

The Big Five Transformation Questions

What you need to know before commencing a transformation program

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Introduction

It is vital that CEOs and transformation executives understand the implications of a true enterprise transformation

Transformation is a unique form of organisational change – multiple, connected changes in fact – that demands unique levels of commitment, resources and approaches to achieve the extraordinary results that characterise it. The impact is wide and deep, internal and external. They require immense resilience from all executives and employees for what seems like a never-ending cycle of impactful change and the cognitive burden to repeatedly think and act differently.

Given the challenge and risks, CEOs must carry out suitable 'transformation due diligence' before locking in the decision and action to initiate the statistically perilous journey (only 22% of transformations succeed). They must address these five questions before getting started:

1. Is transformation your best option?

An ambitious strategic vision may require transformation but there could be alternatives to realise a desirable future without the risks and disruption transformation imposes on your people and other stakeholders.

2. What is your starting point and your destination?

Clarify where you are before deciding where you're going. While a clear future vision is rightly touted as important, understanding the current state, in detail, is essential to informing the degree of change and whether a transformative program is the right decision.

3. Is the long-term gain worth the pain?

Do the target benefits call for the effort and risk of a transformation? Does the transformation business case truly capture the magnitude of financial and non-financial costs?

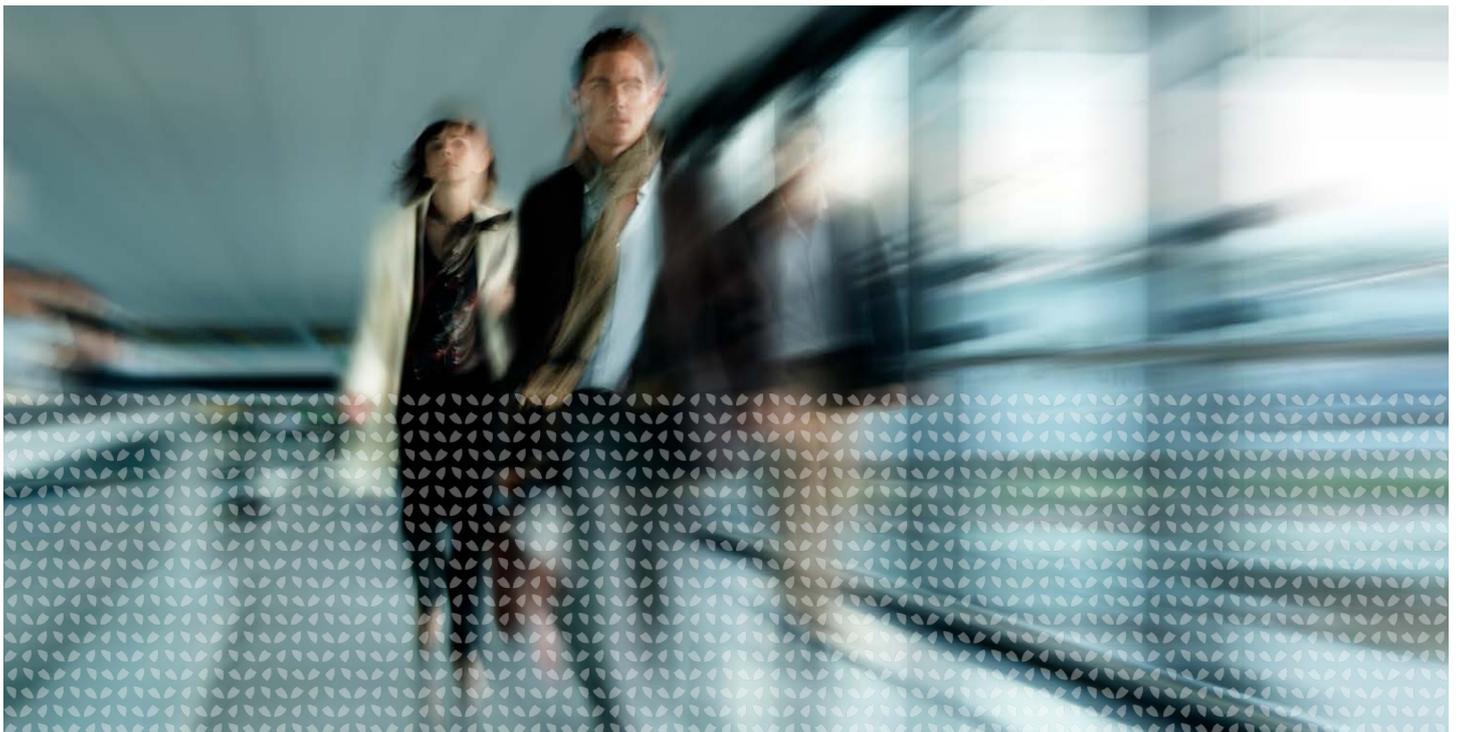
4. Is the board committed?

