



BUSINESS TRANSFORMATION SURVEY 2018

HOW TRANSFORMATION
BUYING HAS MATURED



BUSINESS TRANSFORMATION SURVEY 2018: HOW TRANSFORMATION BUYING HAS MATURED

The ever-increasing demands of customers and constantly developing technology has meant that it has never been more important for companies to adapt and change. But as transformation becomes more of a commodity than a one-off project, companies are becoming smarter and more sophisticated in the way they are approaching transformation.

Our 2018 survey explored all things transformation;

- How many companies are going through change?
- How are transformation teams structured?
- What are the major drivers and the nature of transformation programmes?
- Who are the major sponsors and organisers of transformation programmes?
- How do you incentivise employees while going through change?

What we discovered was that transformation buying has matured. Once the domain of the management consultancies, transformation is not an unknown anymore. Most companies have been through a period of change, they know what good looks like and want to replicate previous successful models. They are capitalising on the opportunity to get experienced individuals to work with them who know how to go through periods of change, who can physically roll up their sleeves and deliver, not just advise on what they theoretically should do.

There is a greater maturity in business at present, companies know what they need, they just need to go and get it.

SURVEY OVERVIEW

Of the 132 senior executives who responded to the survey, 24% were Transformation Directors, 21% CFOs, 14% HRDs, 12% CEOs, 6% COOs and 5% CIOs. 57% came from privately owned organisations, 33% from FTSE organisations and 10% were private equity backed. 52% of the respondents came from organisations with turnover under £250m, 31% from organisations with turnover over £1bn, and 17% between £250m-£1Bn.

TRANSFORMATION IS EVERYWHERE

An overwhelming 80% of respondents said their company was going through a business transformation of some nature.

This response highlights, that while every company is going through some form of gradual incremental change, the need for companies to undertake a radical step change to their operating model is critically important in order to evolve and keep pace with the market demands, otherwise they risk going out of business.



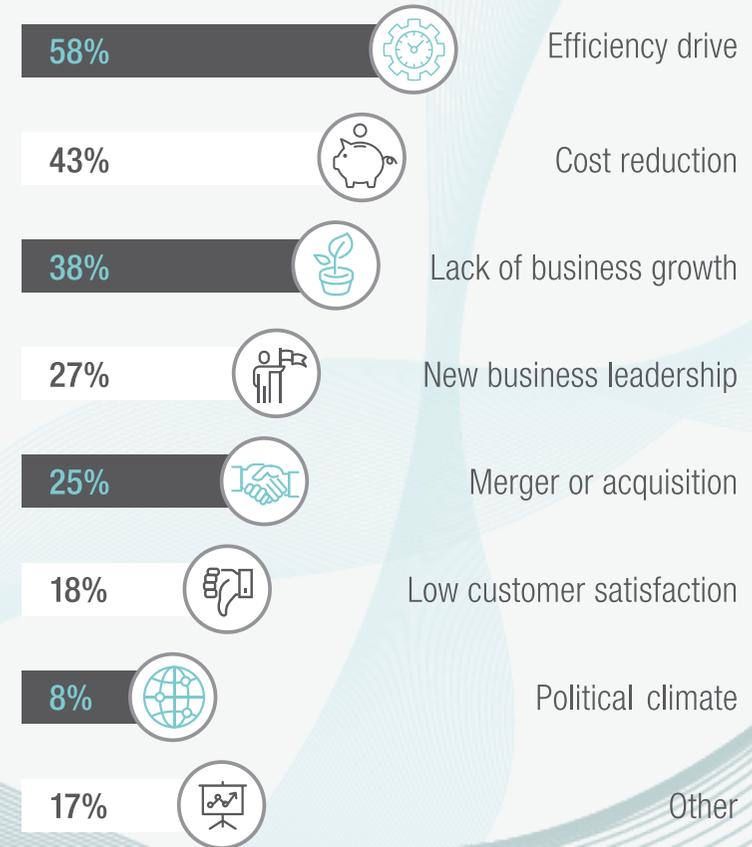
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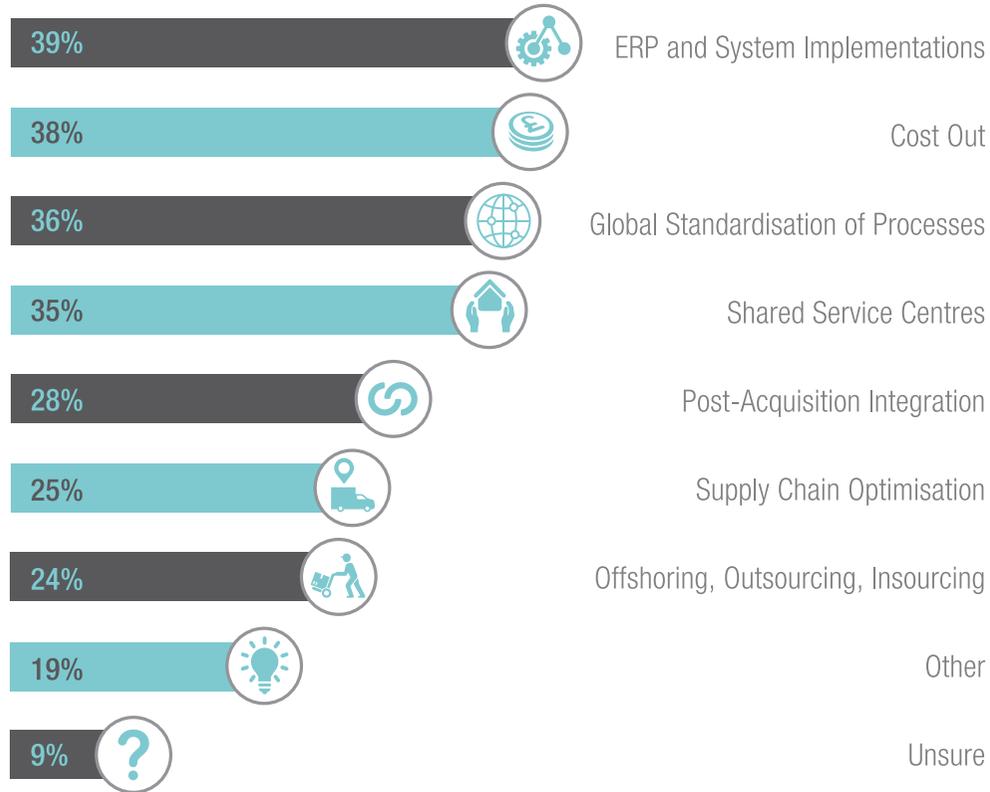
BUSINESSES ARE LOOKING TO REDUCE COSTS AND BECOME MORE EFFICIENT

