

Deloitte.



**Thinking big with business
transformation**

Six keys to unlocking
breakthrough value

The word “transformation” gets thrown around a lot these days, but it can have different meanings for different individuals and companies. In a world of unprecedented disruption and market turbulence, transformation today revolves around the need to generate new value—to unlock new opportunities, to drive new growth, to deliver new efficiencies.

All transformations require you to rethink how your enterprise creates value today and in the future. In other words, all transformations require you to think big. Why? Because incremental improvement is not enough to win in today’s exponentially disrupted business environment. Your organization requires sustained growth in the face of near constant disruption, and sustained growth requires agile reinvention. It’s not enough to win today. You have to be able to continue to evolve in the future.

The big transformation pitfall

An effective business transformation means your organization can survive and thrive as you pursue new innovation-driven opportunities that emerge, as you respond to shifting market demands, and as you navigate evolving regulatory complexities. You'll want to proceed with caution, however. Transformation today takes place at dizzying speeds, requiring a level of integration and alignment that many enterprises are not prepared to handle.

Because many initiatives that once took five or six years to complete are now being implemented in a year or less, many organizations now need to manage mountains of information, compressed timeframes, and countless decisions that affect nearly all aspects of strategy and operations. The risk of failure is great, but companies that can pull the disparate elements into alignment can achieve bold objectives, now and into the future.

Understanding the strategic keys to achieving breakthrough value

In light of the potential risks, aligning all of the elements to get business transformation "right" requires more than an A-to-B roadmap. It requires an integrated approach linking business strategy to transformation ambition to executional discipline in order to unlock breakthrough value.

Big questions lie ahead. The good news is that we know some of the answers already. They're helpful keys you may choose to use to make your business transformation one that can deliver the value you are seeking. We've identified these six keys based on hundreds of engagements with some of the world's leading companies, and we've seen first-hand how these keys can help unlock value that's both revolutionary and evolutionary.

What is business transformation?

It is the opportunity to define a bold ambition that goes beyond incremental change—the opportunity to rethink your business and operating models to deliver breakthrough value. It involves strategic decisions that affect where you'll grow, how your organization operates, and what kinds of performance improvements you can expect.

1. Begin with a strategy-informed ambition

Leaders in business transformation typically have a clearly articulated, well-understood business strategy. Often an organization's strategic choices—although understood tacitly by senior leadership—are poorly translated into downstream implementation choices. The result? The dilution of value.

A sound strategy serves as the foundation for a broad range of enterprise-wide investment decisions,

resource allocations, and performance expectations. It helps shape an executable transformation ambition—that is, the value that should come from the transformation.

Organizations that have invested in articulating their strategy can translate strategic goals into a bold yet realistic transformation ambition that can be executed by the organization. These companies have a deep understanding of how their organizations will create, deliver, and

capture value. That knowledge should lie at the core of your transformation ambition. Working toward strategic clarity and consensus on the ambition helps executives align their goals and activities. It helps them more clearly articulate desired transformation outcomes, from a financial perspective or from an operational perspective. And it helps them adjust elements of transformation strategy based on the ability of the organization to achieve those outcomes.



The BIG question:

How do we ensure that the transformation goals and objectives support our business strategy?



2. Lead with capabilities

Leaders in business transformation quickly focus and define the specific enterprise capabilities that will help achieve competitive advantage. In reality, only a small number of an organization's total capabilities play a critical role in helping the organization find new ways to differentiate and compete. Focusing on those critical capabilities can help deliver greater value, help leaders drive competitive advantage, and help the organization realize its business transformation ambition.

Knowing where to start is critical for unlocking value through a business transformation. Prioritization allows organizations to quickly evolve

to address immediate market opportunities. It also allows them to build discipline they'll need to evolve continuously, and it can help them establish the new trajectory that they'll need to keep pace with disruption.

Ultimately, leaders should move quickly past a "people, process, and technology" definition of capability—to one that represents a more holistic and complete picture. For any capability, it's a definition that provides focused support for the organization's strategic choices and touches on six dimensions: mission, insights, integration, processes, technology, and talent.

Here's an example. A food and beverage company wanted better relationships with distributors and

retailers to drive growth. The company determined that it needed to transform three integrated capabilities.

Rethinking its customer engagement capability provided a set of products, insights, and services for distributors and retail customers, tailored to different segments. The company's market insights capability was revamped to achieve a single source of truth for driving information to action. And the company's portfolio and brand management capability was upgraded to create a tighter link between customer pricing and innovation decisions. By investing in these specific new capabilities, the organization was able to separate itself from competitors and establish a platform for future growth.



