

RETHINKING TRANSFORMATION

DRIVING LASTING & SUSTAINABLE CHANGE

IDEAS | PEOPLE | TRUST

BDO

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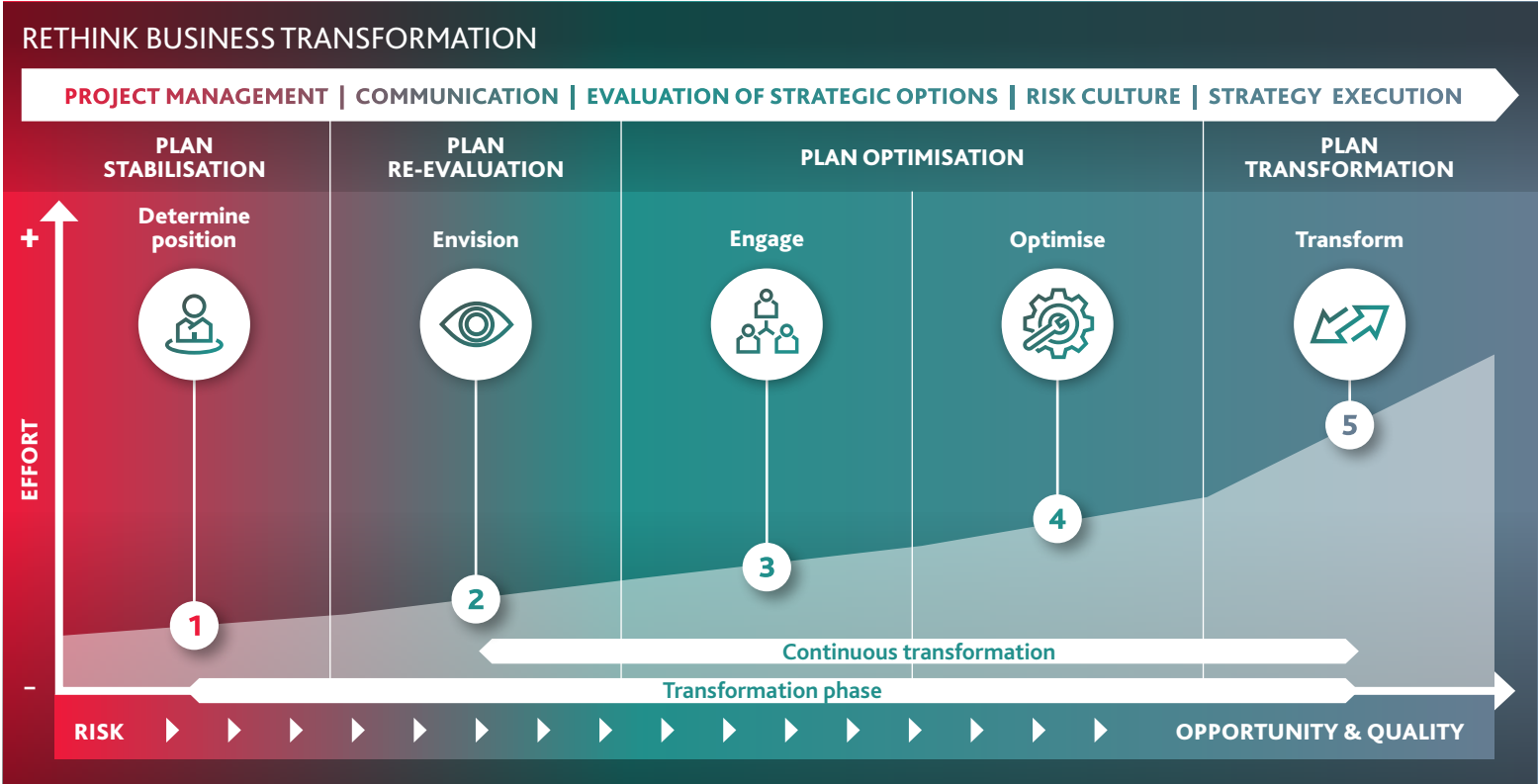


SECTION 1

RETHINKING TRANSFORMATION

To remain competitive, organisations must continuously identify ways to unlock growth, build resilience, and be agile when reacting to challenges and realising opportunities. Faced with unprecedented levels of change within both internal and external environments, leaders today are increasingly looking to improve and transform their organisations to survive and thrive.

We have created a business transformation framework **within our Rethink model**. It is designed to help organisations think about and assess the viability of business models and underpinning strategic principles. You can also use the Rethink framework to manage business priorities, address business issues and consider new ways of operating.



We understand the key challenges in delivering change and transformation, and this publication aims to share insights to support leaders to:

- ▶ Define business transformation, and understand the difference between growth and survival transformation
- ▶ Develop a frame of reference for identifying different categories of business transformation opportunities
- ▶ Identify business transformation drivers through an analysis of common external, internal, and sector-specific factors
- ▶ Provide a model for assessing business transformation readiness
- ▶ Share good practice for delivering successful business transformation.

We help organisations react to change, build resilience, and realise future opportunities to sustain and increase competitive advantage by rethinking transformation.

A blurred photograph of a modern office interior with large glass windows. Several people in business attire are walking through the space, their figures out of focus to convey a sense of movement and activity. Overlaid on the image is a faint, semi-transparent network diagram consisting of interconnected circles and lines, symbolizing organizational structure or digital connectivity.

SECTION 2

WHAT DO WE MEAN BY BUSINESS TRANSFORMATION?

Transformation represents a deliberate change.

Business transformation is the reinvention or refocus of any aspect of an organisation (people, process, technology, data), or the organisation itself.

