Traditional business transformation dooms your company to failure? V2

What is the purpose of this article?
Help shareholders, investors, founders, the board of directors and C-Suite discuss and improve business transformation.

This article does not provide tax, legal or financial advice.
You must do your own research and fact-based analysis using current and relevant information.

What are the critical learnings in this article?
1) Most transformation efforts fail and destroy company value.
2) The failure is due to leadership flaws with the company leadership: the board of directors, CEO, and C-Suite.
3) The leadership has limited understanding of employees and how to gain employee commitment to transformation.

What are some definitions of business transformation?
#1 "Transformation is about improving performance, not just cutting costs. Companies boost the odds of achieving breakthrough results when they simultaneously improve their operating discipline and make portfolio moves that collectively redefine their business."[1]

#2 "Transformation spans your entire organization, to address all the changes needed to reach your full ambition."[2]

#3 "…rapid, visible, and sustainable step-change improvement in business performance; strengthen their organizations to win in the future; and turn their companies' upside potential into radical performance gains." [3]

#4 "Business Transformation is the process of fundamentally changing the systems, processes, people and technology across a whole business or business unit, to achieve measurable improvements in efficiency, effectiveness and stakeholder satisfaction. As such, a business transformation project is likely to include any number of change management projects, each focused on an individual process, system, technology, team or department"[4]

What is the Oxford Dictionary definition of transformation: "a thorough or dramatic change in form or appearance.
"its landscape has undergone a radical transformation"

Transformation usually fails.
1) Major changes almost always fail. 12% achieve their target; 20% are total failures; 68% diluted the value of the company.[5]
2) More than two-thirds of large-scale tech programs are not expected to be delivered on time, within budget, or within their defined scope. [6]
3) Efforts to recover a poor business typically fail. 33% of the companies grew; 35% went bankrupt or were acquired; 32% stalled. Only 10% of the stalled companies recovered. [7]
4) Roughly 70% of transformations fail.[8]
5) More than half of M&A deals destroy value for investors.[9]
6) McKinsey research shows that companies who disregard analysis of employee mind-sets **NEVER** have an extremely successful transformation.[10]

What is one consulting firm's perspective on why most transformations fail?[11]
I have paraphrased the comments from the article. Any misinterpretation is my fault.
1) CEO doesn't set a sufficiently high aspiration.
2) CEO unable to persuade the C-Suite regarding the need for transformation.
3) CEO and the leadership team doesn't address skills needed to drive transformation.
4) The organization doesn't buy in.
5) The organization won't make the effort to make the change happen.
6) Lack regular performance management discussions.
7) Lack leadership oversight meetings.

Why do I think transformation efforts fail and doom your company to failure?
1) The consulting firm above points out the leadership flaws, especially with the CEO and C-Suite.
2) But where was the board of directors? Did they appoint and retain the right CEO? Did they approve the transformation plan? Did they monitor the ongoing execution. Did the have the appropriate skills to make decisions regarding: CEO appointment & retention, transformation plan approval, and monitoring of the transformation plan?

3) The board of directors and C-Suite are excluded from the transformation. The culture, skills, processes, values morals, and ethics of the board of directors and C-Suite do not change.
4) The CEO and C-Suite have not built the urgent need for transformation and ensured that every employee understands and will support major change. E.g. Telling employees that they need to make major changes in order to increase company profit and C-Suite compensation ensures failure.
5) The board of directors and C-Suite don't understand the employees and therefore don't have the understanding necessary to craft a successful transformation plan and communication's plan.
6) The C-Suite does not have good two-way communications with the company.
7) The transformation does not make the talent and processes changes to ensure that future transformation will not be required. The transformation does not create a company which is continually changing and improving, driven by deep understand of the customers, employees, competition and how the company's ecosystem is evolving.
8) A continuously successfully evolving company does not need two sets of organizations structure i.e. does not need a Chief Transformation Officer, Transformation Office, and transformation managers/teams throughout the company.
9) The word "Transformation" is usually misused and thus causes confusion. Many large projects are called "Transformation" when all they actually are a large project.
10) The Transformation is not driven by the future scenarios for customers and the company ecosystem, but is rather focused internally. One major consulting firm (I won't share the name) states that their approach to transformation is "Start with the balance sheet and then profit and loss statement."

