

Forbes
INSIGHTS

MAKING THE CHANGE

PLANNING, EXECUTING AND MEASURING
SUCCESSFUL BUSINESS TRANSFORMATION



IN ASSOCIATION WITH: **ORACLE**

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INTRODUCTION

For companies that don't want merely to succeed in their industries but to lead them, continual business transformation is a must. With 93% of U.S. companies in some phase of changing their business model, according to recent research by consulting firm KPMG, businesses that aren't thinking about transformation are all but irrelevant. Business transformation can mean everything from a major shift in IT systems to a large-scale innovative construction project or changes to business models and product designs. Similarly, the drivers of transformation vary widely, ranging from the increased globalization of markets in all industries to shifting energy prices to consumer expectations of constant innovation.

This paper looks at what tends to drive business transformation initiatives both internally and externally for a company, and what determines the success or failure of such initiatives. It also reveals how companies execute business transformation and the value a well-executed initiative can deliver.

According to an Oracle/Forbes Insights survey of 534 global executives, 35% say they believe the need to transform is accelerating, and 82% cite the need for innovation as a major driver of business transformation. For most, business transformation doesn't mean just a one-time, enterprise-wide overhaul, either. Eighty-six percent of respondents say their organization should execute a business transformation initiative regularly to stay competitive and relevant. Meanwhile, just 40% say their industry needs continuous business transformation.

In other words, executives believe their organizations need to change ahead of their industry in order to stay relevant.

"Especially if you are a company of our size, you have to be constantly moving to stay in the frontline," says Pierre Olofsson, business unit president in Sweden for global construction company Skanska. "There are always new inventions and technology in construction that you have to evaluate, the market is changing with new competitors and customers, and today's young talent has different expectations of their employers than the previous generation."

But despite agreement among most global executives that business transformation is fundamental to success, 48% of executives believe their organization is only somewhat or not at all prepared to successfully execute a business transformation today.



A PROCESS-ORIENTED APPROACH TO GROWTH

When Panasonic began looking at ways to improve growth, the company was fixated on new products as the only path forward, but a new strategic vision, backed up by enterprise-wide business processes, helped executives to see how mergers and acquisitions might be a faster and more profitable path to growth.

“First, we had to align the vision between headquarters in Japan and the subsidiary in the United States,” says Mike Riccio, Panasonic’s CFO, “then came the strategy. But then there’s the whole infrastructure behind it, and that’s, in some ways, the most important piece. Without the processes that help you manage and execute that strategy, it’s all just ideas that go nowhere.”

For Riccio, the key was to ensure that all of the company’s decision makers had access to the same information, and that they all used the same process to pinpoint the business’s needs and evaluate various projects against their ability to quickly meet those needs. Riccio formed a committee that meets every quarter and set up the company’s corporate project management office, whose job it is to allocate resources to various projects. “Before we had any sort of process or team in place, we had a bottleneck—several projects would get greenlit at once, and then they’d all have the same resources allocated to them,” Riccio says. “Now we look at the data, and we prioritize—will this project increase revenue? Will it decrease costs? Is there a new regulation coming that makes this a top priority? Then we look at resources across IT, operations and our business units and align them.”

“Without the processes that help you manage and execute that strategy, it’s all just ideas that go nowhere.”

