

## Emerging Trends of Business Transformation

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### Abstract

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. Every organization requires sustained growth in the face of near constant disruption, and sustained growth requires agile reinvention. It’s not enough to win today. They have to be able to continue to evolve in the future. Therefore, by investing in these specific new capabilities, the organization will be able to separate itself from competitors and establish a platform for future growth.

### Business Transformation: An Overview

It's no secret that firms must adapt to shifting market and customer demands in order to flourish. This is especially true in a world where digitalization and technological automation are fast advancing. And, more often than not, being competitive necessitates far more than implementing a new management strategy or modifying a supply chain. Indeed, some of the most successful worldwide organizations in the last decade have achieved exponential growth by completing a total company transformation.

The word "business transformation" is relatively recent, having initially appeared in the fields of information technology and management consulting. External market developments necessitate an all-encompassing adjustment in how a firm is run, according to experts in both industries. This will necessitate a complete rethinking of its business strategy, as well as significant changes to its processes, technology, and employees. However, corporate transformation entails much more than just making a system more efficient and digital. It entails a shift in thinking as well as

the development of a business plan that can adapt in the future.

## **What is Business Transformation?**

Business transformation is an umbrella term that refers to all transformation processes that a company goes through in order to deal with market upheavals, including operational, cultural, and digital transformations. Its objectives are to create new value, improve customer satisfaction, and reduce expenses.

Despite the fact that business transformation appears to be a simple concept, it is complex and conceals numerous layers. It's a project that can take months or even years to finish if done correctly. Business transformation must be led from the top because the scope is broad and the decisions taken touch every aspect of the organization.

All business transformation management activities including reframing the company's strategy are overseen by the CEO, Board of Directors, and business architects. They produce more value in the future by breaking down the entire company model and determining which improvements to processes, personnel, and systems are required.

## **Business Transformation's 5 Benefits**

A comprehensive corporate transformation is a difficult task. It necessitates sound strategic decisions that take into account the unique characteristics of a company. However, if done properly, the benefits are numerous. It's also worth noting that, in the long run, it may be an organization's only option for retaining or increasing market share.

The five most significant advantages of business transformation are listed below.

1. *Increased efficiency:* New integrated technologies enable intelligent automation, allowing for stream lined manufacturing processes. Intelligent machinery and edge computing provide real-time data insights for quick decision-making.
2. *Increased productivity:* By implementing digital technologies, businesses can maximize output while minimizing waste. It is easier to predict and manage the number of materials required by tracking automated production and data analytics.
3. *Return on investment:* Greater efficiency and productivity lead to a higher return on investment. Many businesses are hesitant to invest large sums of money in new digitized systems. However, the payback period begins after about 5 years.
4. *Increased safety:* Automated production lines reduce the need for human intervention. By replacing humans in hazardous situations, robotics and artificial intelligence provide greater control and protect the workforce.

5. *Improved sustainability*: Business transformation enables companies to implement intelligent energy management systems. An enterprise can protect the environment and improve its public image by monitoring and meeting sustainability targets.

## **Six Types of Business Transformation**

Even though introducing new digital technologies is an important part of business transformation, it entails more than simply replacing manual systems with automated ones. In fact, the term "business transformation" refers to a variety of transformations that can be classified into six categories. Keep in mind that a complete business transformation can only be accomplished if all areas are given equal attention.

The six types of business transformations are described in detail below.

### ➤ *Transformation of an Organization*

The redesign of a company's structure and mode of operation is the first step in business transformation. This ever-changing process is driven by general management and places a strong emphasis on the employees. An actual transformation can take place only if they are supportive and on board with new work processes.

### ➤ *Transformation of Management*

Hierarchical structures and internal relationships have been redefined by new generations. Rigid systems and an abundance of middlemen stifle growth and make it more difficult to cultivate true talent. Furthermore, a more fluid leadership model with collaborating forces can easily adapt to future changes.

### ➤ *Transformation of Culture*

This could be the most difficult transformation for long-established businesses. It entails changing both the individual and collective mindset. Implementing a new corporate culture is only possible after a managerial transformation has occurred and a vision has been formed.

### ➤ *The Digital Transformation*

A company must rethink its business model with a digital strategic mindset during the digital transformation process. The leadership creates a digital business transformation strategy and determines how modern technology can improve the product and all aspects of the customer experience.

