

What is business transformation?

Business transformation is an integrated, business-wide programme applying change management to alter the way a company does business in pursuit of a desired future state.

Integrated

Being integrated, it ensures alignment and internal consistency by reshaping the leadership, strategy, financial aspects, organisation and operations of a company as whole.

Business-wide

Being business-wide, it touches all people and departments in the organisation.

"It is not the strongest of the species who survive, not the most intelligent, but those who are the most adaptive to change." - Charles Darwin.

Change management

Business transformation does not only focus on what to change - it also focuses on **how to manage the people side of change** to ensure buy-in and ownership of stakeholders.

Why change one's way of doing business?

- Responding to changes in the market-place (continual corporate renewal).
- Remedial action to address underperformance caused by unsuccessful or lack of past attention to market-place events.

Business transformation

Moderately underperforming companies typically face emerging problems and early warning signals of decline are evident.

Such companies need to transform themselves to stem and reverse the declining trend, followed by recovery to achieve and surpass industry performance standards.

Symptoms of decline

- Uncertain strategic direction.
- Lack of leadership alignment.
- Inability to address new market and industry dynamics.
- Lack of competitiveness.

- Slow growth.
- High costs.
- Unproductive assets.
- Organisational structure not aligned with strategy.
- Organisational inertia.
- Ineffective sales effort.
- Ineffective and inefficient supply chain.
- Deteriorating financial performance.
- Need for change.

Business transformation or turnaround? See below.

Continual corporate renewal (Proactive business transformation)

To continue to prosper, healthy companies need to respond to changes in the market-place on an ongoing basis.

This takes place in the form of continual corporate renewal in reaction to changes in industry drivers and the impact they have on competitive forces.

Industry drivers (PESTLE)

Political: B-BEEE, employment equity, government regulation, etc.

Economic: Changes in competition, bargaining power of customers and suppliers, market demand, interest rates, exchange rates, inflation.

Social: Changes in mobility, income distribution, population demographics, attitude towards work and leisure, standard of education and skills,

working conditions.

Technological: New material, product and process technology; IT developments.

Legal: B-BEEE, regulation, labour law, health and safety regulations.

Environment: Pollution, planning permissions, waste disposal, noise controls, environmental pressure groups.

Typical continual corporate renewal projects

B-BEEE initiatives, new business model, cultural change, cost reduction, countering competitors' moves, commercialisation and privatisation, new technology introduction, mergers, consolidation, integration, acquisitions, reorganisation, new ventures, growth initiatives, globalisation, etc.

Business transformation versus turnaround

Approach

Improving management effectiveness:

Leadership alignment and development without the need for management changes.

Stakeholder management: Internally focussed on employees rather than also focussed on financial and commercial stakeholders.

Change management: From the outset rather than after crisis stabilisation and emergency management.

Pace of execution: Measured rather than rapid and incisive.

Management style: Participative rather than assertive and directive.

Level of corporate health

Problems: Emerging problems rather than acute and worsening problems.

Situation: Moderately rather than severely underperforming.

Crisis: No crisis - crisis stabilisation and emergency management not required.

Funding: Not required or not necessary for survival.

Note that a turnaround approach can be followed for moderately rather than severely underperforming companies.

Business transformation, however, is not suitable for troubled companies in crisis.

Business transformation outcomes

- Strategic clarity and direction.
 - An efficient supply chain.
- A revitalised leadership team with a clear strategic agenda.
 - Efficient support functions - financial, human resources, IT, etc.
- Alignment of strategy, organisation and value chain:
 - A high-performance organisation mobilised around a compelling vision of the future and a clear plan of action.
 - A customer-satisfying sales value chain.
- Improved revenue, reduced costs and assets, improved profitability and returns.
- Sustainable results - enabled by the transfer of business transformation philosophy, skills, tools and methodologies from Corporate Renewal Solutions to the client.

Business transformation sustains and restores corporate value.