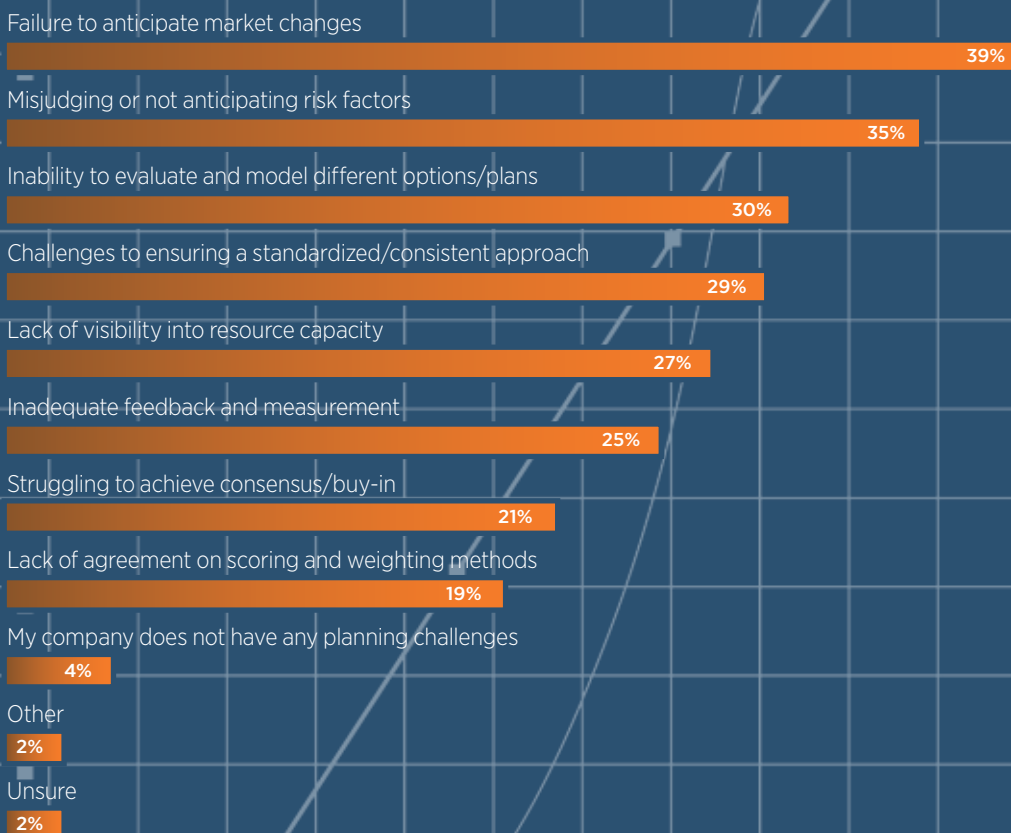
— **Mike Riccio**
Chief Financial Officer
Panasonic

A PROCESS-ORIENTED APPROACH TO GROWTH

FIGURE



WHAT ARE THE BIGGEST PLANNING CHALLENGES THAT CAN DERAIL YOUR BUSINESS TRANSFORMATION INITIATIVES?



In years past, the company was running projects that were over budget and not meeting deadlines. Riccio says team leaders were each doing their own thing, and it was hard to get separate divisions to work together. Now those same team leaders work collaboratively, agreeing on the prioritization of company-wide projects and

conducting post-mortems on projects to ensure that they delivered what they were supposed to.

“Since we implemented this process, every project has been on budget and on schedule,” Riccio says.