The survey found that removing duplication and creating efficiencies (58%), and cost reduction (43%) were the most common drivers of business transformation programmes, that companies are currently going through.

What is driving your organisation's business transformation agenda?



What is/will be the nature of your organisation's business transformation programme?



ERP and systems implementations (39%), cost out initiatives (38%), global standardisation of processes (36%) and creating shared service centres (35%), were the top types of business transformation programmes.

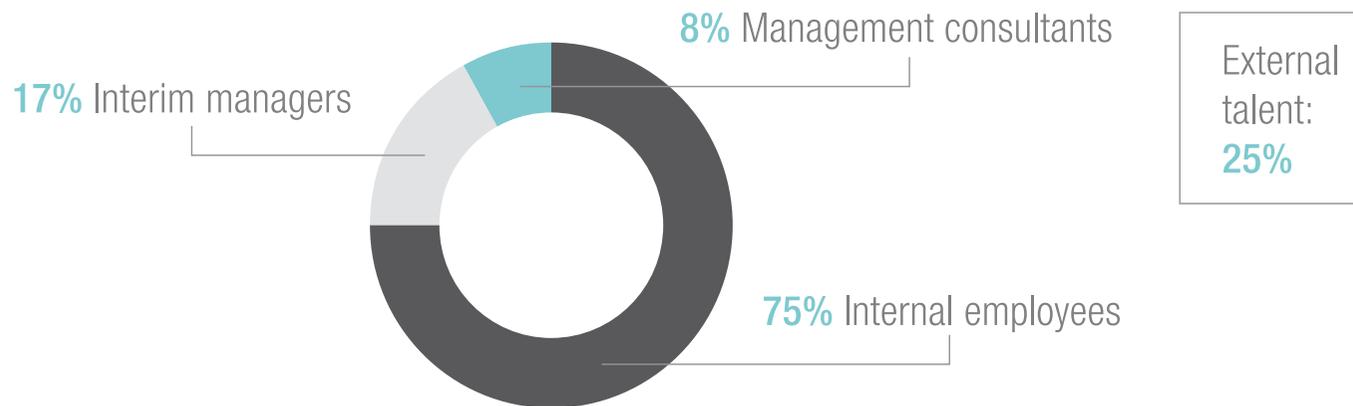
Combined together these results indicate that a majority of business transformation programmes prioritise cash savings and cash generation, over business growth and customer satisfaction.

