

**Business Transformation Champions | Preview**

University St. Gallen & Deloitte

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## Dear reader,

thank you for participating in our study *Business Transformation Champions* and taking part in shaping the conversation on one of today's most relevant topics for top management.

As 2019 comes to an end and the new year approaches, we want to encourage you to reflect on your transformation experiences of the past. To stimulate your reflection we have compiled different perspectives on transformation in this reader: from fresh academic insights to the Deloitte transformation manifesto and two selected case studies.

We are looking forward to release our full report and present recommendations for a successful transformation to you in 2020.

We wish you a happy holiday season and a successful end to the year!

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# Thought Leadership

*Fresh ideas from  
academic research*



# Thought Leadership

*Fresh ideas from academic research*

In this section we have selected **five recent academic publications** on transformation.

We invite you to **browse our summary** on the research and **get new inspiration** for your work as a transformer.

By clicking on the sources, you can access the full publication if you want to **dig deeper** on any of the topics.

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## Transformation Vision

What characterizes an effective vision of change?

### Embedding a vision of continuity within a vision of change can successfully address resistance to change

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**Question:** Despite the importance of vision in change management, we have surprisingly limited understanding of what characterizes an **effective vision of change**.

**Conclusion:** To address employees' resistance to change, the vision of change has to embed a **vision of continuity**.

**Mechanism:** Resistance to change often occurs due to organization members' concern that their identity is at stake. This is because employees identify with their organization and they perceive **change as a threat to their 'self-concept'** in the organization (perceived identity discontinuity). Hence, a **vision with continuity** can reduce uncertainty and help employees see change less threatening.

**Implications:** Transformation vision is not about presenting change in the most positive light, but rather about how to present change in a way that it is seen as a **continuation, reaffirmation, or preservation** of the **organization's collective identity** ('who we are').

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**Source:** Venus, M., Stam, D., & Van Knippenberg, D. (2019). [Visions of change as visions of continuity](#). *Academy of Management Journal*, 62(3), 667-690.



## Transformation Leadership

Do micro-foundations of leaders matter?



## The micro-foundations of leaders are crucial for strategic changes, affecting change initiation, management and performance

**CEO Big-five Traits:** **Extraversion and openness** promote change initiation. **Conscientiousness** hinders change initiation, but enhances change performance. **Emotional stability** facilitates both initiation and performance, while **agreeableness** hinders both.

**CEO Narcissism:** The more narcissistic the CEO, the more aggressively the firm adopts **dramatical technology changes**. This is because narcissistic CEOs have an extraordinarily high **perception of personal capabilities** and extreme confidence, which reduces the concerns about uncertainties or ambiguities.

**Emotion Regulation for Middle Managers:** Middle managers need to pay attention to the emotions of multiple actors and balance between two emotion regulation patterns. First, they should be conscious about their own **emotional commitment** to change projects. Second, they should pay attention to their **subordinates' emotions** and encourage them to express their feelings and concerns.

**Source:** Oreg, S., & Berson, Y. (2019). [Leaders' Impact on Organizational Change: Bridging Theoretical and Methodological Chasms](#). *Academy of Management Annals*, 13(1), 272-307. \* The paper is a literature review paper which synthesizes insights from [Herrmann and Nadkarni \(2014\)](#), [Gerstner, Koenig, Enders, and Hambrick \(2013\)](#) and [Huy \(2002\)](#).



## Transformation Communication

How can storytelling help to create a joint account of change?



### Narratives can be used to influence the acceptance of transformation and to balance strategic changes and organizational stability

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**Question:** Constructing narratives of transformations is important yet challenging. What are the **principles of storytelling** in order to win acceptance of change?

**Conclusion:** When building a narrative, one needs to balance between **novelty and familiarity**. Over time, managers need to construct and **reconstruct** what change means.

**Mechanisms:** A balance between novelty and familiarity helps to **reduce resistance** to changes, win **support** from key stakeholders and **mobilize advocacy**.

**Implications:** There are three aspects to consider for successful narrative creation for transformation. First, it is important to build a **collective memory** of change. Second, change should be depicted as a fresh yet consistent **departure from the past**. Third, to mobilize advocacy for change, it is advised to **differentiate change from other commonly used evaluation criteria** that relates to the understanding of familiarity and novelty.

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**Source:** Dalpiaz, E., & Di Stefano, G. (2018). [A universe of stories: Mobilizing narrative practices during transformative change](#). Strategic Management Journal, 39(3), 664-696.





## Transformation Mandate

How can mandated changes successfully be realized?

### To realize mandated changes, companies need to embrace breakdowns in the process of change

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**Question:** Companies are increasingly facing **mandated changes** that are often imposed by powerful external actors, such as regulators. How to successfully realize mandated changes is a question of high interest.

**Conclusion: Breakdowns**, defined as failure that disrupts the change process, are critical **triggers of managerial reflection**. This in turn enables the **success** of the mandated change.

**Mechanisms:** Breakdowns enable managers to reflect on the **real meaning** of the mandate and to **question existing ways** of realizing mandated change.

