

STRATEGIC TRANSFORMATION – A PRACTICAL CASE by Dr. Stella Schulte-Cörne

Introduction

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INTRODUCTION

Companies must become capable of transformation – applied research identified this necessity as early as the 1990s. The pressure of digitalization has also given practical support to the idea that the status quo for strategy and organization is not sustainable. Signs point to change, and the word “transformation” is on everyone’s lips.

What is not clear is how to approach the issue of transformation in companies and implement it successfully. Large-scale projects and programs are often destined to fail. The core question is where and how the lever of change should be applied. The solution approach explained in this white paper with the help of practical examples involves scalable transformation. That means that a start can be made with relatively few targeted, well-planned workshops. A transmission mechanism is used ensure that the process takes hold throughout the organization. It rolls out changes along strategic corporate goals, documents progress, and ensures that goals are achieved.

The principle behind this mechanism is explained below. Since the transformation described took place in a core strategic area of the company in question, we have decided not to use that company's name. On the basis of this and other experiences, we were able to establish that the approach works – in companies of various sizes and in various industries.

1

THE CHALLENGE: DIGITALIZATION – INNOVATION – TRANSFORMATION

Digitalization confronts all companies with new challenges. Industrial enterprises of all sizes must concern themselves with transformation to Industry 4.0 solutions. The breadth and depth of the associated changes can vary widely – from individual technology projects to transformation of the entire company across all levels and business areas. In each case, it is important to ensure that changes are reflected in corporate goals and strategy.

This is completely new territory for each company. Even though a number of terms have been developed during the digitalization discussion, the significance for the specific actions within the company in question must first be developed.

The driver of digital transformation is technology. To be more precise, IoT. Buzzwords such as “predictive maintenance”, “machine learning”, and “digital supply network”, to take just three examples, reflect the dynamism of issues in this area. No company can truly avoid these trends. Technology-oriented companies must orient their strategies and projects almost completely on digitalization. This means nothing less than forced engagement in constant innovation.

In the example we will use here of a relatively large company that claims a leading role in technology, a center was established. Its purpose, mission, and vision had been determined, and the task now was to create a project from the digitalization strategies and implement it. Before this could be done, the

center's individual business areas had to be developed and made competent for their tasks. That meant that mission and vision had to be prepared for the individual business areas. Each area was assessed according to the business model and the overall strategy to determine which were the core fields that played an important role in transformation and which were relatively insignificant.

Strategic orientation is essential to digital transformation and is itself a challenge. Without the necessary breadth and depth in the design of structures and processes to facilitate transformation, going as far as personnel requirements, these structure would remain in their infancy.



A central concern for the center was whether digital transformation is possible without integrated idea and innovation management. Digitalization ideally affects all of a company's processes and procedures, while innovations often affect them only slightly. In a digital transformation, the two mesh – and innovation management in an extended sense becomes a core element.

That may be not surprising at first, but it becomes more significant in connection with innovation application areas. Let's look at our example company: innovation focused on manufacturing

processes, materials, and the use of digital technologies themselves. This makes innovation the core of the company's future viability. The same is true of the company's ability to manage transformations efficiently and effectively. The concern is therefore nothing less than a company's ability to innovate, change, and re-create itself, and manage this entire process.

Initiating a change entails knowing where the change is to lead. Development of mission and vision for the company and the departments involved was begun, oriented on the pyramid strategy process. They provide the target vision for change. In the example, the focus of digital transformation was primarily orientation on core competences. First, they had to be changed in a manner that would enable the company to perform its tasks successfully in the future. Second, innovativeness had to be expanded so that digital challenges could be met.

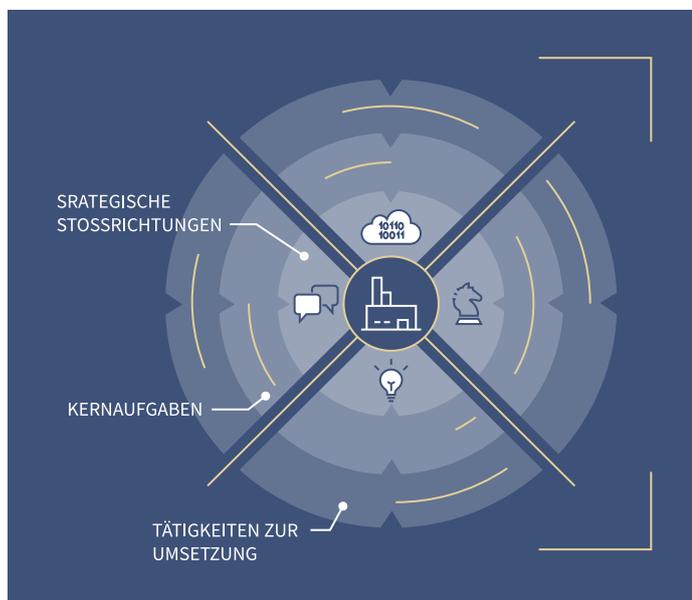
From the strategic level, the core competences for all departments were listed – and further refined down to qualifications required for the completion of individual tasks. Qualifications had to address not only subject-matter and technical skills, but issues such as cooperation and communication.