Whilst growing EBITDA numbers by cutting cost through transformation is an excellent opportunity for companies, they must also consider growing the business through new strategies and a sales focus. It can take up to nine months to start seeing an upturn in sales and therefore it is equally as important that companies focus on their sales strategy along with reducing costs.

Transformation programmes require a significant investment of money and time. The money saved from quick wins will need to be reinvested back into the project until new sales revenue can be achieved, to reach the agreed new target operating model.

Cash is still king!

25% OF TRANSFORMATION TEAMS ARE MADE UP OF EXTERNAL TALENT



The survey findings revealed that the average composition of a transformation team is 75% internal talent and 25% external talent. According to respondents, interim managers were twice as likely to be hired over management consultants, making up 17% of the 25% external talent. Publicly listed companies tended to lean more on outside help than those in the private sector or private equity companies. On average, 34% of transformation team's within a publicly listed company, are made up of external talent.

The results suggest companies' ability to deliver transformation internally is maturing. They are becoming less reliant on consultancy firms advising them how to set up their business transformation programme. What companies need now is extra capacity to help them deliver the transformation. Much of the external talent will be recruited to lead the business transformation programme, using internal staff to deliver.

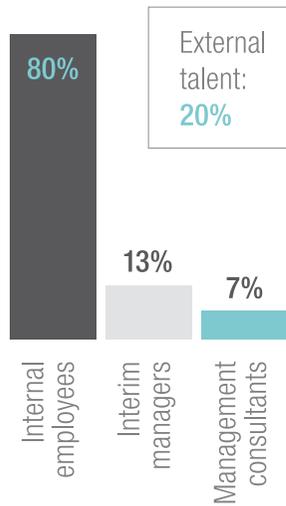
During peak periods of transformation, the internal/external talent split should become closer to 50/50 due to the sheer number of functional workflows in play. This should not concern companies, but they need to start thinking about the legacy left after the business transformation programme is completed, making sure they roll the right people off the programme, at the right time, and that internal staff soak up the experience of these people.

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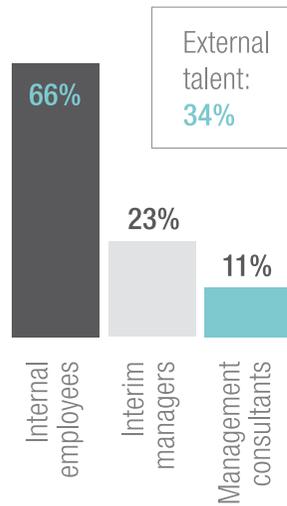
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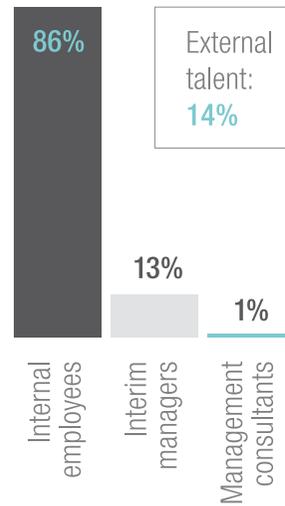
Private sector



