## How to flourish *by embracing* inevitable change.
### If nothing ever changed, there'd be no butterflies.

Dale Field, Starr & Associates LLC (April 2016)

## ENTERPRISE TRANSFORMATION

### INTRODUCTION

A butterfly isn't simply a caterpillar that grows wings. Caterpillars are slow, hungry, and fat. They would be unable to fly even in the hypothetical event that they could simply sprout butterfly wings. On the other hand, a butterfly is not simply hatched as a butterfly. Butterflies are created from caterpillars through metamorphosis. This is a permanent, irreversible transformation in which the butterfly is developed with a body suitable, and the wings necessary, for life as a butterfly. Obviously, however, a butterfly doesn't just emerge because the caterpillar decided to try being something else and became a butterfly by chance! The metamorphosis process is a natural, planned transition with a clearly defined starting state, end state, and development plan and process.

Similarly, Enterprise Transformation is *not about just improving* current enterprise capabilities. **It is about fundamentally *transforming* the enterprise.** Furthermore, successful Enterprise Transformation depends not on luck, but on **strategy and planning.** This whitepaper outlines a structured, methodical approach to drive Enterprise Transformation planning and execution.
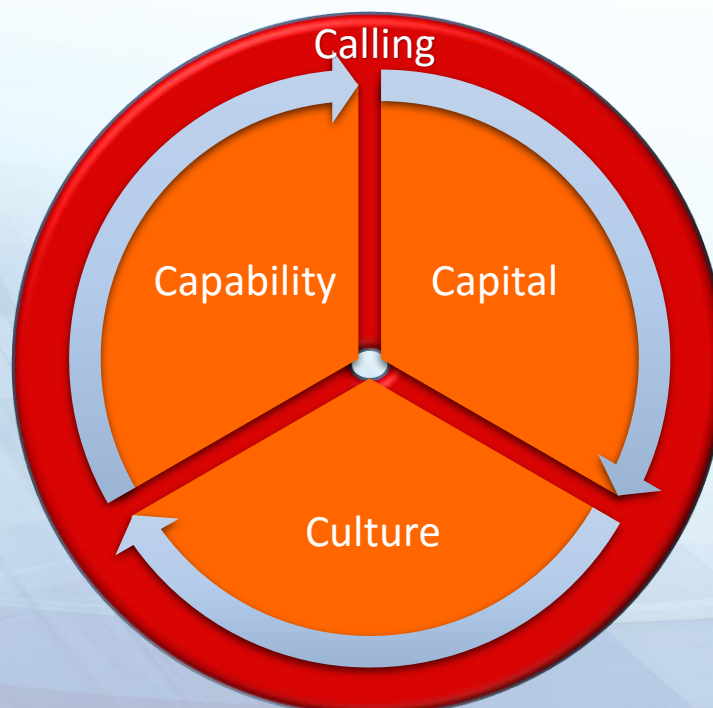
## THE FOUR Cs

Four C-words can be used to frame the factors that must be addressed in order to develop an effective, comprehensive approach to Enterprise Transformation.

- **Calling**: The first of these concepts, the foundation that drives, dictates, and is dependent upon each of the other elements for success, is Calling. Calling establishes *what* the organization aspires to become and *why*.

- **Capability:** Based upon the Calling, the enterprise must evaluate its current Capabilities, consider which Capabilities must be developed in order to achieve the new purpose expounded by the Calling, and develop the plans to realize those capabilities.

- **Capital:** Those plans will be reliant upon, and may significantly impact, the enterprise's financial Capital. The Capital may determine transformation feasibility, options, and/or time frames.

- **Culture:** A plan to transform is only as good as the enterprise that must execute the plan. Does the enterprise have "the right stuff" or what must be done to develop it? Culture can enable or hinder the prospects for transformation. It should not be an afterthought, but rather it should be a carefully managed success factor.

Each of these four factors are explained in further detail below and further separated into three distinct sub-components to provide a comprehensive view of the transformation requirements and opportunities.

## Calling:

The most successful enterprises don't just exist; *they exist for a purpose*. Microsoft exists to aid in the efficient creation, storage and distribution of information. Google exists to effectively find and share that information. Boeing exists to make air travel available to the world. Coca-Cola exists to provide as much as possible of the world's beverage consumption.