Does the board understand the implications of transformation and are they fully committed? Do they understand the risks? Are they prepared to follow through and back the CEO with tough decisions when needed?

5. Given the stakes, is your team up for it?

Does your organisation have what it takes to undertake a transformation and to succeed? Given the majority of transformations do not achieve their intended goals, how likely is your organisation to be one of the few that succeeds?

This article explores these questions, why they are important and how to go about addressing them, so as a CEO or transformation executive, you can create the conditions for success before embarking on your organisation's transformation journey.



The Big Five Questions

1. Is transformation your best option?

There is a dramatic difference between incremental change and transformative change. Transformation has far-reaching impacts across the whole organisation and its stakeholders and requires fundamental shifts in a multitude of organisational elements – from the very start.

Take for example, walking 10,000 steps a day. A great concept but this effort will only deliver incremental change to your health and fitness.

However, if you're looking for transformative health and fitness results, you would need a comprehensive, tailored plan, intensive training, nutrition and motivational performance coaching. Michelle Bridges' '12-week Body Transformation' program claims participants have lost more than 50kg on the program – now that is true transformation!

Why this matters

This isn't to say that incremental change is not desirable and can't deliver effective change. The point is that true transformation requires a bigger commitment with tougher decisions to be made early and deliberately. It requires you to apply abundant resources and effort across the organisation to make it happen. The pace and the focus must be constant, consistent and heightened.

You can't lose 50kg just by walking 10,000 steps a day and you can't transform your organisation through incremental change efforts.

Chart 1: Transformation Vs Incremental Change

Dimension	Incremental Change	Transformational Change
Solution	Singular or multiple isolated solution	Multi-faceted, interconnected series of solutions
Impact	Contained, targeted to 1-2 business units	Organisation-wide
Timeline	6-18 months	3-5+ Years
Stakeholders	Mostly internal stakeholders	All stakeholders, internal & external
Initiatives	Runs parallel to other initiatives; not linked to larger goal	Series of connected initiatives supporting transformative goal; pause/limit non-connected initiatives
Investment	6-8 figures (\$)	8-10 figures (\$)
Sponsor	C-Level or senior management sponsor	CEO & whole executive team sponsor with complete board support

How to do it

In deciding if transformation is your best choice or indeed necessary, CEOs should address the following specific questions:

1. Could you reach the same target destination with a set of incremental changes?
2. Are your competitors transforming or moving so fast that your competitive position will decline rapidly, without transformation?
3. Are you in a turnaround situation where the solvency clock is ticking, demanding rapid transformative action and results?

4. Are disruptive innovations already affecting overseas markets or emerging through research studies and likely to impact locally in the next three years?
5. Can you clearly articulate to all stakeholders why transformation is necessary and an incremental change approach is not workable?

Answering these questions will inform your strategic perspective on why transformation is the best way (or not).

Next, it is important to know your current position and where you need to go.

The Big Five Questions

2. What is your starting point and your destination?

A common mistake is not clarifying the current state amid the excitement of shaping the target state – the future. It is valuable for all stakeholders to have clarity on the baseline first and don't assume everyone has the same view of what the baseline is.

The power of a clear portrayal of the 'from and to' should not be underestimated. Your future North Star is relative to your current location. It makes clear where we are and where we are heading, making it both compelling and easy to digest. The portrayal can be captured by asking your people and your stakeholders to imagine the future and then come back to then imagine the journey to get there – what we call *future-back thinking*.

Back to the body transformation analogy: how can you know how much weight you need to lose if you don't know your current weight? How would you track weekly progress without knowing where you started?

A current-to-future state depiction becomes the anchor for your transformation; the map and the route from here to your destination.

Part of the target state should be measurable as transformation success is measured by whether you hit the target metric you were aiming for. It should be decided before starting what your target success metrics are so you can quantify the value on offer and whether transformation is worth it.