Business transformation models

4-R model

- **Reframe** - achieve mobilisation, create the vision, build the measurement system.
- **Restructure** - construct an economic model, configure the physical infrastructure, re-engineer processes, redesign the organisational structure and the work architecture.
- **Revitalise the value chain** - achieve market focus, invent new businesses, change the rules through information technology.
- **Renew people** - develop the rewards system, build individual learning, develop the organisation.



Change d-c-b-s model

- **Change direction** (what should we do?) - share vision, strategy and business case; leaders engaged and aligned.
- **Change capability** (can we do it?) - stakeholders prepared and mobilised, high performing teams.
- **Change behaviour** (will we do it?) - upgraded skills and competencies, aligned processes and organisation.
- **Change sustainability** (will we keep doing it?) - people processes updated, behavioural and cultural gaps addressed.



All models contain the elements of strategy, structure, operations and change management.

Business transformation approaches (continued)

4-E model

- **Envision** - values-based vision, alignment with internal culture.
- **Enable** - structures, people and systems to execute.
- **Empower** - creating trust and interdependency, measures, training and rewards.
- **Energise** - personal value driving the entire system; communication, correction and individual success.



3-Level model

- **Strategy** - vision, mission, core values, positioning, customer value proposition, business model, Balanced Scorecard.
- **Structure and people** - organisational structure, leadership, staffing, skills, change management, stakeholder management.
- **Value chain** - technology, systems, procedures.
- **Financial levers** - sales, costs, capital employed, returns, cash flow.



CRS blends these models into the most appropriate approach given client's needs.

Change management in business transformation

Change management refers to the process, tools and techniques to manage the people side of business transformation.

The people involved in business transformation include all stakeholders - management, employees, labour unions, as well as shareholders, lenders, suppliers, customers and government if necessary.

Change management principles

- Establish a sense of urgency ("create a burning platform").
- Create a powerful guiding coalition to drive change and see it through ("leadership alignment").

- Communicate a compelling vision of the future and a strategy to achieve it, enabling buy-in, and ownership ("visioning, strategy and stakeholders management")
- Empower employees for broad-based action ("employee participation in designing and implementing change e.g. through a client Joint Teams working with CRS").
- Generate short-term wins ("enhance confidence by celebrating success").
- Consolidate gains, produce more change, and make change stick by anchoring new approaches in the corporation's culture ("unfreeze, change, refreeze").

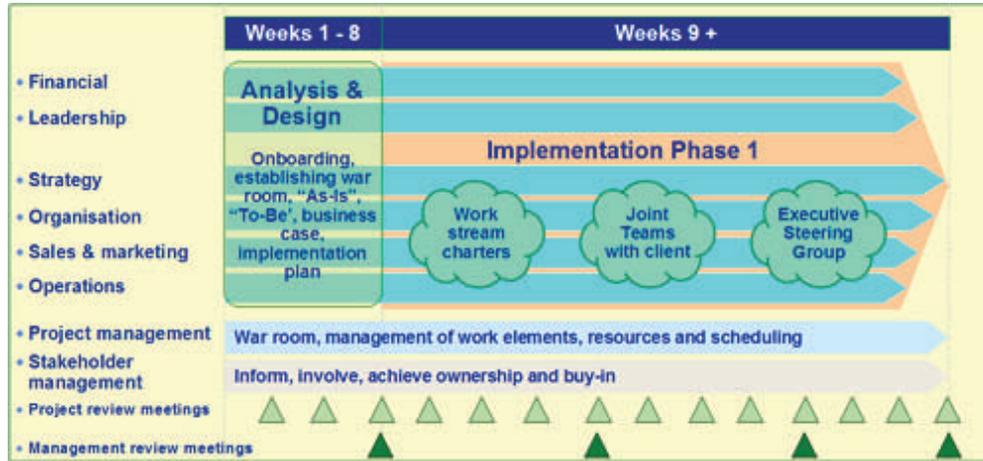
Business transformation project phases

Analysis & Design (A&D)

- Determine the “As-Is” situation.
- Design the “To-Be” solution.
- Determine the business case.
- Craft the roadmap for implementation, including governance structures and stakeholder management.
- Implement Quick Hits.