**Implications:** Breakdowns may play a more **positive role** in the process of mandated changes than previously considered. Hence, managers may interpret breakdowns differently and take **failures as opportunities for reflection**.

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**Source:** Jarzabkowski, P., Lê, J., & Balogun, J. (2019). [The Social Practice of Coevolving Strategy and Structure to Realize Mandated Radical Change](#). *Academy of Management Journal*, 62(3), 850-882.



## Transformation Rhythms

Change-Stability Paradox: What is the ideal rhythm of transformation?

### Companies that change regularly outperform those that change irregularly

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**Question:** Balancing changes and stability is a paradox. How fast and how frequently should companies change?

**Conclusion:** By finding the right rhythm of change, the change-stability paradox can be successfully addressed. Firms that follow regular changes **overperform** firms with irregular rhythms. As for finding the right rhythm, **neither too frequent changes nor too few changes** are beneficial for performance.

**Mechanisms:** Regular changes have two main advantages: First, it **balances** between **stability and change**. Second, it **reduces the risk** of excessive stability, loss of change routine and excessive change.

**Implications:** Managers should think **beyond a single transformation** by taking a program perspective. Even when planning a single transformation, the **pace and intensity** of the transformation program as a whole should be seriously considered.

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**Source:** Klarner, P., & Raisch, S. (2013). [Move to the beat—Rhythms of change and firm performance](#). *Academy of Management Journal*, 56(1), 160-184.





# Transformation Manifesto

*Deloitte's transformation  
philosophy*





# Creating Impact that Matters

Executives considering transforming their business ask three primary question – answering them together allows them to create an impact that matters



Strategic  
imperative

**Why do you need to transform – what do you see and sense?**



Strategic  
response

**What could a transformed business look like – what breakthrough value could we produce?**



Transformation  
Journey

**How do we and I best transform – to capture the value we need and expect?**



# Our Transformation Manifesto

We are **uncovering new ways** of transformation and helping our clients **achieving breakthrough value**. Through this work we have **developed the core belief** that successful transformation requires **turning opposites into complements**:

**Fact-based Reality** **AND** **Intuitive Perception**

**Strategic foresight** **AND** **Adaptive execution**

**Reinvent the core** **AND** **Explore the edges**

**Leadership direction** **AND** **Independent teams**



# Ten principles of business transformation

- 01** We need to overcome our **cognitive biases** to be able to identify the true case for change and imagine the full potential of the transformed business
- 02** A true and shared understanding of the **case for change** is the foundation for successful business transformation
- 03** Find and reinforce a powerful and meaningful **purpose** for the business as the starting point for envisioning the future
- 04** Find new and innovative sources of value by shaping **new business models** through exploring emerging customer needs and dynamics in your ecosystem
- 05** Move faster and be more decisive in taking advantage of emerging business opportunities by adapting a **flexible organization structure**

- 06** Navigating the continuously changing business environment requires organizations to adapt a **dynamic strategy** approach
- 07** Build momentum by driving tangible short-term impact in an **agile execution** approach as part of zoom out and zoom in routines
- 08** Business transformations require **ambidextrous leadership** – connecting analytical rigor with emotional intelligence
- 09** Building differentiating **transformation capabilities** within an organization is paramount to achieving and sustaining competitive advantage
- 10** Building a **powerful narrative** and engaging the broader ecosystem early on are key to making change stick





# Transformation cases

*Business Transformation in action*



## Transformation case #1:

A diversified technology group strengthens its internal cybersecurity organization to grow externally

## Transformation case #2:

A leading IT service provider for banks decides to perform a holistic corporate transformation



# Transformation case #1

## Why? – The case for change

Facing a **high degree of digital disruption** in all of its businesses, our client, a diversified technology group, has defined cybersecurity as a core element of its strategy.

Acting from a **position of strength** the group set out to develop **industry-leading cybersecurity capabilities** to safeguard and **differentiate its existing businesses** and build a **new business in itself**.





# Transformation case #1

What? – Strategic response

FROM...

TO...

Everyone pulling into **different directions**



Everyone being led by an industry-leading vision as their **north star**



Acting on mandate, **charging cost based on cost allocation**



**Provision of customer centric services** to internal and external customers (double-digit external revenue growth)



**Dispersed organization of >1.000 FTE** with unclear responsibilities



Global **network organization** orchestrated by strong HQ (governance and key services)