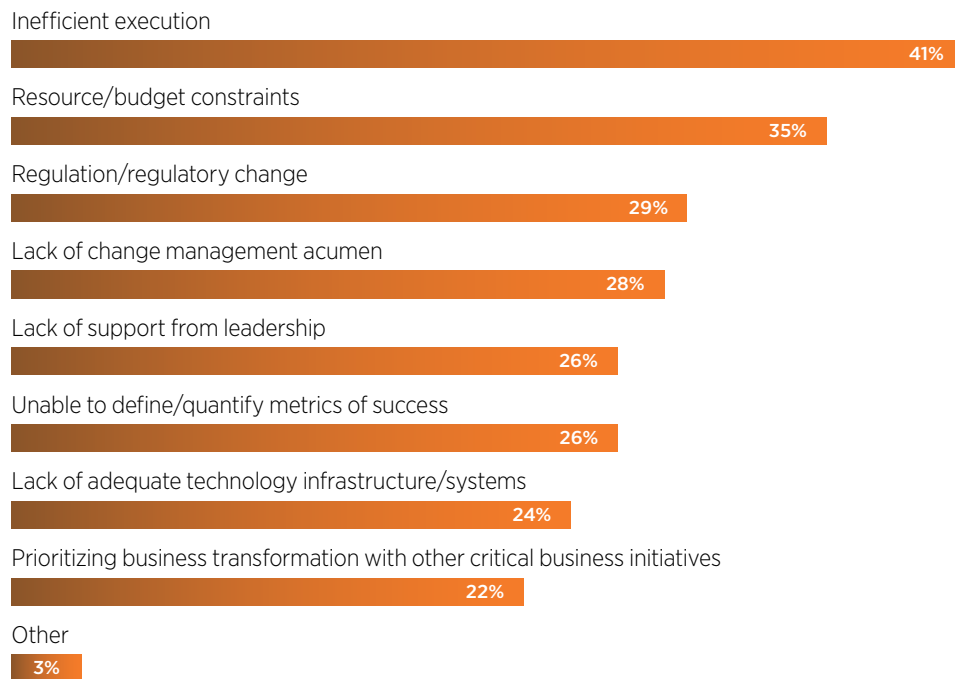
WHEN TRANSFORMATION FAILS

Of the executives participating in the Oracle/Forbes Insights survey, one in five felt their attempts at transformation had failed, and three in five had not yet attempted a transformation. Take those numbers together with the fact that the vast majority of respondents called business transformation necessary for success, and it's clear that while most companies see the need for transformation, many are struggling with it.

Far and away the most oft-cited cause for failure in the rollout of a business transformation initiative is inefficient execution (41%), followed by resource and budget constraints (35%) (Fig. 2).

FIGURE

2 WHAT ARE THE TOP REASONS FOR FAILURE?



Buy-in is another key determinant of success or failure, and getting employees throughout an organization on board with business transformation tends to start with the leadership team and its ability to set, communicate and sell an executable vision. Fifty-one percent of executives surveyed cited support from leadership as a key factor in the success of business transformation projects (Fig. 3).

For Mercedes-Benz, that means getting all members of the executive team on board with any major initiative first. “It’s deeply entrenched that we run this business as a collective,” says Gareth Joyce, vice president of customer service for MBUSA. “We all have responsibility for all parts of the business, and we genuinely practice that. Major strategic objectives are always discussed as an executive team. We don’t have silos in our executive offices, and that helps breaks down silos throughout the company.”

FIGURE

3 WHAT ARE THE TOP REASONS FOR SUCCESS?



“You want one version of the truth in one place, not 30 to 40 databases out there, some in spreadsheets, some in other tools.”

— **Sal Laher**
Chief Information Officer
Eskom

For global companies, consistent, transparent processes and systems help to facilitate buy-in. When South African utility Eskom decided to transform the way it manages major construction projects, for example, it started with the IT department, rolling out Oracle's Primavera enterprise portfolio project management (EPPM) software. The IT department then took the solution to the construction department.

"Once we sorted out the IT department, we went to the construction business and said, 'Let us help you,'" says Eskom CIO Sal Laher. "The 1,200 people working in our capital programs were all doing things differently, using different tools. Some were using slide shows to report on multimillion-dollar projects. We had to sort this out. If you have this level of construction, you want one version of the truth in one place, not 30 to 40 databases out there, some in spreadsheets, some in other tools. Why shouldn't everyone have access to that on their tablets and be able to drill down?"

Now they do, and Laher says this has completely transformed the company's construction projects. "It wasn't IT for IT's sake, it was truly IT for the business," he says.



Risk assessment and unanticipated changes are also among the top challenges to successful business transformation, according to respondents. The ability to accurately account for, predict and build contingencies around risk, including everything from market changes to garden-variety scope creep, is crucial to the success of any business transformation initiative. In percentage terms, roughly twice as many of those who feel extremely well prepared to execute a business transformation (versus total respondents) are also very well equipped for these challenges. Yet many companies still lack the appropriate tools and processes to adequately predict and manage risk.

