

Transformation During Times of Complexity

LED BY:

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Former Chairman and CEO, Rohm and Haas

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Driven by artificial intelligence, remote working, frequent natural disasters, and black swan events, such as the COVID-19 pandemic, the complexity of the business environment is rapidly accelerating.

Executive leaders need to make a conscious decision to approach complexity through an incremental strategy or to engage in a transformational approach to create value long-term.

“If you look at the number of companies in the S&P 500 or Fortune 500 that survived over 25 years, it's a relatively small percentage. A lot of them don't take the risk to transform themselves in response to a changing environment.”

- Raj Gupta

01 SET THE STRATEGY

Create a clear goal

A narrow, universal objective helps to put every short-term decision and metric in context for those who execute against them daily.

“In the case of Rohm and Haas, we said our goal was to be one of the most highly respected and innovative specialty materials companies in the three or four specific markets we served.”

- Raj Gupta

A CONVERSATION BETWEEN (cont.):

Katrina Lindsey
Chief Legal Officer and
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Lisa Madion
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Understand the role each business has within the broader strategy. Are you managing them for cash or growth? Help people to understand and support the allocation of capital and talent by tying them all to one objective.

“It looks like there's a lot of activity going on, but how does it tie into the purpose of the organization?”

- Raj Gupta

Prioritize

In volatile markets, it becomes even more important to focus rather than trying to adapt to every possible change. Being spread across multiple industries will multiply your challenges and spread resources. Try to focus your portfolio.

What are the three or four most important priorities that the company needs to focus on to deliver long-term value? If you are currently engaged in a transformation, be clear about why you decided to make the change. What were the key drivers of value creation? Stay focused to make sure that you do not compromise on those.

“At the corporate level, there are only three or four things that really make a difference.”

- Raj Gupta

Prepare the company to act both fast and slow

Act fast on short-term threats to the business, such as rising costs or supply chain issues.

Build speed into the organization by placing talent that allows you to delegate as much as possible. Try to reduce the number of decisions pushed up the hierarchy. Allow each leader a space for focus. Define a narrow scope where they have the authority to make decisions without being slowed down by interference and opinion. Then hold them accountable to the milestones.

Do not rush into making transformational decisions. After freeing up space through delegation, senior executives should take time to focus on the three or four priorities that define the long-term strategy.

“Communication, trust, and transparency are extremely important when going through a journey like this.”

- Raj Gupta

MEMBER FRAMEWORK: Bryant Henson

EVP, Global Strategy & Business Development, Otis Elevator Company

The Otis Elevator Company operates in 200 countries. They used three initiatives to improve alignment:

1. Cascading layers of prioritization

- A. Otis created a consistent view of the top four value drivers for the company at the enterprise level.
- B. Based on that, they designed a strategic framework for the enterprise.
- C. They used the strategic framework to drive a set of outcome-based imperatives for each business.

2. Enterprise Investment Board

Otis put together an enterprise investment board, which included the capital allocation strategy and talent discussions. It allowed them to take an enterprise view of their three or four big bets and align the leadership team to the priorities. They used it to adjudicate the day-to-day decisions against the prioritized strategic decisions.

3. Diverse goals

Otis understood that not every business had to produce the same results. Some were stronger in producing cash, some were stronger in producing EBIT, and others were stronger in creating growth.

CASE STUDY

Align compensation

The top 50 executives in the company around the world had only 25% of their compensation tied to the business they were running and 75% to how the company performed.

The compensation structure led to collaboration and understanding of when they withdrew capital from one business into other.

02 GET EVERYONE BEHIND THE STRATEGY

Keep stakeholders engaged

A transformation will entail surprises and periods of progress, regress, and stagnation. Keep your key stakeholders – the board, investors, leadership team, and employees – informed and engaged in the decision-making process to garner stronger buy-in. Maintain frequent and open communication with all of them.

“Communication to me is an underrated skill.”

- Raj Gupta

Create spaces where people can express their views, ask tough questions, and challenge decisions. Avoid being too directive.

When discussing priorities with your team or board, be prepared to present more than one idea. Options and alternatives invite more participation, create a richer discussion, and result in a stronger sense of ownership from your stakeholders.

“Listening is one of the best skills today, especially when people are working remotely.”

- Raj Gupta

Align teams to progress

When you set your strategy objectives, sort them into three or four buckets. For example,

1. Financial measures
2. Customer metrics
3. Technology and R&D

At the executive level, define clear goals of what must be achieved when, and how you will measure against them. This becomes the communication piece for both internal accountability and conversations with external stakeholders and the board.

Every quarter, report on where the company is making progress in a simple, visual format – for example, by flagging each metric as green, yellow, or red. It will help the management teams reflect on where they were spending their time and how they were prioritizing.

MEMBER FRAMEWORK: Ric Lewis

SVP, Systems, IBM

Bring excitement to the metrics by casting them in the context of a journey. Honor the current values of the company and what led it to greatness. Explain how the current transformation will build on that and what the new ideal state looks like. Then break it down to the journey. For example:

Year 1: Cutting costs and fueling investment.

Year 2: Building platforms.

Year 3: Acceleration and growth.

Nurture motivation

Breaking the broader strategy into short-term milestones helps teams to maintain focus and gather motivation from interim success.

Shift talent

After you've decided how to refocus the portfolio, look at the top fifty positions in the company and think about who is best suited to what you need to do. Don't be scared to move highly competent people to another business. A change in role will open them to new ways of doing things and bring fresh perspectives into leadership.

"We all get used to doing things in certain ways, which we think are important and we are good at, and it's hard to change."

- Raj Gupta

New responsibilities can help people to focus on the strategic priorities as opposed to continuing what they did in the past.

MEMBER FRAMEWORK: Jennifer Hunter

Chief Sustainability Officer & SVP, Corporate Citizenship, Altria Group

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CNEXT is a Community of Global Leaders.

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Members participate in virtual meetings to gain insights, approaches, and tools to tackle their most pressing leadership and business challenges, while also developing valuable peer networks for the future - all to accelerate organizational performance and achieve their business objectives and professional aspirations.

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