Why this matters

Your one-page current-to-future state summary should be discussed, shared and referred to at all levels of the organisation to rapidly build awareness and align all people and activities to the big-picture journey.

The complexity and duration of transformation creates the risk of executives, project streams or business units deviating off-track. A clear current-to-future state image that is visible and routinely shared, helps mitigate this risk.

How to do it

The current-to-future state depiction should show how the organisation currently looks, feels and runs, how it will be and therefore how it needs to change.

For a large organisation this will seem difficult to show on one page. However, breaking the organisation down into components parts with a concise phrase or sentence for each can help.

A simplified example of what this could look like is below. Some organisations include creative artwork and metaphorical symbols to further attract attention and get the message across simply.

Image 1: Basic example/template:

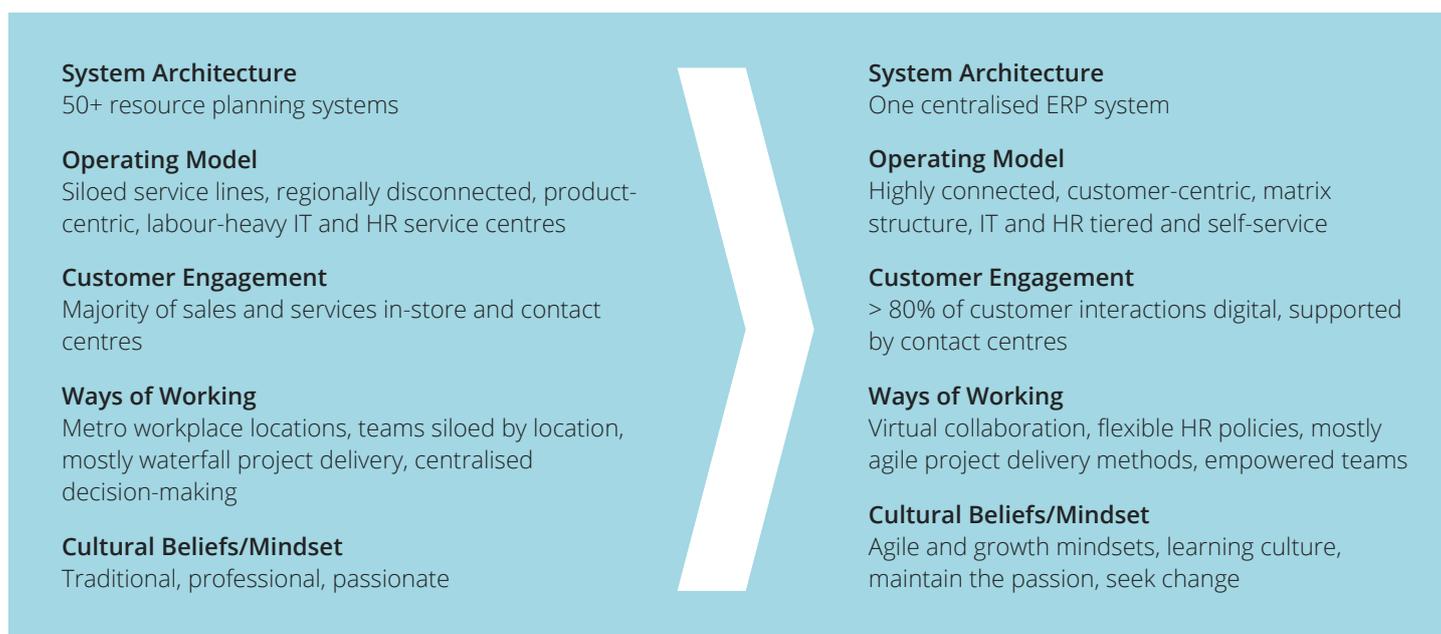


Image 2: Real-life, simple example:



In defining the from-to, it also pays to engage a variety of employees and other stakeholders for input. They will be the ones making the shift and bearing the impact. They will also ensure the current state is accurate and that the target is both desirable and feasible.

This is a hefty, comprehensive undertaking but it will be the anchor for your transformation and rapidly get others across the direction, extent of change and what success looks like.

The Big Five Questions

3. Is the long-term gain worth the pain?

When profits dive and customers flee in droves, the case is an easy decision and your transformation may become a turnaround by necessity. Consider the major news media companies last decade. Would any exist if they had stuck with printed newspapers and not invested in digital content and advertising?