In a recent study of U.K.-based construction firms, Oracle found that every firm that had failed in the last few years had the same problem. It wasn't a big, catastrophic project failure that had brought them down, but the cumulative effect of several small problems that management either hadn't known about at all, or had found out about when it was too late to do anything.

"We have a lot of great project managers, but some do not know how to share bad news," Laher says. "And things happen—suppliers fail, estimates are wrong. The problem is, if management finds out when it's too late to do anything about it, they're already in trouble."

Now everyone from project managers to engineers to executives can track these transformational capital projects anytime and from anywhere. But most important: they're all looking at what Laher calls "the same version of the truth," so there's no hiding problems until it's too late to do anything about them.

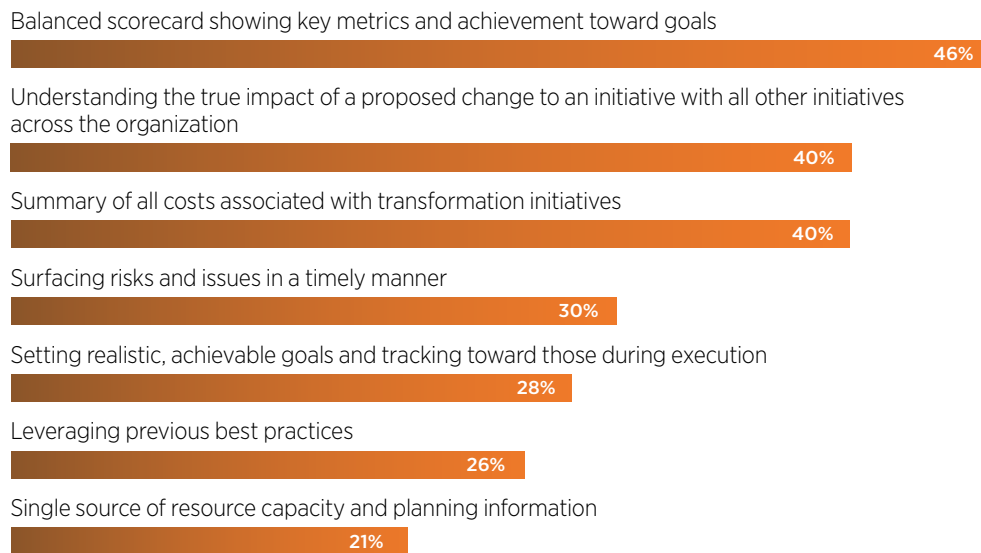
BEST PRACTICES

Despite all the potential pitfalls, several companies are managing to successfully drive business transformation. The key for the majority of executives who are leading successful business transformation initiatives is a balanced scorecard showing key metrics and progress toward goals (Fig. 4). Those who felt extremely well prepared to execute a business transformation were far more likely to understand this—they rated a single source of resource capacity and planning information (43%), a single organized list of transformation projects (57%), a summary of all costs associated with transformation initiatives (57%) and reporting showing key metrics and achievement toward goals (43%) as extremely important criteria in their transformation process.

Adoption of enterprise project portfolio management (EPPM) makes a difference. EPPM solutions target all of these needs simultaneously to support investments in business transformation on all fronts. They can also enable companies to accelerate the speed of business transformation, particularly when coupled with efforts to engage employees in the process. Respondents who consider their organizations to be leaders in business transformation are significantly more active in leveraging EPPM methodologies and processes. Twenty-seven percent of business transformation leaders leverage EPPM across their entire enterprise, compared with 13% of total executives surveyed; 55% of transformation leaders leverage EPPM across either their whole company or their business unit, compared with 38% of total respondents.