Each has a *Vision* that defines its reason to exist and what it strives to become. **Vision is the single most important and indispensable element of transformation.** Abraham Lincoln said, "Give me six hours to chop down a tree and I will spend the first four sharpening the axe." Just as an axe must lead with a sharp edge to cut, a crisply defined and articulated vision is essential to formulating and evaluating all Enterprise Transformation activities. Conversely, without a clear vision, an

Enterprise Transformation initiative may absorb energy and resources but is unlikely to produce the desired progress.

Clear *Goals*, aligned with the vision, define the transformation milestones and achievements that will mark progress and provide opportunities to adjust plans as necessary. Furthermore, *Incentives* should be developed and employed for each of the goals in order to motivate and align all members of the enterprise to share in the vision and achieve the goals. The goals and incentives should be formulated with respect to each of the Capabilities, Capital, and Culture needs as described in the following paragraphs.

## Capabilities:

The capabilities of an enterprise are a result of how three equally important contributing factors function together. First, it is the **People** within and in control of the enterprise who provide the energy and skills to make transformation a reality. Recruiting and talent development are critical aspects to the People category of capabilities.

**Process** defines what and how work is currently done. Transformation will almost certainly require that processes be defined, refined and eliminated as vision-supporting processes are identified and developed. The Processes do not occur "in a vacuum," however. Rather, they require supporting **Technology**. For many people, *Technology* is synonymous with information technology. Certainly, this is a vital technology component and is becoming more so at a rapid rate; however, many other Technology elements may be equally impactful.

In health care, for instance, medical technology is perhaps of even greater importance than information technology. Energy creation and consumption, transportation, shop floor production and assembly, and food processing are just a few additional examples of the wide variety of technology categories that may impact the current or future technology footprint and transformation roadmap. Assessment and transformation strategies for these categories are often dependent upon the *People* and *Process* categories as well, requiring utmost diligence to ensure thoroughness and accuracy.

## Capital:

Conversely, Capital is perhaps the most straightforward transformation element to be considered, but it is no less significant. **Cash Flow** helps define the resources expected to be available in the *short-term* to fuel a transformation effort. The **Income** Statement provides insight to the

financial resources expected to be *sustainably* available from on-going, or anticipated, operations beyond the current period. The significance of the differential between short-term (Cash Flow) and sustainable (Income) resource availability will depend, in large part, on the complexity and expected duration of the transformation strategy. **Balance Sheet** strength is perhaps the key factor in determining *how long* an enterprise can sustain a protracted transformation investment should the strategy require a greater use of financial resources than can be sustained through income generated resources.

## Culture:

We focused on the skills of the enterprise workforce in the Capabilities section above. While the skills of the workforce are a key element in determining what the enterprise *is capable of accomplishing*, cultural assessment identifies what the enterprise *would like to achieve and why*. The enterprise Culture is therefore, equally significant. Along with Capability and Capital, it is the third defining component critical to enterprise transformation. This element is focused on understanding and shaping enterprise motivations, and can be thought of as having three distinct elements.

What are the shared **Values** of the enterprise? Values define what the enterprise collectively believes *should be true and what is important,* both currently and aspirationally. This is foundational to understanding how the enterprise evaluates and makes decisions.

**Beliefs**, on the other hand, reflect the enterprise's perception of what *is true* about the enterprise. Is the enterprise seen as striving for something worthy and inspirational? Do the people of the enterprise believe the enterprise is, or will, make a difference? Do they believe the enterprise can really achieve its transformation objectives? When considering personal beliefs, it's been said that "whether you think you can or can't, you're right." The collective beliefs of the enterprise are equally impactful.

Lastly, **Assumptions** reflect the if-then attitudes within the enterprise. If we achieve x, y will happen and be fair and well rewarded. Or not! These assumptions reflect the level of trust the members of the enterprise have in it. Obviously, these assumptions can have a great impact on the level of resistance or support that an enterprise attempting transformation will face from its own members.

