

12 Critical Success Factors of Business Transformations

Successful business transformations are few and far between. A business transformation is a major shift in a firm's strategy and the subsequent execution of that strategy. Transformations necessarily involve an entire organization and include extensive work in strategy alignment, performance metrics development, business process redesign, organizational change management, core technology reengineering, and management information systems overhauls.

Success of a business transformation is measured by the degree of improvement in a firm's business performance. That performance can be measured by bottom-line results, top-line growth, market share gains, speed of transformation, minimized business disruption, and other tangible factors.

But what are those things that must be in place and happen well in order to achieve a successful business transformation? We see twelve critical success factors (CSFs). All CSFs are equally important so there is no priority associated with the order in which they are listed.

- Business urgency
- Shared vision of the transformed state including culture
- Clear value add to shareholders
- Visible top executive leadership
- Management alignment
- Sustained organizational momentum
- Relentless embrace of change
- External and internal stakeholder involvement
- Multifaceted, integrated approach
- Disciplined governance and program management
- Unswerving focus on business case and transformation metrics
- Continuous learning and tolerance of minor missteps

Business urgency There must be a compelling reason to undertake a transformation. What are the competitive pressures? What are the pressures laid on by investors? What are the internal cost pressures? Is there a strong sense that major change should have happened "yesterday"? Is the sense of urgency ubiquitous throughout the organization or minimally, throughout the management ranks?

Shared vision of the transformed business including culture

How will you know it when you see it? How will others know it when they see it? Has the vision been clearly articulated? Does the vision include both external and internal elements? How will the culture of the organization change if at all? What specifically will be different in competitive actions, business model, business processes, and how the firm is managed? Who does not share the vision?

Clear value add to shareholders

Will shareholders realize gains as a result of the transformation? What are the tangible targets? Which ones are quantifiable in both financial and non-financial terms? Does the board of directors agree with the objectives of the transformation effort?



Visible top executive leadership

Do all members of the firm's top executive leadership team publicly champion and support the transformation objectives and intent? How visible is the level of support? Do major decisions and actions of each executive reflect and support the transformation goals? Does the organization believe that executive support is genuine and goes deeper than simple lip service?

Management alignment

Do all levels of management from senior executives to the front-line supervisors agree with the need for transformative change? Where are the sources of dissent? Why does the dissent exist? What remedial actions are necessary to ensure 100% alignment?

Sustained organizational momentum

Is the organization capable of sustaining change during the course of the transformation which will last anywhere from two to five years? What interventions, such as communications, are in place to capture and keep the hearts and minds of the general population? What are the barriers to sustaining the organization's momentum and what are the specific actions required to remove or overcome the barriers?

Relentless embrace of change

Does your firm embrace change? How flexible are your teams and other working groups? Are individuals adaptable to change and capable of working differently? Are people open to trying new things with uncertainty? Do managers promote and support change? How much endurance does your organization have? Are there naysayers who are infecting the organization with resistance? If so, what is leadership prepared to do with them?

External and internal stakeholder involvement

Externally, what has been the involvement of customers, supply chain partners, distribution partners, and strategic allies? Has their input been sought? Do these external stakeholders support the changes you are making during the transformation? What is the pay-off to them? Internally, are you undertaking the transformation with horizontal, cross-functional teams? Vertically, are you involving people from the front-line as well as management? Are there people or pockets of people who potentially feel left out of developing new business models, processes, and direction? How are you ensuring high degrees of buy-in from those who will execute the transformation and be accountable for operating the business in its transformed state?

Multifaceted, integrated approach

Are there direct and explicit linkages between the new strategy of the firm, operational changes, new expected behaviors of individuals, new organization structures, and new supporting technologies? Are there any gaps in the transformation teams? Which initiatives have the most risk of diverging from the objectives of the transformation? Does the portfolio of transformation and change initiatives capture all the possible synergies across the initiatives? Is there a holistic perspective? Is the timing of all milestones synchronized to maximize benefits? Do the initiatives incorporate both macro and micro orientations?

Disciplined governance and program management

Who is running the transformation and ensuring integration of all the efforts? How strong is the executive sponsorship and how committed is management? Do actions



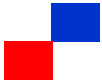
reflect words and intent? Is there a transformation infrastructure that ensures rapid, fact-based decision making? How empowered are transformation initiatives teams to make tactical decisions so they are not waiting for weeks on end for executive level sponsors to meet? Is there a program management function and structure in place to manage the tactical integration, coordination, prioritization, and synchronization of all transformation initiatives? Who looks across the portfolio of initiatives to ensure the optimal use of resources? Is there a clearly developed transformation roadmap that shows critical workstreams and milestones? Is there a mechanism for tactical communications? If there is a program management office, is it clearly understood what its role is (decision making versus administration)?