Implementation

- Further solutions development.
- Execution of the “To-Be” design.
- Benefits tracking against the business case.
- Capability and skills transfer to the client.
- Ongoing embedding support.



The Analysis & Design (A&D) phase typically takes 3 - 6 weeks for smaller companies.

However, it can take as long as 8 - 10 weeks or longer for larger companies.

The CRS consulting team

Our business transformation team works under our project manager together with their client counterparts in a Joint Team.

duration of the business transformation project, from a project office on the client site.

Our consultants essentially work full-time for the

Their continual presence is essential to facilitate effective change management.

Streams of work

Leadership

- Leadership alignment and development.
- Management assessment, Hambrick team assessment, Myers-Briggs personality type individual assessment.

Strategy

- Market & industry research including PESTLE industry drivers, Porter competitive forces, competitor analysis, and customer needs analysis.
- Vision, mission, core purpose, core values.
- Segmentation, targeting, positioning for competitive advantage.
- Customer value proposition.
- Business model.
- **Balanced Scorecard:** Translation of strategy into day-to-day activities (objectives, measures, targets, accountabilities), and strategy mapping.



Financial

- Financial assessment.
- Financial modelling of “As-Is” and “To-Be” scenarios.

- Quantification of the business case.
- Tracking of business transformation results (increases sales, decreased costs, decreased capital employed, etc.)
- Finance department.
- Funding strategy.

Organisational alignment

- Organisational structure aligned with strategy.
- Organisational capacity.
- Organisational capability, skills audit.
- HR strategy.

Sales & marketing

- Product, price, promotion, distribution.
- Sales force effectiveness.
- Sales business process re-engineering.
- Systems and procedures.

Operations & support functions

- Production capacity.
- Product and process technology.
- Business process re-engineering with a view to improve efficiencies and effectiveness.
- Quality.
- Innovation.
- Systems and procedures.
- IT.

Streams of work (continued)

Project management

- “War office” established in project office displaying schedules and progress against plan.
- Planning and control of timelines, resources, and cost.
- Weekly project management meeting with client Joint Team.
- Weekly meetings between stream leads and their Executive Steering Group champions.
- Monthly meetings between the Joint Team and Executive Steering Group.
- Tracking of benefits case ramp-up.



Project coordination

- Specialist project support function.
- Document production – reports and presentations.
- Office logistics - meals, internet, IT, travel arrangements, etc.
- Secretarial – making appointments, typing letters, project administration – time sheets.
- Maintaining war office wall charts.

- E-enablement - all project documents securely available on intranet/internet.
- E-learning - online discussion forums about project to enhance the effectiveness of the transformation project.

Stakeholder management

- Change readiness assessment.
- Clarification of roles of employees during the transformation project followed by a change management forum.
- Regular communication by means of a project newsletter – electronically available on the intranet and emailed.
- Notice boards.
- Regular project Question & Answer session between ESG/ JT members and employees.
- Project material and interactive discussion groups on intranet (or securely on internet).
- Road shows.
- Brown paper fairs (displaying project outputs in public on large brown paper panels for information and comments).
- Change impact assessment.



Business transformation project governance

Executive Steering Committee

Best practice calls for oversight to a business transformation project to be provided by an Executive Steering Committee.

Ideally the CEO should be the project sponsor, with other senior executives acting as sponsors of the respective streams of work.

ESG functions

- Creating a climate for execution.
- Making resources available.
- Project guidance.
- Decision-making and approval.
- Removing stumbling blocks.

Capability and skills transfer

Joint Team

A business transformation project is a joint effort between CRS as the consultancy and the client.

To this end, our consultants form a Joint Team with client counterparts per stream of work.