## TRANSFORMATION DRIVERS

The four Cs suggest what factors need to be assessed and affected, and how these factors may impact Enterprise Transformation. Clearly, true Enterprise Transformation is a significant undertaking and, as previously stated, it is permanent and irreversible. Therefore, before embarking on an Enterprise Transformation journey, the enterprise must evaluate *why, or even whether,* this is a necessary or prudent path forward. While the situational details for every enterprise are unique, generally an enterprise's need or opportunity for transformation is in response to often seismic shifts to the environment in which it operates.

These environmental shifts typically come in the form of one or more of these three categories.

- Laws and Regulations
- Emerging Technologies
- Socio-Economic Shifts

Changes in any of these three categories can destroy entire existing industries or create new ones. The need for Enterprise Transformation may come in response to shifts that have already occurred, or in preparation for those that are anticipated. These will be discussed in greater detail in an upcoming whitepaper.

## APPROACH AND TOOLS

### APPROACH

Finally, assimilating and synthesizing each of these elements into a cohesive effort relies on a structured methodology and approach. An entire whitepaper could be dedicated just to the methodology and still only scratch the surface of a thorough methodology review. However, what follows provides a high-level view of the Project Approach and necessary tools.

**A Five Phase Project Approach**
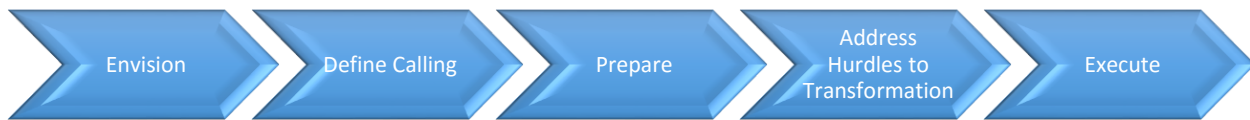
| Envision | Define Calling | Prepare | Address Hurdles to Transformation | Execute |
|----------|----------------|---------|-----------------------------------|---------|

| | |
|---|---|
| **Phase I:** | Envision opportunities |
| **Phase II:** | Define Calling – How will the organization meet those opportunities? |
| **Phase III:** | Prepare – What will the organization need to do to be able to meet the opportunities? |
| **Phase IV:** | Address Hurdles to Transformation – What are the potential "stumbling blocks" and how can they be mitigated |
| **Phase V:** | Execute – Transform the enterprise with purpose and a plan |

Each phase may have separate, detailed work plans indicating the anticipated tools and timeframes, or each may be elements within an encompassing, end-to-end work plan.

## TOOLS

As explained above, calling provides the context for assessing each of the other Four C categories.  The other Cs (Capabilities, Capital, and Culture) define what must be considered in order to make achieving a calling a reality.  The plans may utilize, but are not limited to, the tools presented in the table below.  These are the tools to help the organization achieve its Calling.

| | Calling<br>(Vision, Goals, Incentives) |
|---|---|
| **Capabilities**<br>(People, Process, and Technology) | • Process Mapping<br><br>• Skills Assessments and Development Plan<br><br>• Technology Assessments and Roadmaps<br><br>• SMART Goal setting (Specific, Measurable, Attainable, Relevant, and Time-bound)<br><br>• Incentive design for goal alignment and motivation<br><br>• Transformation Matrix relating Calling to Capabilities<br><br>• Balanced Scorecards<br><br>• KPI Dashboards |
| **Capital**<br>(Cash Flow, Income Statement, and Balance Sheet) | • Financial Modeling<br><br>• Pro-forma Development<br><br>• Develop Monitor and Control strategies<br><br>• Capital to Value Assessment |
| **Culture**<br>(Values, Assumptions, and Beliefs) | • Surveys<br><br>• Observations<br><br>• Structured Interviews<br><br>• Focus Groups<br><br>• Culture Seeding and Shaping<br><br>• Culture Modeling |

## CONCLUSION

Enterprise Transformation is neither appropriate for every enterprise, nor is it easy.  This discussion hopefully indicates when it is not only appropriate, but is perhaps the best approach to preparing for an uncertain and challenging future, as well as what attributes an enterprise must develop to prepare to reach that future.  A decade ago, Apple transformed itself from a second tier manufacturer of niche computer hardware and software to become, not only the world's preeminent mobile phone company, but also the world's most valuable company.  By redefining itself according to a new calling, and developing the attributes to reach that calling, Apple transformed not only itself, but an entire industry and how the world works and communicates.