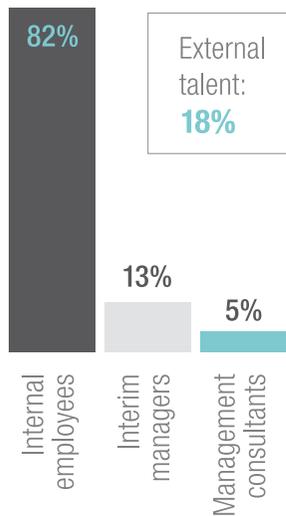
Publicly listed



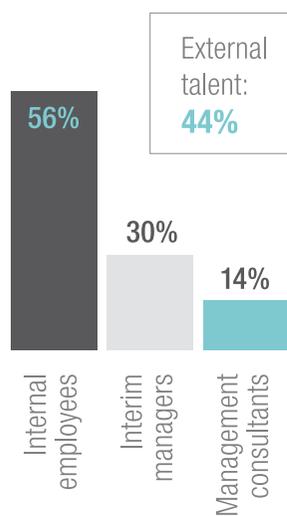
Private Equity



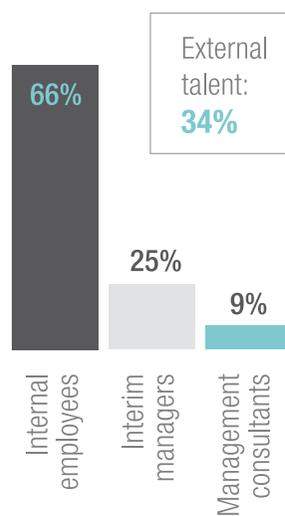
£0-500m



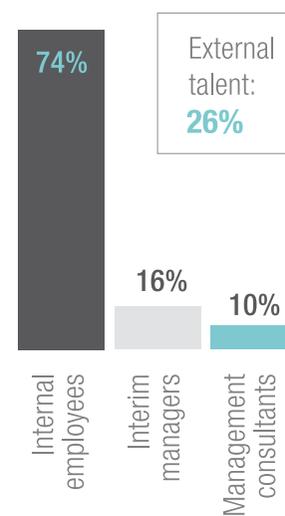
£500-1bn



£1 – 5bn



£5bn+



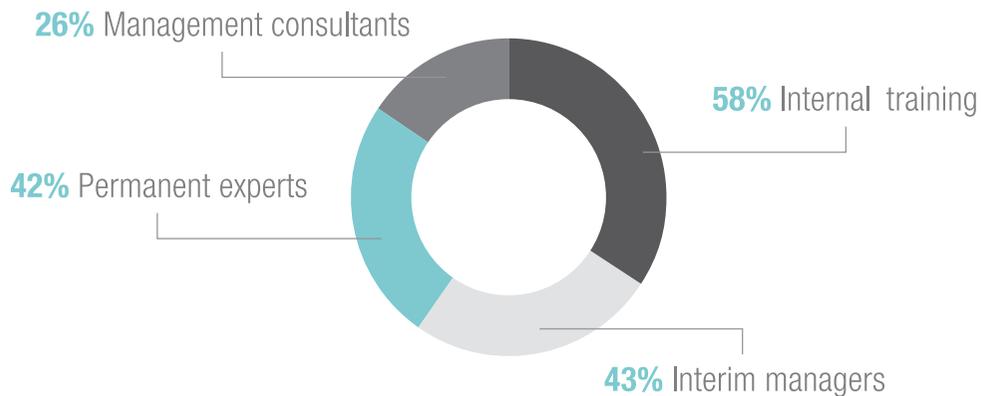
“ THE RESULTS SUGGEST COMPANIES’ ABILITY TO DELIVER TRANSFORMATION INTERNALLY IS MATURING. THEY ARE BECOMING LESS RELIANT ON CONSULTANCY FIRMS ADVISING THEM HOW TO SET UP THEIR BUSINESS TRANSFORMATION PROGRAMME. ”

TRANSFORMATION BUYING HAS MATURED

62% of respondents stated their company wanted to build more internal transformation capability. Following on from our earlier topic of how transformation teams are resourced, this reiterates that the buying of transformation expertise has matured.

Companies have invested heavily in their own transformation teams, therefore are looking to hire experienced interims (43%) or permanent talent (42%), rather than the more expensive management consultants (26%). It is now a capacity issue rather than a capability issue.

How does/would your organisation approach building internal capability in order to manage business transformation?



IS TRANSFORMATION BECOMING THE CFO'S DOMAIN?

The CEO is ultimately responsible for the vision, direction and strategy of the company. Each line manager will then play their part in aligning their business unit to the overall business transformation.

For 41% of respondents, the CEO was the sponsor of their business transformation programme, with the CFO accounting for 21% of sponsors.

With cash savings driving many transformation agendas, it's critical that the CFO acts as the conscience of the programme, aligning the finance department to the wider organisation, managing the spend of the programme and realising the benefits of the overall business transformation.

SHOULD TRANSFORMATION DIRECTORS HAVE A SEAT ON THE BOARD?

According to respondents, the Transformation Director and CFO were the most involved executives when it came to setting up a business transformation programme, 26% and 23% respectively.

The CFO already has a seat on most boards, so is it time the Transformation Director was there too?

It is critical that there is a presence on the board from the executive who is owning and delivering the transformation programme from an internal perspective, and who will be responsible for reporting the programme status and successes/failures.

If the company does not have a Transformation Director, they must review their transformation maturity and decide if they are mature enough as an organisation to bring in an interim.

EMPLOYEES ARE BECOMING DISENGAGED WITH CHANGE

Even though results found that 86% of organisations are tracking the benefits, and 81% are communicating them, in stark contrast, 47% of respondents said their company's employees were becoming disengaged with change.

The response highlights the importance of creating a company culture that accepts that the business needs to continually evolve. It is a considerable behavioural shift for employees to appreciate that the company they are working for is always looking for new ways to improve. Otherwise, leading future business transformation programmes become a relentless and thankless task.

So how do companies incentivise and motivate people who ultimately may lose their jobs?