This provided a broad, detailed picture of core competences at the beginning of the transformation. To determine goals and direction of movement for the change, a suitable concept for future tasks and the qualifications required for them was developed. The fundamental work method and the mechanism for transformation was workshops.

2

THE BASIS: TRANSPARENCY AND COMMUNICATION

A broad-based, thoroughgoing transformation requires a stable foundation. This foundation must not contain any blind spots that create virtually insoluble qualification bottlenecks as the change proceeds. It is generally simpler to develop competences systematically than to chase them under the pressure of competition and the market. That is why the challenge is as follows: If there is to be a transformation, it must proceed with maximum transparency concerning the status quo, objectives, specific qualification requirements, and the path to be taken.



In the example, this path was traversed in both directions at once. From top to bottom, the current and future value contribution by departments was identified for the corporate strategy. The goal was always to increase individual value contribution for future processes and products. At the same time, it was determined, bottom-to-top, which qualifications were present for which tasks. Methods and templates adapted to the requirements were used to standardize the analysis process so that costs remained reasonable.

Organizations are increasingly project-oriented – complex tasks are being completed more and more in the form of projects. At the same time, project work makes up only a certain fraction of the work each employee does. That is why, in our example, the relationship between employees, project scopes, and tasks was shown in the form of a matrix. This required a certain balance between abstraction and specificity so as to avoid becoming lost in clichés

or sidetracked in individual tasks. To maintain an overview despite the high granularity, a cumulative overall picture was prepared. It is shown schematically below: the Big Picture of change.

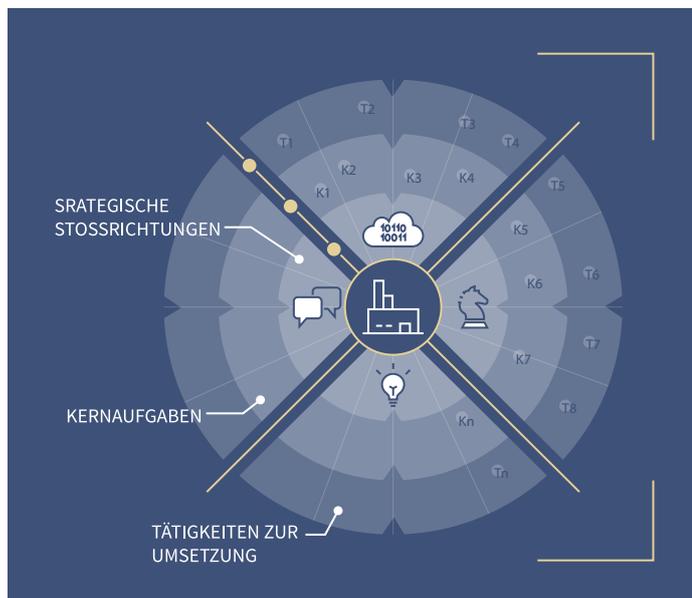
Innovation management and the ability to communicate clearly is essential for transformation. Our example company recognized this and considers “change communication” to be virtually as important as the other transformation competences. Our experience is that the vast majority of companies have great potential for improvement in this area.

Transparency results from as much openness and as clear an overview as possible, coupled with a communication task. That is what the Big Picture for the current portfolio was for. It serves as a results-oriented method and an instrument of communication that will answer questions concerning the purpose of transformation: “Where do we want to go?” and “How and with what do we want to be profitable in the future?”

3

THE OBJECTS: CONTENT AND TASKS

Companies that want to change strategically and sustainably must not focus exclusively on strategy and process, but also consider content and work with the people involved. That is the credo of the Hanselmann & Compagnie strategy program and the basis of our workshop efforts. With respect to our example and the company’s added value, content is the same as task completion and the required competences. They are the objects of change. The overall context of these objects can be conceptualized as multiple circles, each broken into segments.



