

# Corporate transformation: Under foot or under control?

Does it make more sense to manage your transformation inside the business, or treat it more like you would a start-up venture?



Most companies share the same recipe for organizational transformations. Take a high-level executive sponsor from the business. Add an IT executive for project management. Then keep a watchful eye to make sure the project doesn't boil over. Is this a recipe worth repeating? Keeping a transformation initiative inside the business is only one option. You could also run it like a start-up. Here's the debate.

	Point	Counterpoint
<b>Keep it close.</b>  <i>We can't afford to have this transformation spin out of control.</i>	We need to keep risk in check. This is the best way to keep a watchful eye over it.	The real risk is in doing things the same way and expecting a different outcome. There's too much at stake for us to use the same old approach.
	If senior management loses control of this initiative, there's no way we'll get the value we're expecting.	If we choose the right team and direct them to a clear objective, we'll be successful. They'll be focused.
	An autonomous team, set apart from the organization, has zero chance of making their ideas work in the business — no matter how good they are.	Good change management is about creating a vision for success. It's about vision. You won't get people excited with business as usual.

	Point	Counterpoint
<b>Give it some breathing room.</b>	Speed matters. A team that has to work within with our current processes will just get bogged down.	Our environment is constantly changing. An insulated team will just get to the wrong answer more quickly when things change.
<i>Most transformations don't meet expectations. We need a new approach.</i>	A dedicated team of our best and brightest will deliver a superior outcome.	Double-hatting is inevitable — deal with it. We're going to need our best people to play a role in day-to-day business.
	It's going to get expensive if the transformation team has to wrestle with our corporate infrastructure.	Our infrastructure is reality. Better to build from there than dream up impractical solutions.

## My take



### John Norkus, Principal, Deloitte Consulting LLP, Enterprise Applications

Why do so many technology-enabled transformations start with a bang but end with a whimper? Lack of focus is a big part of the answer. Too often, the leaders of these initiatives split their time between the transformation and their regular duties. Or the transformation effort gets swallowed up by all the other big initiatives already underway elsewhere in the business.

Many successful transformations essentially treat the initiative as a start-up. They have a dedicated staff with minimal bureaucracy. They're large enough to be successful, small enough to be nimble. And as a result, they're able to maintain a laser focus on making the initiative live up to expectations.

The start-up model affects four key parts of a transformation: objectives, resources, use of funds, and operational approach. Here's how:

#### Objectives

In start-up mode, there's no confusion about the objectives from day to day, which allows the team to quickly move past typical barriers such as competing initiatives, business versus IT, unwanted consultants, and so on. The only common enemy is time.

#### Resources

To survive, a start-up's management team needs to be the best of the best — people who are willing to leave the comfort of their normal jobs to pursue their passion in a new venture. Transformations that adopt the start-up model are able to get the most out of their top talent, paring down the total number of team members needed. Because it's easier to manage small teams of great people than it is to grapple with large teams where everyone has a role to play, however small.

#### Use of funds

In a start-up, spending is pared down to the essentials, whether in terms of compensation, investments, or day-to-day operations. It's about keeping the lights on, making investments only where there's a clear payoff, and seeking the big payoff at the end.

#### Operations

Minimal delegation. Hands-on management. Maximum efficiency. This is what makes a start-up exciting — and another reason this model can be the best choice for massive, top-heavy organizations.

If that sounds risky, consider this. The biggest risk is spending years and a lot of money pursuing a transformation that doesn't pay off because it slowly veers off course. Staff your transformation start-up with the right people, give them a clear goal — and get out of the way.

# A view from the CIO's perspective

**Ken Porrello, Principal, Deloitte Consulting LLP, Technology Strategy**

It's natural for a CIO to look for ways to simplify business transformations. Cut down on the complexity of the technology supporting the transformation, and you'll likely reduce the cost, risk, and time required to get it up and running. What could be wrong with that?

Sometimes, the CIO can arrive at a simpler approach in a transformation at the expense of effectiveness and good governance. A large-scale transformation has to pull together the threads connecting business processes and technologies throughout the organization. And that means that any major change is subject to the same standards for risk management, business continuity, and controls (to name a few) that every other part of the technology and process environment is subject to. Just because the CIO seems to have a better way doesn't mean that the CFO, head of Internal Audit, and Audit Committee are going to give them a pass.

The CIO has a major role to play in cost and risk reduction during a transformation. But their efforts have to be in line with key organizational standards to be successful.

# A view from the durable goods sector

**Joseph Dworak, Principal, Deloitte Consulting LLP, Consumer Products**

The durable goods industry is fighting for its survival. Projects are being delayed or cancelled right and left. There's no time to wait for the benefits that a transformation could bring — if it doesn't affect the bottom line immediately, it's not worth doing. Right?

Most durable goods companies have been run in the same way for decades. It's a cost-plus and market share mindset. Can those that are lucky enough to make it out of this downturn afford to go back to business as usual?

In short, no. A different approach was needed well before the downturn, and there may never be a better moment to find a new, better way. But using a "change from within" approach probably isn't going to be enough, after so many years of doing the same old things. I believe the best approach to transformation is to set it apart as a start-up, giving a small team the power to toss out the playbook and prototype a new way of thinking. About how to run the business. About markets. Channels. Segments. Products. Everything should be on the table. Anything less and you're bound to repeat history.

# A view from the technology sector

**Doug Tuttle, Principal, Deloitte Consulting LLP, Technology**

Technology companies are successful because they have the world's worst memories — they're not afraid of failure, and when they do fail they quickly forget about it and press ahead. If they seem like they're constantly in start-up mode, that's because it's part of their DNA.

For example, product development in technology companies often takes the shape of a start-up — small, passionate teams, usually self-selected, that are given the freedom to cut through bureaucracy to solve problems more quickly and effectively. Teams like these are never more alive than when they seem to be on the verge of failure. And usually when they do fall short, their failures are relatively small, controlled — and fast. From there, the cycle starts again, informed by the lessons learned the first time around.

For all these reasons, technology companies are well suited to tackle business transformation initiatives as a start-up. They already use this model every day, in every corner of their organizations. They're fearless, passionate, and know that most failures are only temporary. Doesn't it make sense to apply the same approach to something as important as business transformation?

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