

Case Studies on
Corporate Transformation

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OVERVIEW

Whether it is Steve Jobs rescuing Apple in 1999 by transforming it from a computer maker to a consumer-electronics company or Progressive Insurance's transformation to tackle competition, almost always, corporate transformation is triggered by a problem. A company is faced with a revenue drop, a weak financial position in a core business or stiff competition. Corporate transformation begins when companies start evaluating their financial performance, competitive situation or market position.

But can't a company be transformed without first experiencing a crisis?¹ Many would believe it should. As troubled businesses are growing in number, companies have no choice but to undertake corporate transformation. Without reinvention, no business can survive in the long run. To stay on top and grow further, companies have to constantly improve ways to run as globalisation brings in several opportunities and challenges.

However, transformation that does not occur out of a crisis usually ends up in failure. Generally companies are reluctant to undertake corporate transformation, when the going is smooth. While a transformation prompted by a crisis writes its own story, building an authentic story – explaining why a company needs a transformation before a crisis hits – is much harder. So, although bringing change is absolutely essential, it is also very difficult.

Successful transformations seek long-term solutions, based on processes and principles that are well understood. Most often, in failed transformations, companies resort to adopting quick-fix solutions that include slashing budgets and R&D expenditure, laying off employees and selling off under performing operations. Referred to as turnaround activities, such actions succeed to create a false appearance of health. However, they fail to address real business issues. In contrast 'transformation is more than just a turnaround; its thinking – and acting – in new ways.'² By enhancing a firm's ability to grow and sustain pressures, corporate transformation results in more than superficial levels of change. Successful transformation brings means to sustain deep-rooted health.

However, 'successful transformations do not hinge on luck.'³ Successful transformations happen by a process formed out of few fundamental conditions: it thrives on energy, it is based from the perspective of the total-system, it is embedded in a comprehensive implementation process and above all it is led by a vision. (Exhibit I). Unless a transformation is directed by a sensible vision, confusion

¹ Day Jonathan D. and Jung Michael, "Corporate transformation without a crisis", *The McKinsey Quarterly*, October 29th 2007

² Amelio Gilbert F., "Corporate Transformation", <http://www.gtalumni.org/Publications/magazine/win96/Amelio.html>

³ "Company Transformation: More a Science than an Art", http://www.bain.com/bainweb/PDFs/cms/Public/Benelux_Results_Company_Transformation.pdf

prevails. Moreover, transformation involves many who should want to help, change and sometimes, even make short-term sacrifices.

Corporate transformation should also be a coordinated process. Many a time, transformation happens in more than one way. The business strategy may be redefined, the way a company manages its sales, costs or assets may change, organisation structure or processes may change, or a new way of evaluating the balance sheet may be devised. Although all may occur simultaneously, to succeed, it should be integrated into one logical process.

While successful transformation demands such conditions, who creates them? Transformation often begins, when a good leader, who sees the need for a major change, leads it. 'If the renewal target is the entire company, the CEO is the key.'⁴ Any radical transformation is not possible without a transformational leader. People readily imbibe change for CEO's they trust. So often, 'guiding change may be the ultimate test of a leader.'⁵

To make a transformation meaningful, CEOs have to carefully evaluate the key problems, strengths, weaknesses and resources of the company. As the company is transformed while it is still running, he also needs to build a strong and committed team, and instil tremendous energy and confidence in them. The CEO has to answer many questions like why to transform, how would the transformed company look like, how will it get there, etc. Not only do CEOs need to create willingness and determination among the employees to participate in the transformation but also act as a role model. Before they expect others to change, they got to change themselves. Therefore managing a successful transformation is apparently tough.

Although applying the rules of corporate transformation can increase a CEO's chances of success, it need not guarantee success. This is because the guiding principles help a CEO only gain control. However, in reality every situation is different. Whether a CEO is aiming to reposition a company that is already doing well, or revive a falling one, the episode of corporate transformation unfolds in many different ways. 'Successful transformations are in fact a science, more than an art.'⁶

This book unveils the 'witchcraft' of corporate transformation. Through cases that detail the transformation of various corporates, this book answers how CEOs have successfully navigated their companies through turbulent times. After years of following its traditional banking style, Bank of Baroda transformed its brand image successfully in 53 days. How did the bank achieve it? After taking over as the CEO of GE in 2002, Jeffrey Immelt transformed GE's culture upside down. In the process he changed the traditions and beliefs that were long followed and cherished by Jack

⁴ Kotter John P., "Leading Change: Why Transformation efforts fail", *Harvard business Review* [Ref No 1710]

⁵ Ibid.

⁶ "Company Transformation: More a Science than an Art", op.cit.

Welch (former CEO of GE). How did it benefit GE? While Nestle and Hewlett Packard undertook corporate transformation when it was reeling under flagging sales, BP was in a good financial condition when David Brown undertook its transformation. What made him do so? By unfolding dramas of such real time corporate transformations, this book enables readers to learn the fine art of leading corporate transformation. With the challenges of the business world intensifying by the day, corporate transformation is becoming the most important core competence of all. As Charles Darwin once said, "It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change."⁷

⁷ Prem Hema and Mathew George eby., "Defining Business Transformation" http://www.infosys.com/wibta/pdf_files/defining-business-transformation.pdf, May 2006

Exhibit I

EIGHT STEPS TO TRANSFORMING YOUR ORGANIZATION

- 1 Establishing a Sense of Urgency**
 - Examining market and competitive realities
 - Identifying and discussing crises, potential crises, or major opportunities
- 2 Forming a Powerful Guiding Coalition**
 - Assembling a group with enough power to lead the change effort
 - Encouraging the group to work together as a team
- 3 Creating a Vision**
 - Creating a vision to help direct the change effort
 - Developing strategies for achieving that vision
- 4 Communicating the Vision**
 - Using every vehicle possible to communicate the new vision and strategies
 - Teaching new behaviors by the example of the guiding coalition
- 5 Empowering Others to Act on the Vision**
 - Getting rid of obstacles to change
 - Changing systems or structures that seriously undermine the vision
 - Encouraging risk taking and nontraditional ideas, activities and actions
- 6 Planning for and Creating Short-Term Wins**
 - Planning for visible performance improvements
 - Creating those improvements
 - Recognizing and rewarding employees involved in the improvements
- 7 Consolidating Improvements and Producing Still More Change**
 - Using increased credibility to change systems, structures, and policies that don't fit the vision
 - Hiring, promoting, and development employees who can implement the vision
 - Reinvigorating the process with new projects, themes, and change agents
- 8 Institutionalizing New Approaches**
 - Articulating the connections between the new behaviors and corporate success
 - Developing the means to ensure leadership development and succession

Source: Kotter John P., "Leading Change: Why Transformation efforts fail", *Harvard business Review* [Ref No 1710]