What are your next steps?
#1 Define the words/concepts you're using, in a glossary. I've seen major confusion when the same words mean different things to different people.

#2 State the facts as to what is driving your need for transformation:
1) Declining customer and employee satisfaction, declining market share, declining profits, declined return-on-equity, ecosystem pressures, etc.?
2) Passion to increase customer and employee satisfaction, increase market share, increase profits, increase return-equity, position company to succeed in more of the future scenarios, etc.
If all you have is assumptions and opinions, get facts.

#3 Review the purpose of the company. Ensure the transformation supports the purpose of the company.

#4 Estimate the impact and degree of change required to your: customer relationships, ecosystem relationships, talent (at all levels), technology, and processes.

#5 Based on the above facts and analysis, assess the degree of resistance to the transformation e.g. if the transformation will result in the termination of employees, why would the current employees support the change?
1) Resistance to change can occur at all levels e.g. will board directors and C-Suite support the company being bought if this results in the directors and C-Suite losing their jobs.
2) Be able to answer the question that everyone who needs to change has: "What's in this for me?"

#6 Determine if this transformation is a change which can be planned, executed, and benefits achieved by the existing board of directors, C-Suite, organization talent, and processes. If not, what needs to change?

#7 Determine if you need an interim Transformation Officer to enable the creation of a future organization which will be constantly evolving i.e. no future need for a Transformation Officer.

Footnotes
[1] McKinsey, "The truth about transformation",
https://www.mckinsey.com/featured-insights/the-truth-about-transformation
[2] Bain, "Business Transformation"
https://www.bain.com/consulting-services/transformation
[3] Boston Consulting Group, "Business Transformation"
https://www.bcg.com/en-ca/capabilities/business-transformation/overview
[4] Change Associates, "What is business transformation?"
https://changeassociates.com/what-is-business-transformation/
[5] Patrick Litré, David Michels, Sebastian Walter, Melissa Burke, "Soul searching: true transformations start within" Bain
https://www.bain.com/insights/soul-searching-true-transformations-start-within/

[6] November 13, 2024 Boston Consulting Group https://www.bcg.com/publications/2024/most-large-scale-tech-programs-fail-how-to-succeed#:~:text=BCG's%20latest%20research%20shows%20that,year%20for%20a%20single%20program

[7] David Jacquemont, Dana Maor, Angelika Reich "How to beat the Transformation Odds", McKinsey https://www.mckinsey.com/~/media/mckinsey/business%20functions/people%20and%20organizational%20performance/our%20insights/how%20to%20beat%20the%20transformation%20odds/how_to_beat_the_transformation_odds.pdf

[8] Harry Robinson, "Why do most transformations fail?" McKinsey https://www.mckinsey.com/capabilities/transformation/our-insights/why-do-most-transformations-fail-a-conversation-with-harry-robinson

[9] John Kotter, "Leading Change: Why transformation efforts fail", John Kotter, Harvard Business Review, January 2007 https://hbr.org/2007/01/leading-change-why-transformation-efforts-fail

[10] Scott Keller, Bill Schaninger, "Getting personal about change", McKinsey Quarterly https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/getting-personal-about-change

[11] "Why do most transformations fail? A conversation with Harry Robinson" https://www.mckinsey.com/capabilities/transformation/our-insights/why-do-most-transformations-fail-a-conversation-with-harry-robinson

What further reading should you do?

What is business transformation? Koor & Associates
https://koorandassociates.org/business-transformation/what-is-business-transformation/

Do you need to transform your company? Koor & Associates
https://koorandassociates.org/business-transformation/do-you-need-to-transform-you-company/

Why is trust critical for transformation success? Koor & Associates
https://koorandassociates.org/business-transformation/why-is-trust-critical-for-transformation/

Transformation success depends upon human behaviour change. Koor & Associates
https://koorandassociates.org/business-transformation/transformation-success-depends-upon-human-behaviour-change/

Your company will fail. Koor & Associates
https://koorandassociates.org/avoiding-business-failure/your-company-will-fail-v1/

Is your company planning to fail? Koor & Associates
https://koorandassociates.org/avoiding-business-failure/is-your-company-planning-to-fail/