- Our consultants provide the process, research, analysis, solutions development, facilitation and project management.
- The client Joint Team members typically contribute company knowledge, opening of doors, as well as support with analysis, design and implementation.

The ideal client Joint Team members are future stars in the client organisation.

CRS places a high emphasis on the transfer of skills into the client's workplace.

The objective is to create an internal client capability to ensure sustainability of the business transformation project results once our consultants have completed their involvement in the project.

Skills transfer to Joint Team members

Skills transfer already commences at the start of a project .

During the first week, our consultants onboard the client Joint Team members with regard to the business transformation tools and methodologies employed by CRS.

Working together in a Joint Team on a daily basis allows for mentoring and coaching of and shadowing programmes for client counterparts.

As the project develops, monthly feedback presentations to the Executive Steering Committee are progressively taken over by client Joint Team members with coaching provided by CRS consultants in the background.

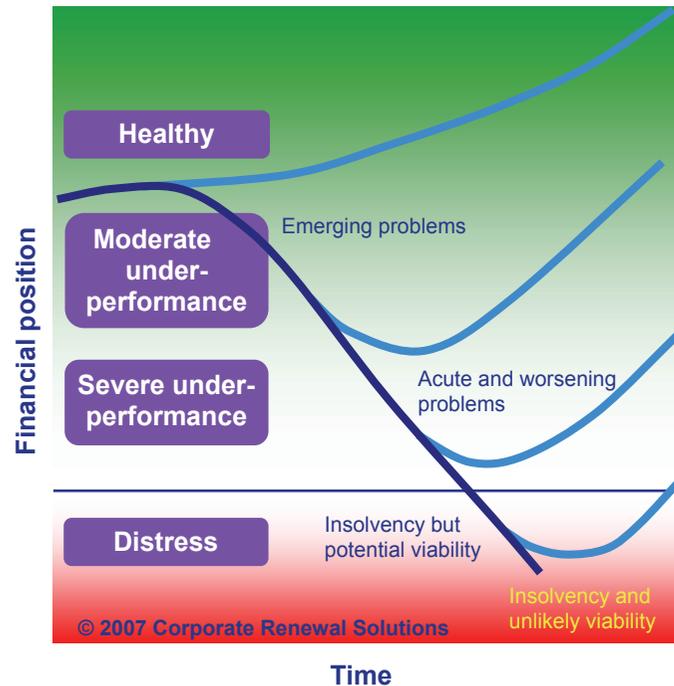
Skills transfer to other client employees

- Learning through formal training sessions, workshops, and E-learning.
- Employees involved in work groups per stream of work.

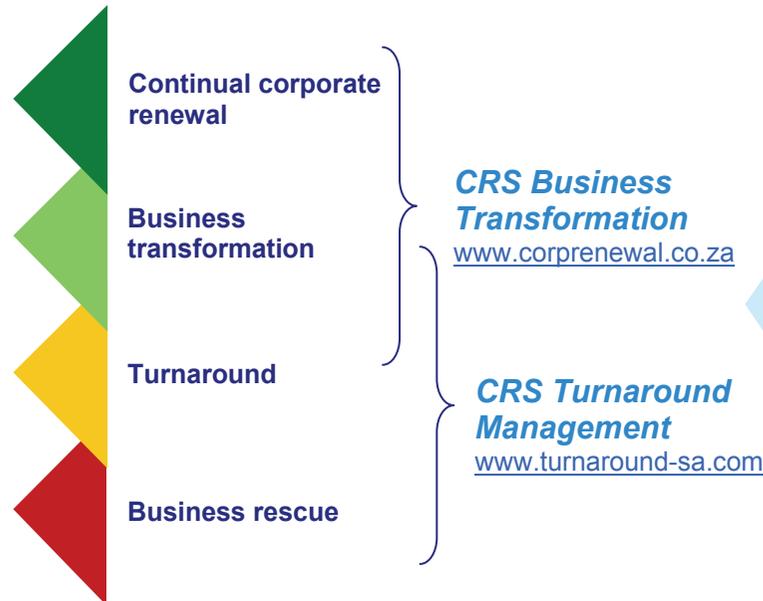
Capability and skills transfer enhances the sustainability of a business transformation project.