FIGURE

4 WHAT CAPABILITY/FUNCTIONALITY IS MOST CRITICAL TO THE SUCCESSFUL EXECUTION OF TRANSFORMATION INITIATIVES?

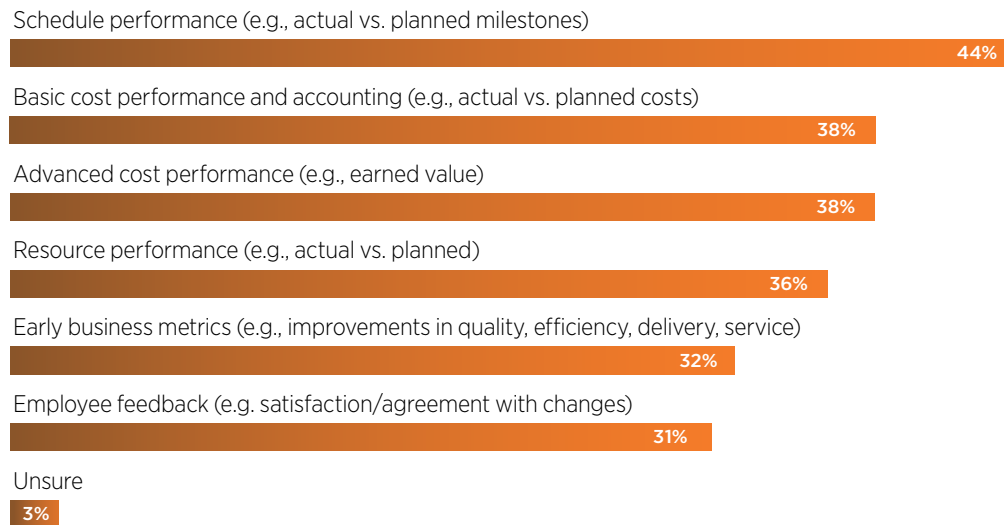


To transform their companies, these executives need insight into every potential impact an initiative could have on their business. By providing that insight, EPPM solutions deliver a strong and much-needed dose of realism, quantified—a clear-eyed understanding of KPIs, costs and the true impact the transformation will have across the organization. The value of such insight holds across industries and projects.

Such metrics also help employees to see the impact transformation initiatives are having on the business, creating a virtuous circle of buy-in and support (Fig. 5).

FIGURE

5 WHAT METRICS ARE USED TO TRACK THE STATUS/PROGRESS OF TRANSFORMATION INITIATIVES DURING THE ACTUAL DAY-TO-DAY EXECUTION PHASE?



BENEFITS OF ENTERPRISE PROJECT PORTFOLIO MANAGEMENT (EPPM)

Many of both the external factors driving the need for business transformation and the issues executives cite as challenges for successfully executing business transformation initiatives are addressed by EPPM solutions. External factors that respondents to the Oracle/Forbes Insights survey are most concerned about include the need for innovation (82% deem it very or extremely important), and operational efficiencies and reduced costs (77%) (Fig. 6).

“We strive to be the leading developer in the world, and in order to do that we constantly need to adapt and push ourselves to improve,” says Skanska’s Olofsson. “But we also need to know what impacts these changes are having, so we always measure the impact of our initiatives.”

EPPM solutions target all of these needs simultaneously to support investments in business transformation on all fronts. They can also enable companies to accelerate the speed of business transformation, particularly when coupled with efforts to engage employees in the process.

FIGURE

6 TOP EXTERNAL PRESSURES FOR TRANSFORMATION*



*Percentage citing factor as very or extremely important.

“Real momentum is born out of the really robust pursuit of implementation or execution of ideas designed to move a business forward.”

