



TAKE CONTROL OF TRANSFORMATION

November 2020

We are in a VUCA world: volatile, uncertain, complex, and ambiguous. Where transformation used to be a one-time event in the careers of CEOs – or episodic, at most – it is now continuous. How do business leaders stay ahead and prepare for it? How do they create an adaptable, agile, flexible, fast-moving, and responsive renewal of themselves and their organizations? That has to be continuous as well.

TEAM CHALLENGE

When P&G sold 8 of its 18 businesses and let go of over 100 brands, they started with a transformation plan detailed in only one page. Have your team develop a one-page transformation plan including:

1. The changes that need to be made
2. Who will be responsible for each change
3. The sequence of implementation
4. How the results of each change will be measured

QUESTIONS FOR YOUR TEAM

1. What business do our consumers think we are in?
2. How does that differ from what business we think we are in?

01 ASK THE RIGHT QUESTIONS

Seek first to understand. A problem well defined is half solved, an opportunity clearly described is half seized. Too much debate occurs on what to do before the problem is adequately defined. Help your team to see and hear so that they can understand what is wanted by consumers and other stakeholders. Only then can they create what is possible.

“I really believe that too little time is spent thinking. Not daydreaming, but really thinking hard about what the problem is that we are trying to solve.”

- A.G. Lafley

02 MAKE CHOICES

Pick the right disruption

Some disruptions pose such a threat to the organization that they cannot be avoided. Yet, these are rare. In most cases, you can and should choose which disruption to focus on. You cannot win them all. Pick the external transformation where you can make a difference. Try to avoid situations of trade-offs, but if you can't, weigh options based on the size of the prize and probability of winning.

“Which disruptions, if any, can we turn to a competitive advantage? Which can we use to create superior value for our customers, our employees, and our shareholders? Which can we fundamentally win at? Those are the ones you go at.”

- A.G. Lafley

TEAM CHALLENGE

Create a matrix of stakeholders and rank them according to the extent that they:

1. Create value
2. Provide a sustainable competitive advantage

Identify your most important stakeholders

Choose the disruption that is of highest importance to the stakeholders that matter. Sort through the matrix of stakeholders and find the strategy that impacts most of them. Be careful of single agenda, single issue stakeholders as they may influence your strategy to the detriment of others. Place consumers first – without them creating value is impossible.

Narrow your differentiation strategy

Understand your space and own it. To drive maximum value creation and advantage, stay focused on what your consumer thinks your core is. Only then, expand and broaden.

“There is a fair amount of evidence that the more focused your differentiation strategy is, the more successful it is. We made more mistakes broadening than narrowing the focus.”

- A.G. Lafley

Do not fear failure

Failed strategies are a gift. Remove blame and focus on what happened and what you learned. Do not believe in a ‘one strike and you are out’ culture. If you want innovation and creativity, you have to create an environment that gives people a chance.

Assign the right decisions

The CEO should make as few choices as possible and only those that involve a risk or opportunity to the entire organization. If you operate in independent geographies or industries, enable the operating organization to make all the decisions that impact their business. They are closer to the consumer, channels, countries, and stakeholders than corporate will ever be. Then be very disciplined about doing your job and your job only. Trust your team to do theirs.

“The CEO and board should only make decisions if they are to bet the company, risk the company, or determine the success of the company in terms of growth of value creation.”

- A.G. Lafley

One Member’s Approach:

	Customer Impacting	Customer Visible
What you do:		
How you do it:		

QUESTIONS FOR YOUR TEAM

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03 MANAGE TRANSFORMATION FATIGUE

Propose real transformation

Help teams understand that continuous renewal is good for the individual, group, and organization. Transformation is most successful and sustainable when everybody understands how it benefits them personally.

“Too often transformation is the label for a restructuring or break up. That leads to deceit. Those are episodic events, not transformation.”

- A.G. Lafley

TEAM CHALLENGE

Picture your organization as a professional athlete. How would you design the pace of its training program in the lead up to an important tournament?

Pace correctly

You cannot transform everything at full speed continuously. Just like humans, the systems and structures of organizations break down through excessive intensity. Be prepared to go all out when you want to or need to, but do not go all out all the time.

“Human analogies are helpful in business, which is organic. Especially if you are in it for the long run. To maximize your training, you go all out for a very small percentage of time.”

- A.G. Lafley

Build an innovation culture

Include innovation in everything you do across the entire organization. Do not assign the role of innovation to some units and not others. Innovation is messy and creativity comes from unlikely sources. Some of it is educated, trained, and innate but much of it is not. Humans are resilient and crisis can lead to immense creativity if the right environment is created for it to flourish.

“100% of your solutions, creativity, innovation, and leadership is walking around on two legs. You better find a way to get them enabled, empowered, motivated, and innovating. Human potential on the innovation side is not nearly tapped into as much as is there.”

- A.G. Lafley

QUESTIONS FOR YOUR TEAM

1. What are the signs that transformation fatigue is reaching a critical point?
2. What metrics can our organization use to measure where we are in terms of transformation fatigue?
3. What remedies are we prepared to enlist when fatigue is setting in?

Lead by example

Strong leadership has three tasks: a thinking, deciding, and doing component. In a world that is continuously transforming, you have to take up each one of those components. You have to be the change you want to see around you.

“If you are not certain that you are all in and full on, if you are not committed to it, then it is not fair to ask others to go through the transformation that you are not willing to lead. Until people see you doing it, they do not believe that the company ought to.”

- A.G. Lafley

03 MEASURE THE RIGHT RESULTS

Financial accounting data only tells part of the story. Market Total Shareholder Return is useful over time but is detached from decisions the company has control over. Rather, measure the success of transformation strategy through Operating Total Shareholder Return. It allows the operating leader to see the return they get from decisions surrounding revenue, margin, and cash investments, when compared to total capital committed to the business.

“Think of the organization like an amoeba and less like a hierarchy of fixed structure or fixed network. Amoebas have been around for millennia and survived every disruption and transformation thrown at them and they are still alive and well, changing shape to survive day after day.”

- A.G. Lafley



Leaders Advancing Leaders

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