Leading through **formal rules and regulations**

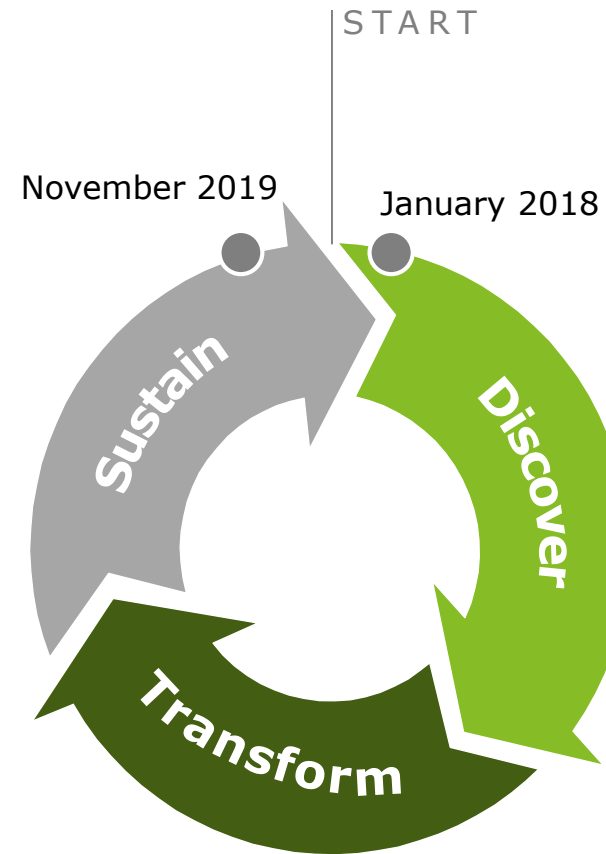


Orchestration of **vision and strategic ambition levels, risk-based and agile work-mode**



# Transformation case #1

## How? – Transformation Journey



- **Strategy and execution capabilities**
- **New management rhythm and routines**

- **Case for change**
- **Vision and objectives**
- **New organization**
- **New leadership team**

- **Service portfolio**
- **Investment and business cases**
- **New culture and mindset**



## **Transformation case #1:**

A diversified technology group strengthens its internal cybersecurity organization to grow externally

## **Transformation case #2:**

A leading IT service provider for banks decides to perform a holistic corporate transformation





# Transformation case #2

## Why? – The case for change

Our client, a leading IT service provider for banks, initiated its transformation two years after a large merger. Given ongoing **major integration issues**, our client was facing significant **decline in employee and customer satisfaction**. Moreover, the company was unable to cope with **changing market requirements** and meet increasing **customer demands**.

In light of this unsustainable situation, our client decided to start a **holistic corporate transformation** to address these challenges.



# Transformation case #2

What? – Strategic response

FROM...

TO...

Individual perspectives of the company and its role in the market



Consistent self-image and ambition level of inside and outside view



Individual and partially contradictory goals for board members and executives



Coordinated target system defines stringent top-down control



Uncoordinated organization working in silos



Cross-functional organization with tribes and chapters



Formally managed company with strong hierarchies



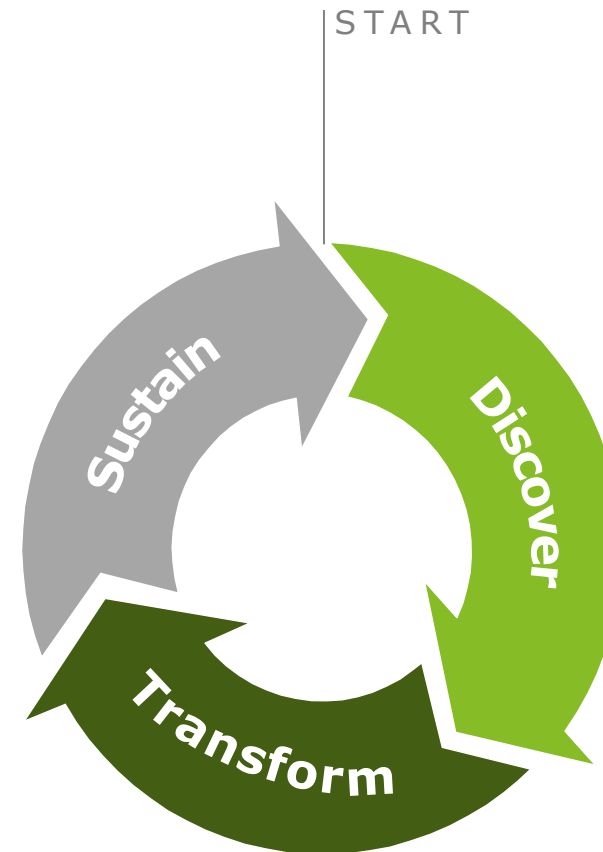
Development of a new, flat management culture and agile working mode



# Transformation case #2

## How? – Transformation Journey

- Agreed on new organizational model for company
- Tool-based scaling of transformation and anchoring of cultural change



- Defined case for change for company
- Developed vision, strategic objectives and KPIs with strategy matrix

- Designed and established agile transformation methodology
- Kicked off enterprise-wide transformation with agile initiatives





# Get in contact with us

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Fabian leads Deloitte Germany's Business Transformation Team. He has around 18 years consulting experience in Projects for private and public clients at Top Management level. Fabian advises in large transformations on the development of target image, organization and control model as well as the corresponding incentives of the management team.

[Learn more](#) about our Business Transformation Offering.

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Tomi is chair holder and professor of strategic management, as well as Director of the Institute of Management & Strategy at the University of St.Gallen. He is a board member and treasurer of the Strategic Management Society, editor-in-chief of the Long Range Planning journal and editorial board member of many other journals. Being a board member of various corporates and strategy consultancies, he cooperates with international companies in various industries.

[Learn more](#) about the Institute of Management and Strategy.



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