— Gareth Joyce

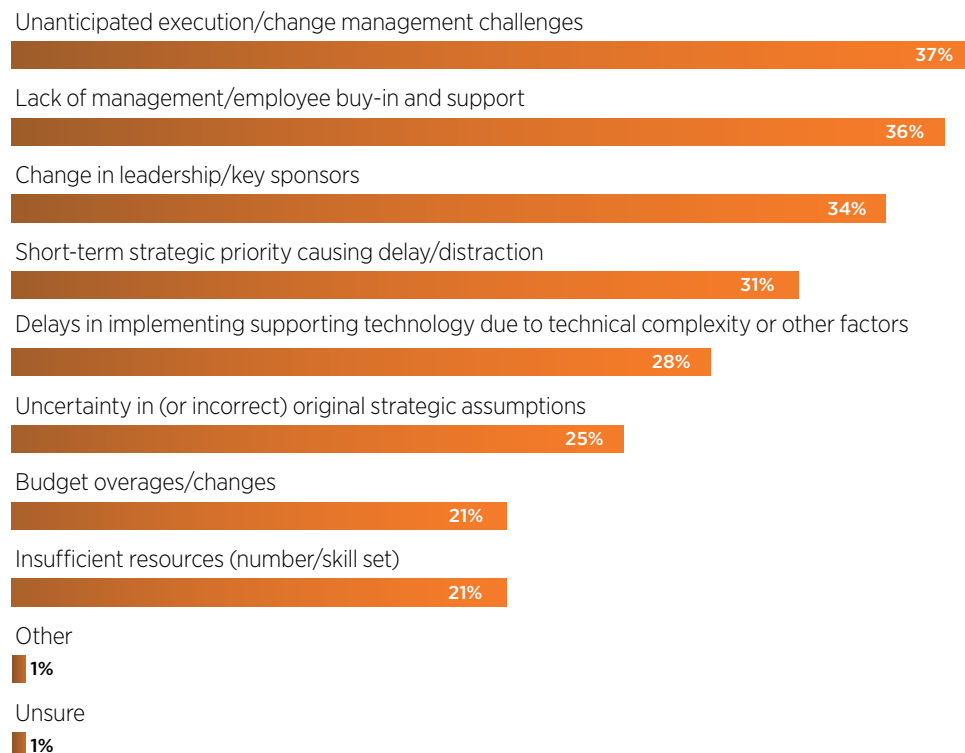
Vice President of Customer Service
Mercedes-Benz USA

For MBUSA’s Joyce, the ability to continually and rapidly deliver successful business transformation is the key not only to cementing employee buy-in, but also to being a truly great business—as opposed to just staying in business.

“Legacies are created by organizations or teams that get it right year after year,” he says. “The way you get that done is by pushing ahead every year, not getting complacent, not getting arrogant, but staying humble and looking for opportunities. Real momentum is born out of the really robust pursuit of the implementation or execution of ideas designed to move a business forward.”

FIGURE

7 WHAT ARE THE BIGGEST CHALLENGES IN EXECUTING YOUR TRANSFORMATION INITIATIVE, ONCE THE DECISION HAS BEEN MADE TO MOVE FORWARD?



SURVEY METHODOLOGY

The insights and commentary found in this report are derived from both a survey and personal interviews. Partnering with Oracle, Forbes Insights conducted a global survey of senior executives across a broad range of industries in spring 2014. Completed by 534 executives, its key demographics include:

Executive title: CEO (8%), CIO (22%), CFO (11%), “other” C-level executive (20%), EVP/Managing Director (7%), SVP/VP/Director (32%)

Company size (revenues): \$1 billion to \$4.9 billion (44%), \$5 billion to \$9.9 billion (19%), \$10 billion to \$19.9 billion (15%), \$20 billion and over (21%)

Industry: Manufacturing (13%), professional services (10%), banking/financial services/insurance (7%), retail (6%), engineering and construction (6%), life sciences and pharmaceuticals (6%), energy/utilities (6%), healthcare (6%), technology (6%)

Location of headquarters: Americas (37%), EMEA (29%), Asia/Pacific (34%)

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