The complete set of Corporate Renewal Solutions consulting services

Corporate health and decline levels:



Integrated, company-wide corporate renewal services:



Standalone management consulting services:



Continual corporate renewal

CRS Business Transformation helps healthy companies to continually renew themselves in response to changes in the market-place.

Business transformation

CRS Business Transformation helps moderately underperforming companies to achieve and surpass industry performance standards.

Such companies typically face emerging problems and show early warning signals of decline.

Turnaround

CRS Turnaround Management helps to manage, stabilise, fund and fix severely underperforming companies.

Such companies typically face one or several acute and worsening problems associated with advanced corporate decline, but have the time and resources to find solutions.

We help such troubled companies through the turnaround stages of management chance, situation assessment, emergency management, restructuring, and return to normal.

Business rescue

CRS Turnaround Management rescues financially distressed companies to avoid liquidation through stabilisation, rescheduling of debt, restructuring of finances, finding investors or buyers, and other measures to ensure survival.

Business rescue situations are near or already insolvent, but potentially viable.

CRS is on the forefront of analysing and engaging with government on new business rescue legislation which is expected to be operational by 2009.

Management consulting

CRS Management Consulting helps management to unlock value by reshaping their businesses through stand-alone management consulting services tailor-made to their needs.

These service offerings formulate and implement solutions in leadership, strategy, financial matters, organisational issues and operations.

Brochures on other CRS consulting services can be downloaded from any of the CRS web sites.

Corporate Renewal Solutions team members



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(Chair)

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Corporate renewal, business transformation, turnaround, leadership and organisation.

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Corporate renewal, business transformation, turnaround, business rescue, project management, strategy.

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Consultants and associates



Frans Maritz

Corporate renewal, business transformation, turnaround, operations.

- Member of TMA-SA.
- M.Eng. (Stellenbosch).
- CPFA (Wits).



Gareth Rosslee

Registered psychologist - corporate renewal, business transformation, turnaround, leadership, organisational.

- Director of TMA-SA.
- M.Sc. In turnaround.
- M. Phil in Applied Ethics (St. Augustine College).
- MA, Hons, & BA (Ind. Psyche) (RAU & Rhodes).



Dale Pudney

Corporate renewal, venture capital, new ventures, business broking.

- Operations Director of TMA-SA.
- MBA (Cape Town).
- MBA exchange programme) (Washington).



Colin Batchelor

Corporate renewal, turnaround, operations.

- Marketing Director of TMA-SA.
- Chartered Mechanical Engineer.
- B.Sc. (Eng.) Hons, in Mechanical Engineering (Imperial College, London).

Corporate Renewal Solutions in action



More about Corporate Renewal Solutions

Industry participation

- Board positions on Turnaround Management Association - Southern Africa (TMA-SA) and Association of Business Administrators of South Africa (ABASA).
- Sitting on the Business Rescue Subcommittee of the King III Commission on Corporate Governance.
- University guest lecturing, conference papers, and magazines articles.
- Industry web sites, blogs and online discussion forums.



Ntombi and Jan taking a break from presenting at Wits Business School.



Ntombi Langa-Royds with members of the Turnaround Management Association – Southern Africa.

Code of ethics

Our consultants subscribe to the Code of Ethics of TMA-SA.

Members of TMA-SA are dedicated to the highest standards of professionalism, integrity and competence.

Broad-based black economic empowerment (B-BBEE)

For clients with either generic or QSE scorecards

- CRS is a Level One Contributor with a B-BBEE recognition level of 135%.

For clients with generic scorecards

- CRS is a Qualifying Small Enterprise (annual turnover less than R35m).
- 33,3% Black women ownership.

Contact us

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