However, if the current environment isn't as threatening, your transformation, while optional, could still be the best way to avoid falling foul to external threats on the longer-term horizon.

When deciding, it is critical to envisage the long-term costs and benefits clearly and to understand what it means for customers, employees, shareholders and the surrounding community and environment – both in terms of the transition impact and the ultimate outcome.

Anyone who's worked on a major project from start to finish knows that business cases tend to exaggerate benefits and/or underestimate the full extent of costs. Given the stakes, this is critical to keep in mind when looking at the case for transformation.

CEOs need a hyper-critical eye when evaluating the case for transformation.

Why this matters

Transformation is a mammoth, costly effort that takes a toll on employees and other aspects of the business. There are multiple, complex, impactful change cycles and multifaceted stakeholders to be managed. The program can cause frustration and damage to them if not carefully planned and executed (and if even they are).

The outcome of your transformation must yield significant value to call for this investment.

Large-scale transformations require significant financial investment and your balance sheet, shareholders and competitive environment may not have tolerance for schedule and budget creep. Understanding the complete P&L and non-financial impact is imperative upfront to keep the program on track and all parties onboard for the duration.

How to do it

While the normal rules and process for business case development remain valid, added principles apply when plotting the transformation course and assessing whether to go ahead.

Chunking the program into high-level milestones and sub-milestones with specific outcomes and tangible benefits attached to each makes the program easier to evaluate. Each 'bite-sized' initiative should deliver standalone value and contribute to the bigger goal. Once you start, this has the added benefit of sustaining momentum, stakeholder trust and repeatedly proving value.

The program should deliver value repeatedly and continuously. Stakeholders gain confidence and validation of your efforts when they start seeing results. To reference the body transformation again, when your new health and fitness habits have you looking and feeling better in just a couple of weeks, you feel increasingly motivated to keep going. If it took 10 weeks before seeing any results, you may well give up or try something else.

It is important to be realistic about the extent of changes you are willing or not willing to make. This takes visionary thinking to imagine all the scenarios and how they will unfold. For example, are you willing to significantly re-shape the workforce? Is it realistic to seriously challenge the digital leader in a new market? Is the technology roadmap feasible, given the current system complexity?

The Big Five Questions

4. Is the board fully committed?

A study by the [Australian Institute of Company Directors](#) (AICD) found a disconnect between boards and executives when it comes to transformation. 63% of executives believed partnership with the board is vital to transformation success, while just 27% said that board directors are advocates for current strategies (Ref: AICD)

While boards often support the concept of transformation, the tensions and fears that arise during the journey lead to scoping down initiatives to appease certain stakeholders or avoid short-term pain.

Few transformation programs actually follow-through and deliver transformative change. Most are scoped down to a portfolio of incremental changes, without the required business, operating model and culture shifts.

Boards play a key role in supporting the CEO and executive team to deliver in full.

Why this matters

One CEO we worked with was hired by the board to craft and implement a transformation for a 3000-employee business experiencing operational, competitive and regulatory challenges. Despite the board handing the CEO a [transformation mandate](#) from day-one, when it came time to make the tough decisions, they found the board had a habit of delaying or scoping down initiatives, apparently to minimise stakeholder risk and operational disruption. This made the CEO's job tough, as the issues grew and they were not able to move the organisation where it needed to go quickly enough. The CEO became torn between continually challenging the board to adopt the transformation mindset, scoping down to a safer, incremental approach (which they didn't believe was right) or simply resigning.

As we've previously discussed in [this article](#), there are several harsh realities and unpopular decisions to be made as a transformation leader. Boards should understand these challenges as well and back the executive team to courageously face into them, as they emerge.

How to do it

CEOs should discuss the organisation's risk appetite with the board and the implications for a transformation effort. A low-to-moderate risk appetite may prevent the board from endorsing the big plays when the CEO needs them to. Boards can obviously adjust their risk appetite but this should be done prior to kicking off a transformation as part of the strategy development process with the board, to align to and support the transformation's goals.

Boards may also need to develop or acquire new capabilities and knowledge in order to fulfil their director duties during a transformation. For example, directors should understand the implications of modern technology and what it means for the business model and ways of working during digital transformation. Not developing this understanding may limit a board's commitment to fully integrate the technology into the organisation.

