncertainty and conflict of interest is managed well.
7. Check your leadership bandwidth. In times of change and transformation the need for qualified and available managers is significantly higher

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