The BIG question:

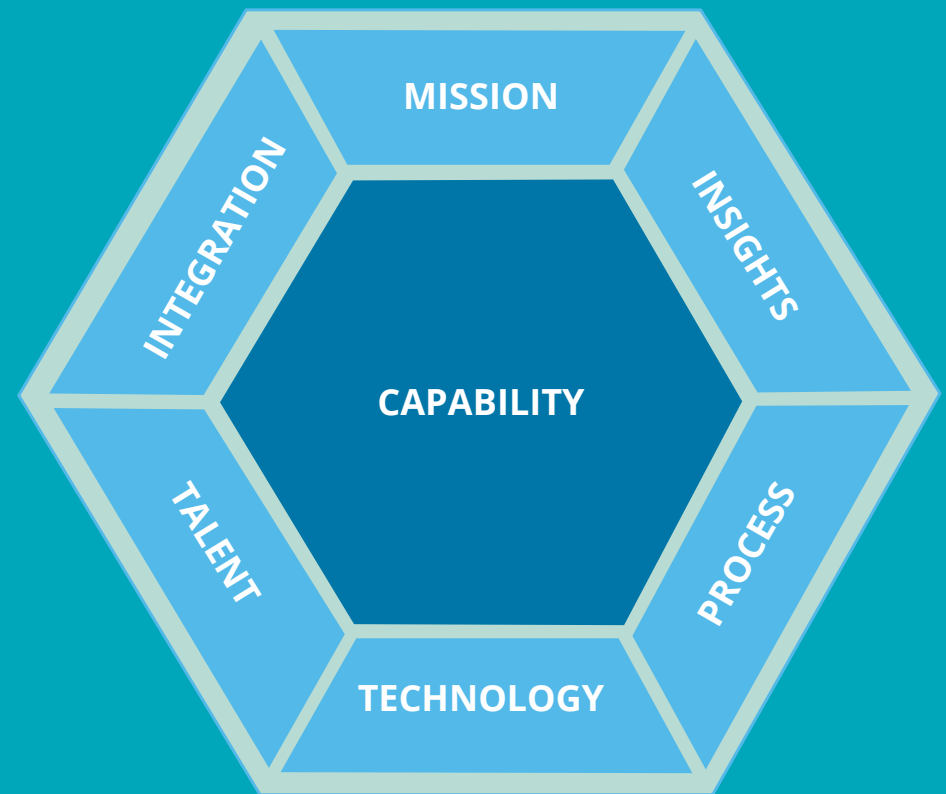
What do we need to improve and how do we improve it to achieve transformation objectives?



The Deloitte Capability Hexagon™ provides a comprehensive approach to defining and designing enterprise capabilities across six dimensions:

- **Mission.** The purpose of a capability, how it will operate, and what value it will deliver. The mission is derived directly from—and supports—the company’s strategy.
- **Insights.** The decision flow, information, and analytics that drive informed and timely decision-making.
- **Integration.** Clear roles, decision rights, and policies that facilitate integration within and across other capabilities, functions, and partnerships.
- **Processes.** An integrated and efficient set of processes designed to achieve the desired outcomes.
- **Technology.** The software, hardware, and tools required to enable the capability.
- **Talent.** The competencies, skills, talent infrastructure, and workforce planning that enable an optimal talent base to execute the capability.

This broader viewpoint allows organizations to frame and link execution to the value defined in the transformation ambition.



3. Drive to value

Leaders in business transformation articulate upfront the value they expect to achieve through transformation, and they zealously monitor, measure, and track value throughout their transformation. Value should be the thread that links your business strategy and your transformation together. Take time to be explicit about exactly how you intend to create value. Then establish strong, clear connections to your execution plans.

A thoughtful value case becomes the linchpin that links the transformation ambition to capability design and execution. It does so by defining and breaking down the transformation program into manageable initiatives, each with specific target values mapped to capabilities. A results management office then drives all aspects of value delivery by understanding (1) the value of the program and (2) how to manage trade-offs and dependencies to achieve the targeted transformation value.

Failure to define the value expected can create problems downstream. That failure, in turn, can result in backtracking to address issues that should have been identified upfront. For example, a manufacturing company might overlook a specialized distribution capability needed to support a new, multichannel business model. Similarly, a global financial institution could miss value opportunities available through strategic tax planning. These aren't minor considerations. They can make or break the effectiveness of your transformation.



The BIG question:

How do we reinforce a relentless focus on value throughout the transformation journey?

4. Build in sustainability

Leaders in business transformation know that real value emerges over time, through sustainable change that endures. To put the right capabilities, competencies, and change-adaptive culture in place for sustaining and growing the value of the transformation, data is essential. Leaders should use data-driven change management solutions. Such solutions should support a quantifiable, analytical approach to managing attitudes, behaviors, and engagement. And they should be more than generic solutions that fail to address the unique challenges of the organization.

By fostering an adaptive organization that embraces new ways of delivering value, leaders can provide a foundation to sustain value post-transformation. They can engage and empower other leaders within the enterprise to model and reward new behaviors and equip the workforce to make more effective, analytics-based decisions aligned with the business transformation ambition. Leaders should work to embed the change into the organization and build the strength to continue to evolve as new market opportunities arise.

For example, a consumer products company created a new role to own the transformed capabilities within the organization. Individuals in the role were responsible for moving a capability from its current state to its targeted future state, for delivering the value cited in the business case, for the supporting the on-going health and continuous improvement of the capability. This new role embedded the change into the organization and built a mechanism to sustain and grow value overtime.