Executives can help directors build their capability and prepare for what's ahead by involving them in key parts of the high-level design and proof-of-concept milestones throughout, particularly the more technologically complex, solution-driven aspects, such as how the business intends to use artificial intelligence and integrate data analytics into the target operating model. Involving them in the current-to-future state definition and periodically reminding them of it this important map is also helpful.

Similarly, the board should support investment in developing executives' capability to lead the transformation, through leadership development programs, coaching, facilitation and external advisory support to lighten the load

The Big Five Questions

5. Given the stakes, is your team up for it?

Transformation is a unique form of organisational change that requires an exceptional leadership mindset and routine acts of courage to be successful. Given the demands, it is realistic to ask whether the 'guiding coalition' are willing and able to make it happen.

CEOs must be 100% committed and they need an executive leadership group equally devoted to the transformation and willing to work as a tight-knit unit to see it through. It is therefore important for CEOs to decide if they have the right team in place and if they're willing and able to make changes to the team.

In addition, hundreds or possibly thousands of other impacted people will need to be convinced to join the journey. Transformation disrupts the operating model and service model. The focus on radically re-configuring processes, systems and the overall operating model, will no doubt take a degree of focus off business-as-usual operations and services at times, meaning stakeholder sacrifices and discretionary effort is needed.

Why this matters

Getting the executive team assembled and onboard from the start mitigates the risk of costly losses of knowledge and momentum during the journey. While challenging, leading a successful transformation can be rewarding for executive careers and for personal fulfilment. CEOs should sell the concept to their team and others they need support from before getting started.

If the leadership team and key stakeholders don't bear the burden and see it through, new leaders may necessitate rework, scoping down or other tactics that waste effort and dollars already invested.

Also, an evaluation of the overall impact to business operations and the broad range of stakeholders may reveal that the impact is unmanageable or that there is a better way to address the strategic problem or opportunity.

How to do it

The key considerations for a CEO to practically address this are:

- + Consider the CEO's tenure: if you recently took the CEO job with a clear transformation mandate from the board, you were probably committed before starting. However, if you've been in the job several years and the transformation need has arisen, you may be less willing to see it through for the duration. It could be time to pass the baton (either now or after you've setup and delivered the foundational phase). There should be clear alignment between board and all executives on this.

- + Free up capacity: create space and time early and throughout, in individual calendars, in executives' headspace, in the corporate calendar of events. The time must be visible, known and understood by all. People, processes, leaders will take the cue and follow. A public sector Deputy Secretary we helped through a complex workforce transformation, impacting 1600 employees, initially planned to spend 20% of their time on the change but for nine months, at the height of impact, they spent 70% of their time on it.
- + Consider timing against other urgent priorities: other urgent priorities may need to be resolved first to steady the ship. A media company we worked with had to rapidly reduce customer turnover caused by disruptive competition, with a rapid review and changes to pricing, offers and service levels. Once this stabilised, they could invest more time in transforming.
- + Craft and compare approaches: Some organisations have found it more workable to start or buy an entirely new business entity while gradually winding down the legacy business in parallel. This mitigates the need for the core business to withstand the full cycles of disruption, while still enabling transfer of resources and assets between the two entities. This isn't possible for all forms of transformation and immediate upheaval of the core organisation may be necessary.
- + Install the foundations of transformational change capability: you will almost certainly need to review and upgrade the organisational change capabilities needed to manage a transformation. Getting these installed early makes it easier to get the program underway and brings confidence and peace of mind that it is achievable. This may include (among other assets) new or revised change delivery methods, new portfolio governance structures and accountabilities and change leadership development capability among senior leaders.
- + Identify potential partners needed: Vendors create capacity and bring critical capabilities. Being as clear as possible about what is needed from vendors prior to contracting helps get things off to a good start.
- + Assess the impact and 'ask' of internal and external stakeholders: while all impacts cannot be known until well after things get going, an early, high-level assessment of how each stakeholder will be impacted can inform tactics and even influence if the transformation is worth pursuing.

Conclusion

Transformation is one of the toughest undertakings an executive can face and the failure rate itself speaks to the complexity and commitment needed.

Conversely, the rewards of transformation success are immense and when executed well, each step in the journey can be fun and fulfilling. The legacy of successful transformation resonates for decades and deliver countless benefits for the organisation's immediate stakeholders and society more broadly.

With the right foundations in place, transformation is certainly worth it.

[Talk to Blue Seed](#) for advice on where to start, how to get strong foundations established or how to breathe new life into your in-flight transformation.

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