

CC Corporate Development

Roland Berger

Corporate transformation

How a holistic reorientation
can make your company fit
for the future



Safeguard the future of your company by aligning its business system to changing market demands

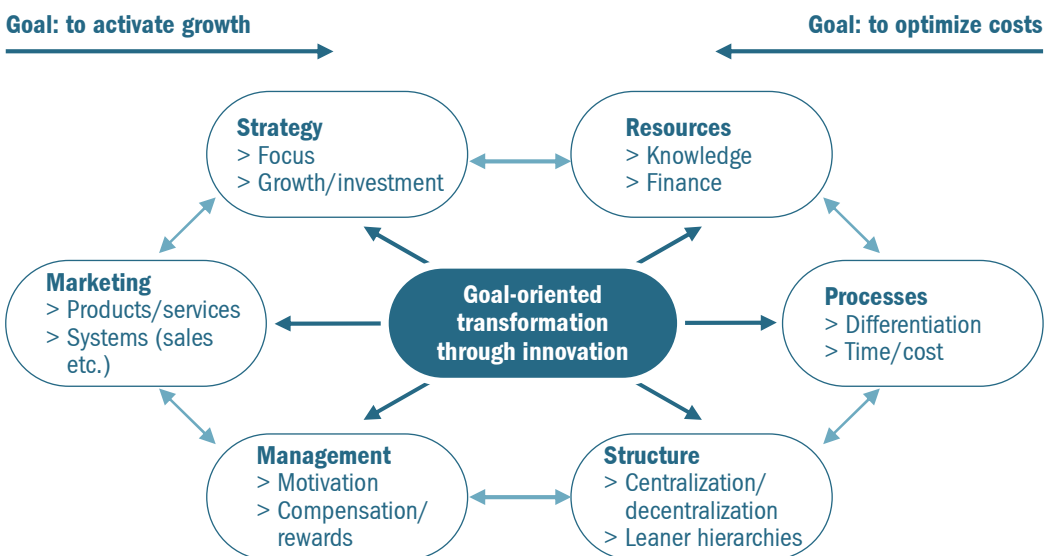
Far-reaching and often painful restructuring processes have been the harsh realities of corporate life in recent years. Contented smiles are nevertheless conspicuously absent from the majority of board rooms. A one-sided focus on cutting costs and creating lean organizations has caused many companies to eat into their substance and destroyed their strategic flexibility. Cost-cutting and efficiency-boosting programs born of ill-considered actionism rarely prepare the ground for fresh growth that is driven by innovation.

If you want your company to be one of the market movers of the future, isolated repairs and optimization efforts will not get the job done. On the contrary, **companies need to rebuild their business systems systematically**. They must establish intelligent links between restructuring and innovation, between cost optimization and growth. Their aim must be not only to keep pace with the best in the industry, but to continually set new standards. Corporate transformation is the key.

Every transformation seeks to create a company that is constantly, repeatedly transforming itself. When a company decides to go the way of transformation, that means **challenging** – and reorienting – **every aspect of strategy and operations** from the ground up. Every dimension of the company – from strategy through marketing and management to resources, processes and structures – is innovatively realigned in consort with all the others. To transform successfully is, in effect, to institutionalize change – and in so doing to safeguard the future of the company.

Transformation is not just an isolated tool of management, however. It is precisely the creation of **pragmatic links between different methods** and strategies that allows transformation to unfold its full impact. Fundamental portfolio adjustments, innovative market strategies, business process reengineering methods and organizational reorientation programs are thus linked to the tools of sustainable change management and the tools of implementation and monitoring.