The BIG question:

Why is it important to extend value beyond the transformation—and how can we do it?

5. Be agile and flexible

Leaders today should be prepared to continuously evolve through transformation—because the business and technology landscapes in which they operate are continuously evolving. Leaders should work hard to embed agility, innovation, and a disruptive mindset into every transformation initiative.

Such an agile approach also can help deliver quick wins and iterative progress that align with the desired transformation value. And an agile

approach plus agile solutions can provide early bottom-line benefits that can help fund transformation execution. Another benefit of agility versus a “big bang” delivery approach: greater transparency and visibility into progress—your actual “value capture.” An agile approach also can support your ability to manage complexity and unpredictability, through development processes that are iterative and incremental.

It’s important for leaders to design their business for a shifting end-state, taking into consideration alternate market

scenarios and evolving technologies. Throughout any transformation, they will connect with peers, partners, and thought leaders to challenge their own thinking and anticipate future disruptions that they turn to a competitive advantage. As an example, a retailer created an independent innovation team to analyze disruptive technology and understand the influence of external market forces on a multiyear transformation. This approach helped the organization build a sustainable solution designed to remain relevant in an evolving environment.

6. Invest in program talent

Leaders in business transformation recognize that the right leader and right talent will make or break the success of the transformation. A strong program leader should have influence and credibility within the organization to make major shifts and shape how work gets done. Assigning a respected and capable business leader is critical to establishing the credibility and importance of the transformation to the organization’s strategic goals.

Many organizations make the mistake of not freeing up top talent to support the transformation, since that talent is focused on meeting near-term

corporate objectives. But business transformation programs typically require significant investment in business resources to achieve the transformation ambition, and the return on this investment is often directly proportional to the caliber and dedication of the talent aligned to the transformation.

This requires a dedicated transformation leader—not someone who has to pile transformation leadership responsibilities on top of his or her regular job. Why? Because splitting duties can dilute the effectiveness of the individual in the regular role and in the new

transformation leadership role. You should keep leaders connected strongly to focused roles. That approach also can help you retain top talent during the transformation so you can redeploy that talent into the business after the transformation—and help continue the growth of value.

Be aware that “business transformation leader” is not necessarily a career destination, but rather an integral part of a career development path. The skills and experience that your top transformation leader gains through the transformation can be applied directly to the transformed business and help sustain the value of the transformation over time



The BIG question:

Why are agility and flexibility so critical to an effective business transformation?



The BIG question:

What does effective transformation leadership look like?

Transformation at work:

Efficient execution was vital to the success of a newspaper conglomerate that needed to rethink its traditional print publishing business in a market evolving to digital media. The company's leaders needed to find ways to grow the new business and shrink the legacy business, while managing the transition effectively. We helped the client reinvent its business model and reframe its operating model to support a digital strategy and to take advantage of growing consumer demand. That help involved transforming all aspects of the news value chain and building new capabilities in digital sales and content, production, circulation, HR, IT, and finance. On a parallel track, we also helped transform capabilities that weren't central to the new operating model, such as reducing print home delivery to three days a week and engineering a lower-cost printing operation. Through this game-changing transformation, the organization was able to take advantage of disruption to accelerate digital revenue growth.

Own the disruption

It's not enough to respond to disruption anymore. Leaders have to anticipate and own disruption—with the agility and discipline that will help them differentiate and stay ahead. Without clear vision and strategy to shape the execution, business transformation initiatives can falter at even the most high-performing companies. These six keys to unlocking transformation value, however, can help keep that from happening. The big idea is a simple one: maintain clear links among business strategy, transformation ambition, and executional discipline. Those links are essential for delivering the value you are targeting through transformation. They can help you execute your design.

Let's talk

Want to learn more about these keys to unlocking value and explore some of the big transformation questions that should be on your mind? We should talk. Our global network of professionals helps some of the world's leading businesses successfully navigate big transformation challenges each day—taking a customized approach to help position our clients for ongoing evolution. We have a strong track record of results on business transformation, and we can help you start unlocking value that matters for your organization. Contact us to get the conversation started.

Christine Anderson

Principal

Deloitte Consulting LLP
christinebanderson@deloitte.com

Todd Kovacevich

Principal

Deloitte Consulting LLP
tkovacevich@deloitte.com

Karen Bowman

Principal

Deloitte Consulting LLP
karbowman@deloitte.com

Mark Pocharski

Principal

Deloitte Consulting LLP
mpocharski@deloitte.com

Dan Kinzler

Principal

Deloitte Consulting LLP
dkinzler@deloitte.com

Contributors

Priya Ehrbar, Nathaniel Paynter, Tanya Raterman



This publication contains general information only and is based on the experiences and research of Deloitte practitioners. Deloitte is not, by means of this publication, rendering business, financial, investment, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, "Deloitte" means Deloitte Consulting LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries.

Copyright © 2016 Deloitte Development LLC. All rights reserved.