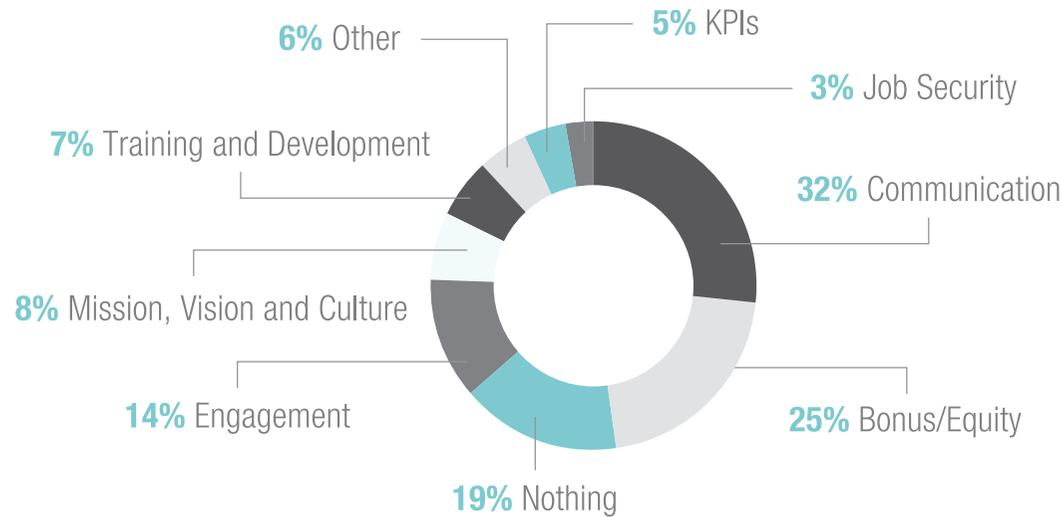
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MONEY DOESN'T ALWAYS INCENTIVISE EMPLOYEES

How does your organisation incentivise your employees to stay motivated by change when the results may be years away?



Clear communication (32%) and financial reward on point of delivery (25%) are the main incentives used to motivate employees until the end of the business transformation programme.

However, should training and development to increase employee job security be higher up the list to help improve motivation? Since transformation is extremely relevant in every workplace, there is a real opportunity to learn a skill that you wouldn't necessarily get the opportunity to do by being part of a BAU team.

Companies should be investigating how they can communicate the fact they can develop employees' skills to become more attractive to the employment market. If employees are ambitious, they can get exposure to a new development in their career that gives them a skill that will be attractive to companies elsewhere, and make them more employable inside the business as well.

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CONCLUSION

The survey revealed that business transformation is the norm for companies today, and that change is largely driven by a need to create greater efficiencies, reduce costs or a lack of business growth. Companies are becoming more informed about how best to achieve their transformations too. They are less reliant on management consultancies and are seeing the benefits of bringing in interim managers to help drive the transformation and build internal capability at the same time.

The CEO is the sponsor of the majority of transformations, but the CFO is increasingly stepping up as the conscience of the business when going through change. In fact, the CFO, as well as the Transformation Director, appear to be the most involved executives when it comes to setting up the transformation programme.

With change becoming a constant, there is evidence that employees are becoming disengaged. However, the majority of those surveyed report that they are tracking and communicating the benefits of change to staff. For many, communication is considered the key incentive for motivating employees through business transformation, while financial reward is also seen as a valuable incentive.

Perhaps organisations should be more focused on communicating how transformation provides an opportunity for employees to develop new skills that will make them more attractive in the employment market. This is where interim managers can play a crucial role. With vast experience of managing change programmes, interim managers can help empower and nurture internal talent to build new skills and become agile and adaptable - ultimately making them more attractive to potential employers in today's change-able business environment.





BIE Executive works with companies going through change. Everything we do revolves around supporting organisations deliver their transformation programme, whilst leaving a positive legacy to achieve continuous growth and success.

We provide additional transformation expertise and support to organisations looking to grow their transformation experience and maturity. Using a mix of business consulting, interim management and executive search services, we build blended project teams of external and internal talent that can clearly articulate, implement and embed any transformation project throughout the business.

This integrated solution allows us to support businesses at every stage of their evolution and our functional expertise cover:

- Executive Leadership
- Finance
- Human Resources
- Supply Chain and Procurement
- Technology and Digital

As organisations respond to external market factors we support them to transform/transition their business through, but not limited to, the following projects:

- System implementation
- Process automation
- Revised organisation design
- Back office consolidation
- Shared service centre set-up
- Project management office set-up/rightsizing
- Sales function transformation
- M&A/integration activities

To arrange a consultation to discuss your current and longer term transformation challenges and opportunities, please visit www.bie-executive.com/arrange-a-business-consultation or contact us on **020 3953 3250**.

www.bie-executive.com