### ➤ *Business Process Transformation*

Identifying which business processes can be improved is a critical first step toward greater efficiency. It is critical to weigh various options that could save time and resources. The use of digitized tools to automate repetitive tasks frees up labor hours and allows the company to focus

on core business processes.

#### ➤ *Information Systems Transformation*

Information systems transformation provides a practical guide to organisations seeking ways to understand and leverage existing systems as part of their information management strategies. It includes an introduction to ADM disciplines, tools and strategies as well as series of scenarios outlining how ADM is applied in various modern project initiatives. Drawing upon lessons learned from real modernization projects, it distils the principles, processes and best practices for every industry/business firm.

## **The 7 Steps to a Successful Business Transformation**

With all the different types of business transformations in mind, it's not surprising that every initiative that aims to change a business from the ground up involves multiple steps. If a business transformation isn't planned out well, it can cause major disruptions to the company and unnecessary loss in revenue.

From strategy to implementation, we've outlined the seven most important steps as a starting point.

### *1. Plan of action*

Before any action is taken, a company must develop realistic business transformation strategies. It is critical to understand the current state of the business in order to map out a future vision in the form of a target operating model. Every decision made after that should be in line with this vision.

### *2. Formalize Leadership*

Aside from managerial transformation, a company must appoint a program director or team to oversee the entire transition to a new operating model. This includes tasks such as budget control and ensuring that the main vision is at the center of all decisions. The CEO, CFO, and board members are ideal candidates for these positions.

### *3. Preparation and Scoping*

The overall strategy is advanced to the next level in this step. A company must identify all of the departments, work processes, and systems that will be impacted by the transformation. This is useful for outlining sub-projects, their goals, timeframes, and budget constraints. It's also critical to consider how the changes will be communicated to employees and customers.

### *4. Establish Program Management*

The program director appoints transformation managers in each individual work stream, such as

HR, Finance, and IT, to establish program governance. It is their responsibility to meet deadlines, motivate the team, and adhere to the roadmap. Many businesses set up a Program Management Office to monitor success and identify potential problems early on.

#### *5. Develop Resources*

It is unrealistic to expect an enterprise's current team to be fully equipped to manage a successful business transformation. As a result, most businesses seek outside assistance and hire experienced experts to collaborate with the program director and internal transformation managers. A well-balanced team ensures that a neutral viewpoint is combined with valuable insider knowledge.

#### *6. Implementation*

Business transformation takes time because there are so many layers and steps involved. Depending on the size of the company, the time between strategy and execution can take several years. It is critical to engage the staff and to re-evaluate the implementation plan on a regular basis, adjusting it as needed along the transformation journey.

#### *7. Integration*

The most vulnerable stage of the transformation process begins immediately after the changes are implemented. New ways of working and new systems can be difficult to implement at first. As a result, employees must be trained prior to execution and provided with dedicated support during the integration phase, while integration architects provide critical data about the integrations within your organization.

### **The Framework for Modern Business Transformation**

When a company decides to transform, there are several business transformation frameworks that can help provide direction and structure. However, because transformations take a long time to plan and execute, it's important to remember that digital transformations, in particular, necessitate a nimble framework. When new technologies are implemented, innovation does not come to an end. It is constantly evolving and forces an enterprise to go through a continuous and ever-changing transformation. The Modern Business Transformation Framework (MBT) was created to address the conflict between day-to-day business operations and innovation.

Unlike other digital transformation strategy frameworks, the cyclonic MBT framework takes a comprehensive approach. It is implemented in a systematic and repeatable manner, allowing a company to make incremental improvements.

Most importantly, the framework recognizes that business transformation is an ongoing process that must be reviewed and adjusted as innovation accelerates. The framework is made up of three

pillars, which are outlined below:

**Uplift Capability:** The ability to identify aspects of business operations that should be optimized and prepared for innovative change.

**Improve Systems:** The internal system capability is improved through incremental adoption in this agile process.

**Embed Innovation:** At the heart of embedding innovation is extracting the most value from innovative ideas.

Because this framework is designed in the shape of a cyclone, greater efficiency is generated when the outer pillars "Uplift Capability" and "Enhance Systems" collaborate. After all, the core derives its energy from the momentum of the outside world.

