

TRANSFORMATION SPOTLIGHT

Part One: INTO THE UNKNOWN

Successful companies are restless to change. They may be proud of their legacies, but their focus is on transformation. That's how they remain relevant as the world around them evolves.

In *Foundations of Corporate Success*, economist John Kay analysed a vast array of organisations from different decades, sectors and geographies - and identified "innovation" as one of the four pillars that create lasting value. Based on his research, he concluded that adapting, reinventing and pioneering can be "costly, risky and uncertain." But the problems if firms fail to change are more frightening by far.

Many of the world's leading companies embrace the principle of continual transformation in their mission statements or corporate values. 3M states, as if by divine writ, "Thou shalt not kill a new product idea." Boeing emboldens its people to be "Pioneers on the leading edge of aeronautics, tackling huge challenges and risks." Nike seeks to "Bring inspiration and innovation to every athlete in the world." Nordstrom provides "The best possible service - and improves it every day".

But delivering transformation is not straightforward. If it was, then the world's largest companies in 1950 would still be top of the pile. US Steel, Chrysler, Standard Oil, Amoco and Goodyear are examples of the consequences of failing to adapt. Each ranked in the list of America's "Top ten powerhouses" in the middle of the last century – corporate behemoths that were seemingly invulnerable and immortal. Whether through takeover, retrenchment or business failure, each one has forfeited its earlier status.

The obstacles to transformation are legion:

- **Investment:** Funding for new programmes must compete for scarce financial resources against priorities

such as pumping-up a promotional campaign that's gaining traction – and which offers a surer and shorter-term payback

- **People:** The best staff are deployed to work in business units that generate revenue and profit today, not those with the greatest potential for tomorrow
- **Processes:** Business processes enshrine compliance with policies designed for legacy activities, not areas of new opportunity
- **Risk:** Risk reporting exhibits unconscious bias in favour of the status quo, discouraging initiatives with an uncertain result, however audacious the upside
- **Expertise:** The capabilities and competencies of the workforce focus on delivering fantastic business-as-usual results, rather than introducing change
- **Disenchantment:** When pioneering new ideas, not everything will proceed strictly to plan; short-term setbacks or reversals can breed disenchantment and loss of momentum.

Yet, despite these pitfalls and the ruinous temptation of easy-going inertia, ambitious leaders are still able to galvanise their organisations to embark on adventures into an unknown future.

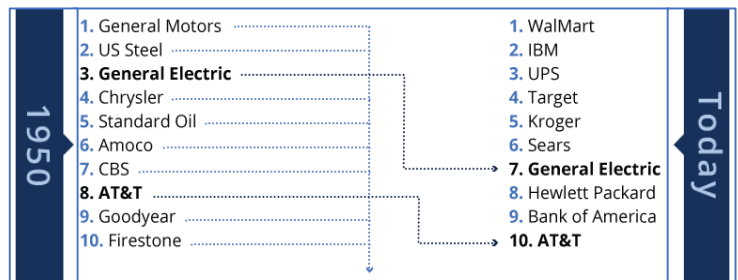
In the recent Chase Noble essay on 'Strategy and Innovation' (published in *TurboCharged Strategy*), the journeys of firms such as Xtrac, Kromek, Dianomi, Brand Journey and H Forman & Son were profiled in detail.

From sectors as diverse as motorsport transmission systems, semiconductor materials, online content marketing and gastronomy, these firms have been unafraid to chart new paths when the opportunity arises. Not for these trailblazers the cynicism of those who casually toss the word 'innovation' into their SEC filings in order (in the words of Harvard Business School's Clayton Christensen) "to con investors into thinking there's growth when there isn't."

In this twelve-part series of articles, **'Transformation Spotlight'** will unpick the tools being used by c-suite executives to revitalise product suites, enter new markets, adapt to the changing needs of customers, and overhaul outdated operating models.

In many cases, companies will establish a Programme Management Office to champion an unfamiliar odyssey. So this series will provide practical tips on the role and functioning of a Programme Management Office, enabling it to work alongside the core business to advance goals of mutual benefit.

Chase Noble help clients create strategies that build real value and are fit for the twenty-first century ... and then communicate them to staff, customers, investors and journalists in compelling ways. We have set up and run Transformation Programmes in sectors including financial services, healthcare and real estate.



Top ten powerhouses – then and now

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