From the inside to the outside: In the center is the purpose, vision, and mission of the company or business area. The next circle represents the strategic thrust, or core competences. They are used, in turn, to identify core tasks that contribute to goal achievement. The outer circle contains the activities that are required for the implementation of the core tasks.

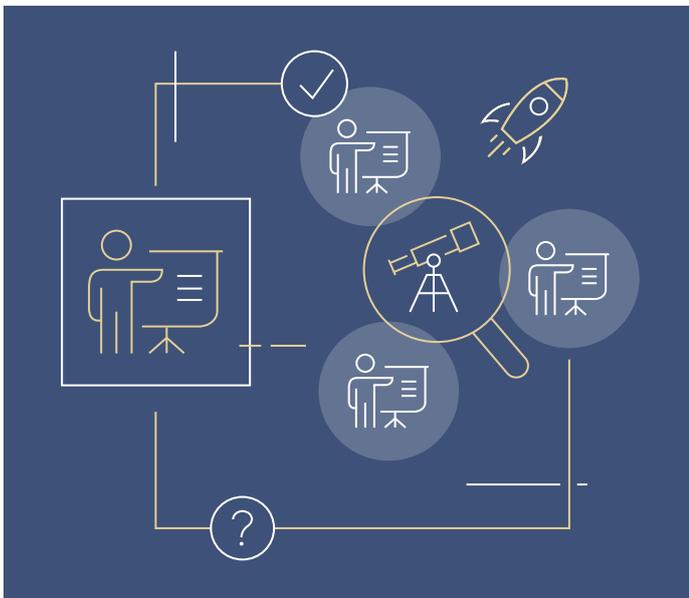
This provides a representation of content and competences – and thus the objects of transformation – that is complex but complete.

4

THE MECHANISM: WORKSHOPS

Transformation is work – and work is done in workshops. This is where the mechanism of change in our example case was applied practically. Since the development of competences and qualifications is a learning process, it is absolutely necessary that work and results in the individual workshops be adjusted to new information throughout the entire transformation. That means that each workshop provides a result that must be documented and implemented. Stability and change mesh workshop by workshop.

For instance, one workshop sequence involved using a portfolio analysis to apply the “Differentiation from the competition” and “Departmental strengths” axes to define future core tasks and the scope of activities required to complete these tasks. A second sequence verified the results and visualized them in the competence wheel. The next step was to identify the necessary qualifications for each employee and assign duties and tasks. The path taken thus ran from bottom to top or (in the image) from the inner circle to the outer ones. This identified qualification and development requirements that would result from the transformation. Change processes are always learning processes linked with the necessity of complementing qualifications or developing them from scratch. That is why the transformation road-map can be seen as a kind of learning map in our example.



The high degree of detail at the level of individual tasks (and thus, ultimately, the level of individual employees) means that there is a danger of losing sight of the overall picture and moving the company in the wrong direction. To avoid this danger, the results of the steps are compared to the results of previous workshops, so that the vision and mission are harmonized with the orientation of the goals and direction of the changes at all times. This works only if the results remain usable in later workshop efforts.

This usability of results requires comprehensible documentation. But the primary concern is heightening awareness of the necessity and goals of transformation. This is why communication has been designated as a strategic task in the competence wheel. Once again: Transformations are complex, dynamic processes that must be repeatedly explained and justified. Otherwise, their meaning is lost.

This task of creating meaning through communication is especially important for technical issues. If you are attempting a digital transformation, you are entering entirely new territory and are vulnerable to doubts and uncertainty. That is why drawing clear pictures and clearly communicating the purpose of the change, and thus allowing transformation and learning, is important for the company and its employees alike.

5

THE RESULT: SCALABLE TRANSFORMATION

In the example used here, the competence wheel returned fantastic results. Because the company in question was strongly driven by technology and innovation, all center departments and employees had to be involved in the change. This was nothing less than a complete competence-based change for which all content, tasks, and qualifications had to be taken into account.

The situation might be completely different for other companies and other drivers of change. Company sizes, starting situations, and goals vary widely. That is exactly why a sense of proportion and the correct methods are of fundamental importance for transformation. The system of scalable, solution-oriented workshops outlined here has proven effective in other cases as well. The critical point is that the workshops not be performed for their own sake, but that their content contribute to change.

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Published by:

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Editors:

LOG_X Verlag GmbH,
www.log-x.de

Graphics and design:

S. Rohringer, H. Hertner