## **Successful Business Transformation Case Studies**

### ***Case Study 1: Netflix***

Netflix is a company that operates in the entertainment industry. Its main line of business is subscription-based DVD rentals and streaming.

#### *The Goal*

In 2013, Reed Hastings, CEO of Netflix, proposed shifting the company's business model from digital content distribution to original content production.

#### *What Did They Do?*

Netflix's business model shifted from "single-pay DVD rentals to subscription-based DVD rentals." "Audience data is mined to create an astonishing range of new shows," according to the company. Not only does Netflix use data to drive a compelling customer experience (e.g., tailoring the images used for each show to match customer preferences), but it has fundamentally changed the way it decides which shows to pursue based on viewing behavior data."

#### *The Transformation's Outcome*

From 2012 to 2018, the company's revenue tripled as a result of the transformation, increasing by 6 percent. Profit increased 32 times, and the company's stock CAGR has increased by 59 percent since then. Netflix's original content accounted for 37 percent of its U.S. stream in 2018, a significant increase from 14 percent in 2017.

### ***Case Study 2: Fyffes***

Fyffes is a fruit and vegetable company. The primary business of the company is to market and distribute produce and selected private label items to retail stores.

### *The Goal*

The goal was to change the company's "operating model in order to adapt to a highly competitive marketplace, rapidly evolving consumer needs, and increasingly demanding retail customers.

### *"What Did They Do?"*

Recognizing that the company's past and present success does not guarantee future success, the CEO recognized the need to drastically update the company's organization in order to remain relevant in the industry. As a result, the company collaborated with Clarkston Consulting.

Clarkston Consulting reviewed Fyffes' organization and developed a road map. Clarkston Consulting took a number of actions, including: Accessing Fyffes' organization to find over "75 discrete and detailed business challenges across key organizational functions (including finance, operations, logistics, sales, and marketing)." Following the assessment, the development and launch of a "Transformation Management Office to orchestrate all initiatives, creating new governance and reporting mechanisms to drive accountability."

### *The Transformation's Outcome*

Accounts receivable, SG&A, operating cash flow, and customer claims all increased by double digits following the transformation. Collaboration and communication have improved across all functional areas. Fyffes was able to obtain a "clear articulation and deeper understanding of the company's most critical challenges today and in the future."

### **Case Study 3: Ørsted**

Ørsted is a company that works in the energy industry. Prior to 2013, its primary business was oil and gas exploration and production.

### *The Goal*

In 2012, the power and energy industries experienced widespread crises, resulting in a 90 percent drop in gas prices. This was caused by a prolonged period of global gas overproduction. This resulted in a financial crisis for Ørsted. The main priority of the company was survival.

### *"What Did They Do?"*

The company hired a new CEO, Henrik Poulsen, who had successfully led the company through a business transformation at LEGO. Rather than attempting to manage the company's crisis, Henrik chose a radical transformation of the company's core business offering to shift from black to green energy with a focus on sustainability. With the coal, oil, and gas industries in decline, Ørsted shifted to offshore wind power.

Henrik went on to divest eight of Ørsted.'s twelve business divisions in order to invest in wind farming. However, the technology required to run this project was so expensive that it would cost twice as much as onshore wind power production. Henrik was able to create a business model that "began a systematic "cost-out" program to reduce the expense of every aspect of building and operating offshore wind farms while achieving scale in this emerging market."

### *The Transformation's Outcome*

The name of the company was changed from Danish Oil and Natural Gas (DONG) to Ørsted. After the scientist who discovered the principles of electromagnetism. As a result of this transformation, Ørsted.is now the world's largest offshore wind company, with a 30% global market share.

In addition, the company was able to reduce the cost of offshore wind power by 63 percent. By 2018, green energy accounted for 75% of the company's energy production. From 2013 to 2018, the company's revenue increased by 5%, and profit margins increased from -2.2 percent in 2013 to 25.4 percent in 2018.

## **Conclusion**

As the preceding examples demonstrate, business transformation may be more than an option for any established organization; it may be a requirement for long-term success. Bypassing transformation opportunities in order to maintain the status quo is a rather short-sighted business strategy that can result in missed opportunities for growth and value. Major changes to current operating models, on the other hand, do not happen overnight and necessitate smart business transformation management as well as a dynamic framework. Any enterprise can maximize its performance and undergo a digital transformation to unlock new potential with the assistance of business architects and a keen eye on innovation.

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