Unswerving focus on business case and achieving transformation metrics

Has a comprehensive business case been developed? Does the business case incorporate competitive, customer, strategic, operational, financial, organizational, and intangible benefits? Is the business case sufficiently quantified with linkages to the top-line, costs, and bottom-line impacts? What mechanisms have been implemented to ensure focus on the business benefits? Have transformation metrics been articulated so that the organization understands why transformation is necessary? Is there a process for benefits tracking, communications, and management?

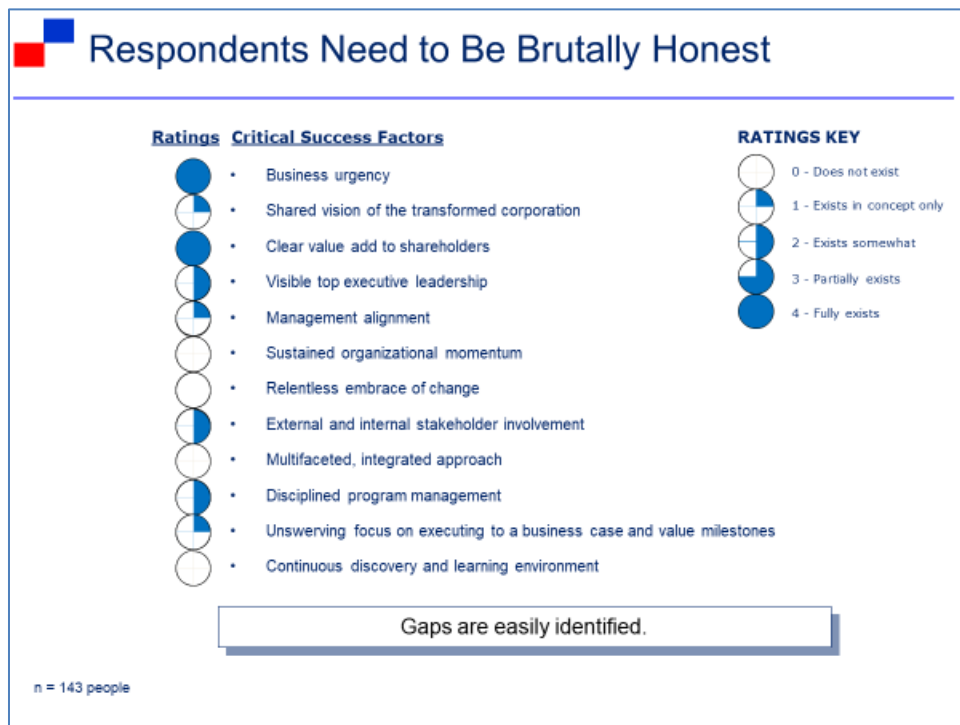
Continuous learning and tolerance of minor missteps

By its nature, businesses that transform are delving into *terra incognita* with many unknowns and risks. Does your organization's environment reward discovery and learning? With every transformation decision and subsequent actions, does a process exist for review and corrections? Are "mistakes" viewed as learning opportunities without going overboard to a zero-consequence environment? Is management tolerant of missteps and can managers supervise groups that contain individual risk takers?



Applying these critical success factors, a diagnostic can be used to assess which CSFs are in place and which ones need shoring up. A series of management interviews and/or organizational surveys can be used to gain the internal perspective. External perspectives can be obtained through interviews of customers, supply chain partners, distribution partners and strategic allies. However, the risk of “opening the kimono” must be weighed against the benefits of capturing the outside viewpoint.

Responses can be summarized using “Harvey balls” for a quick visual report on where a firm is doing well and where the firm needs improvement in its transformation efforts. In the example below, we see a business with a high degree of “business urgency” for transformation yet significant gaps in other critical success factors such as “clear value add to shareholders”. This causes one to ask whether or not the urgency is real but simply lacking a clear articulation of impacts to shareholder value. Or is the urgency driven by gut feel and emotions of senior executives of the firm?



Is your firm undergoing transformation on a grand scale? If so, how would you assess the effort against the critical factors for successful transformation? Is there true business urgency to warrant the investment in time and money required for the necessary changes? Which CSFs are the strongest on which to build a foundation for change? Which CSFs have been neglected and now require remediation? Over time, is the situation getting better or getting worse?