Figure 1: Goal-oriented transformation through innovation



Roland Berger Strategy Consultants has walked many successful companies through their transformation processes. **What can we learn from them today?** How did former monopolists such as E.ON or RWE rise to the ranks of global players? How did they successfully integrate their new acquisitions? How did EADS, a leading aerospace group, emerge from an array of individual companies, each with a different national focus? And – to bring the discussion right up to date – how can a government organization such as Germany's Federal Labor Agency learn to respond appropriately to constantly changing conditions? The answer is the same in each case: by means of a comprehensive and sustainable transformation that must nevertheless assimilate a number of solid rules if the full, long-term benefits are to be reaped.

The pillars of successful transformation management

Launching and managing transformation processes is one of the major management challenges of our time. **Seven ground rules for managers** are critical to the success of any such project:

- > Focus all transformation processes on a clear vision
- > In your capacity as a senior manager, exhibit clear and visible commitment to the process
- > Ensure professional project design that covers all aspects involved and is well structured from start to finish
- > Quantify (interim) targets and define who is responsible for meeting them
- > Involve your people across the board and from an early stage
- > Invest in communication
- > Create a framework that is conducive to work that is focused on positive results

Again and again, the phases of the transformation process outlined below will have to be measured against these seven pillars.

Transforming your company: simple structures, clearly defined tasks

However much companies may vary, most transformation processes consist of three phases.

Phase I – Developing the target business strategy:

Transformation is a conscious act of entrepreneurial will. The impetus and initiative must always come from the very highest level of management. A coherent corporate strategy derived from a clear corporate vision sets the strategic direction and stakes out the framework within which transformation can and must take place. There is, however, certainly no need for the innovations on which the subsequent transformation process builds to involve reinventing the wheel every time. Many such innovations simply consist of transfers from other companies and industries.

Phase II – Implementing the target business strategy:

The vision and strategic orientation are now fleshed out in a concrete, detailed business model and made ready for implementation. In this phase, the company must simultaneously tackle a wide range of individual topics (such as process optimization, organizational reorientation and innovations in the area of product and/or market offerings) in order to realize the objectives derived from phase I. Top priority must always be given to two particular goals: One is to activate as many of the levers defined in the corporate strategy as possible. The other is for the company to genuinely commit to a radical reinvention of itself and its business system. "Window dressing", a little tweaking here and a little fine-tuning there will ultimately prove fruitless.

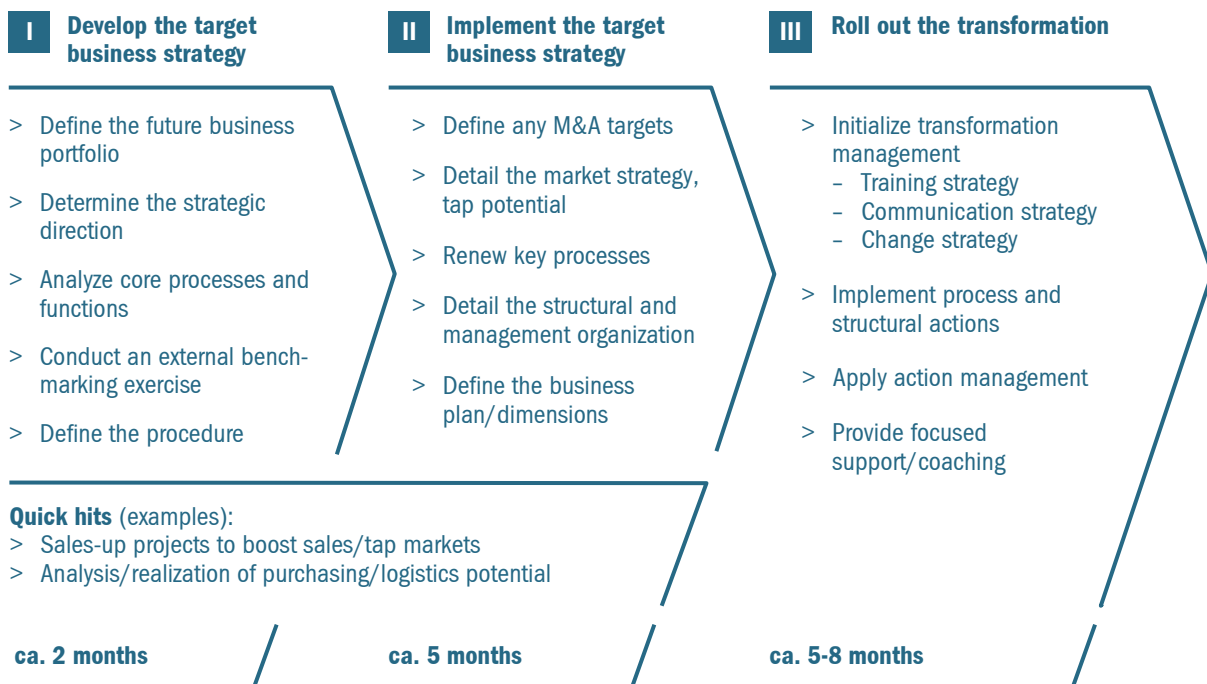
Phase III – Rolling out the transformation:

Sustainable change can only be effected with the cooperation of the work force. Everyone in the company must be involved in the process of transforming it, playing an active part in problem-solving teams. This in turn necessitates a comprehensive **change management process**. The latter contains such aspects as intensive communication, workshops to cascade knowledge down through the company, and training to empower and enable the work force. Active employees contribute creativity and a knowledge of the relevant problems. They gain a keener awareness of problems and begin to understand the solution strategies that are inherent in transformation. Since they will only sustainably implement what they genuinely accept, this approach establishes them as key people in the learning organization.

All phases of the transformation process require efficient, focused management. The more deeply the transformation process penetrates the company, the more important it is to carefully control all actions and results. Especially in the case of large projects, it is worthwhile setting up a dedicated controlling unit to monitor the actions taken. Results must be presented in a form that can be mapped onto the income statement and the balance sheet. Extra sales can be expressed in terms of marginal profit contributions, for example; faster processes as less tied-up capital; financial innovations in terms of their impact on the cost of capital; and productivity growth as it affects personnel expenses.

As important as it is to be able to measure and plan everything, it is equally important to maintain a healthy balance. The transformation process must not be choked by excessively bureaucratic planning. **Transformation must be dynamic.** It is therefore crucial to take to heart the 80:20 rule – and to remember that it is better to implement the second-best solution quickly than the optimal solution too late. Quick hits and pilot projects score initial successes, motivate everyone involved and visibly get the process moving.

Figure 2: The transformation process



Transformation is the key

For anyone who wants to avoid jeopardizing their company's ability to survive and compete in the long term, there is no alternative but to review their business model and effect a systematic reorientation. We would strongly urge you not to simply "go with the flow" and follow the latest trends. Instead, secure a position among the leaders and transform your way to new competitive strengths!

The issues at stake will soon go beyond your company alone. They will encompass suppliers and customers too – demanding a redefinition of the entire value chain. Successful companies will change the rules by which entire industries operate. Transformation is the key. It is, therefore, time for the prime movers to take the stage.

We would be happy to talk to you about designing a transformation strategy for your company. We look forward to hearing from you.

Who to contact about transformation

Roland Berger Strategy Consultants
Corporate Development Competence Center

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Roland Berger Strategy Consultants – Corporate Development Competence Center

Roland Berger Strategy Consultants advises industrial and service companies and public institutions of international rank in all areas of corporate management – from strategic orientation to the introduction of new business processes and organizational structures.

"Creative strategies that work" are our core strength. We do not just develop innovative concepts: we also provide active, hands-on support as our customers implement them. Such close teamwork delivers sustainable value for our customers. We are convinced that any strategy that doesn't pay off is not a valid strategy at all. Accordingly, we use systematic methodologies to quantify every one of our recommendations from start to finish. Quantitative analytical procedures and tools are applied from the outset to help us achieve this goal.