While business transformation is often used to describe a single or set of strategic, high profile, and expensive initiative(s), this is not always the case. Business transformation describes all deliberate and transformative change, including change that is tactical, with limited scope, but still improves and adds value to the organisation.



SECTION 3

WHY BUSINESS TRANSFORMATION?

There are many reasons why organisations might decide to transform. Broadly, the drivers can be categorised as either growth ('pull') or survival ('push').

GROWTH

Growth transformation represents a proactive and positive move to realise opportunities to gain a competitive advantage and deliver business benefits.

Specific growth transformation triggers might include:

- ▶ Opportunity to enter new markets
- ▶ Availability of new and innovative technology
- ▶ Post-merger consolidation and value creation.

SURVIVAL

Survival transformation represents a response by the organisation to a challenge to avoid or mitigate risk and sustain competitive advantage.

Specific survival transformation triggers might include:

- ▶ Legislative and regulatory changes
- ▶ Increased costs and decreased margins
- ▶ New market entrants providing superior or differentiated products and services.

It is important to recognise that whether transformation is considered 'growth' or 'survival' often depends on the organisation's current market position, operating model and the timing of the transformation.

For example, an upcoming legislative change may disrupt a business who waits until necessary to change embedded and rigid processes, while it may allow a more agile organisation who move first to gain a competitive advantage by developing new, more effective ways of working or applying technology better to capitalise on the opportunities presented by change.



SECTION 4

TYPES OF BUSINESS TRANSFORMATION

We describe three key categories of business transformation. These are **strategic**, **core**, and **operational**.

STRATEGIC

Strategic transformation involves changing the very nature of the organisation to drive towards a new focus. This might include changing the organisation's products and service offer, its reason for being, or its appetite for risk.

- ▶ **Vision, mission, values, and objectives:** What is the organisation's reason for being? What are its purpose, core priorities and objectives?
- ▶ **Value propositions, products and services:** What are the organisation's products and services, and how do they deliver value to those who use or access them?
- ▶ **Risk appetite:** What level of risk is the organisation willing to accept to gain a competitive advantage?



CORE

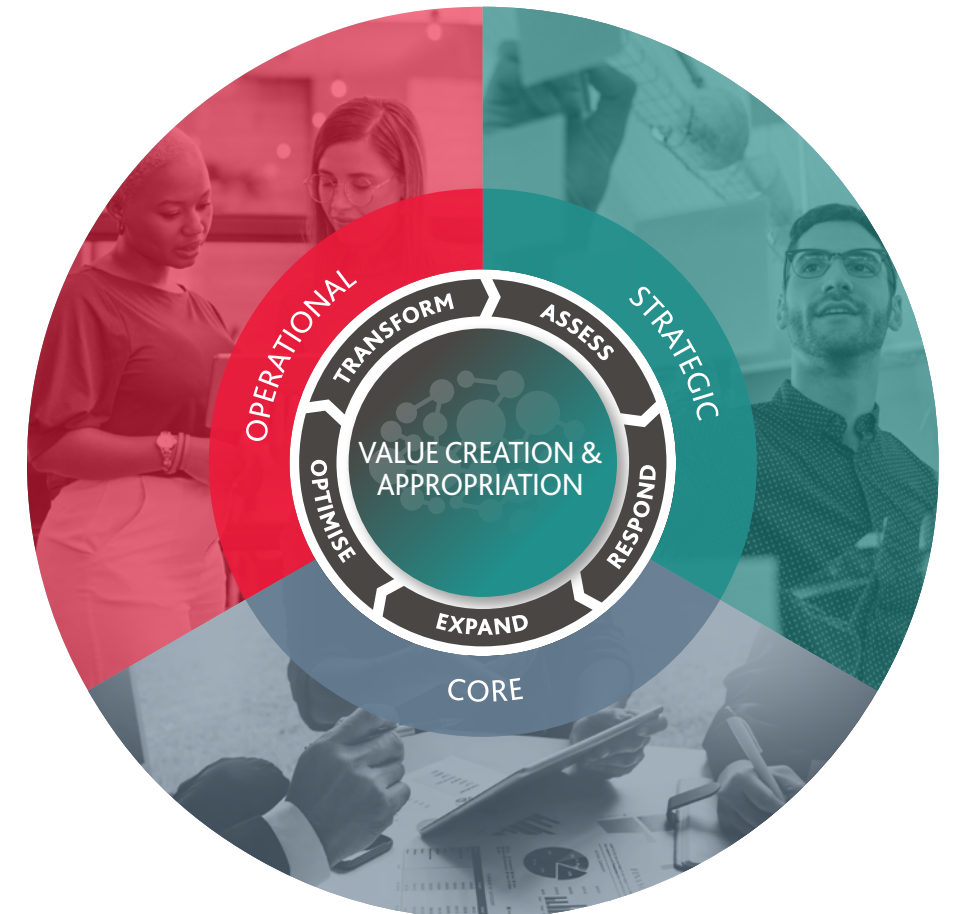
Core transformation involves changing how the business does things and exploring different ways of operating. This might include changing the organisation's operating models, use of technology, or culture.

- ▶ **People and culture:** What are the organisation's core beliefs and norms, and what behaviours are encouraged, promoted and reinforced?
- ▶ **Organisational structure and performance:** How is the organisation structured and how is performance measured and managed?
- ▶ **Business model:** How does the organisation generate revenue and create value for its stakeholders?
- ▶ **Application of technology:** How is technology being applied to support the organisation to operate efficiently and effectively?
- ▶ **Strategic data management and information security:** How is data used to deliver value and inform decision making? How is information protected and secured?

OPERATIONAL

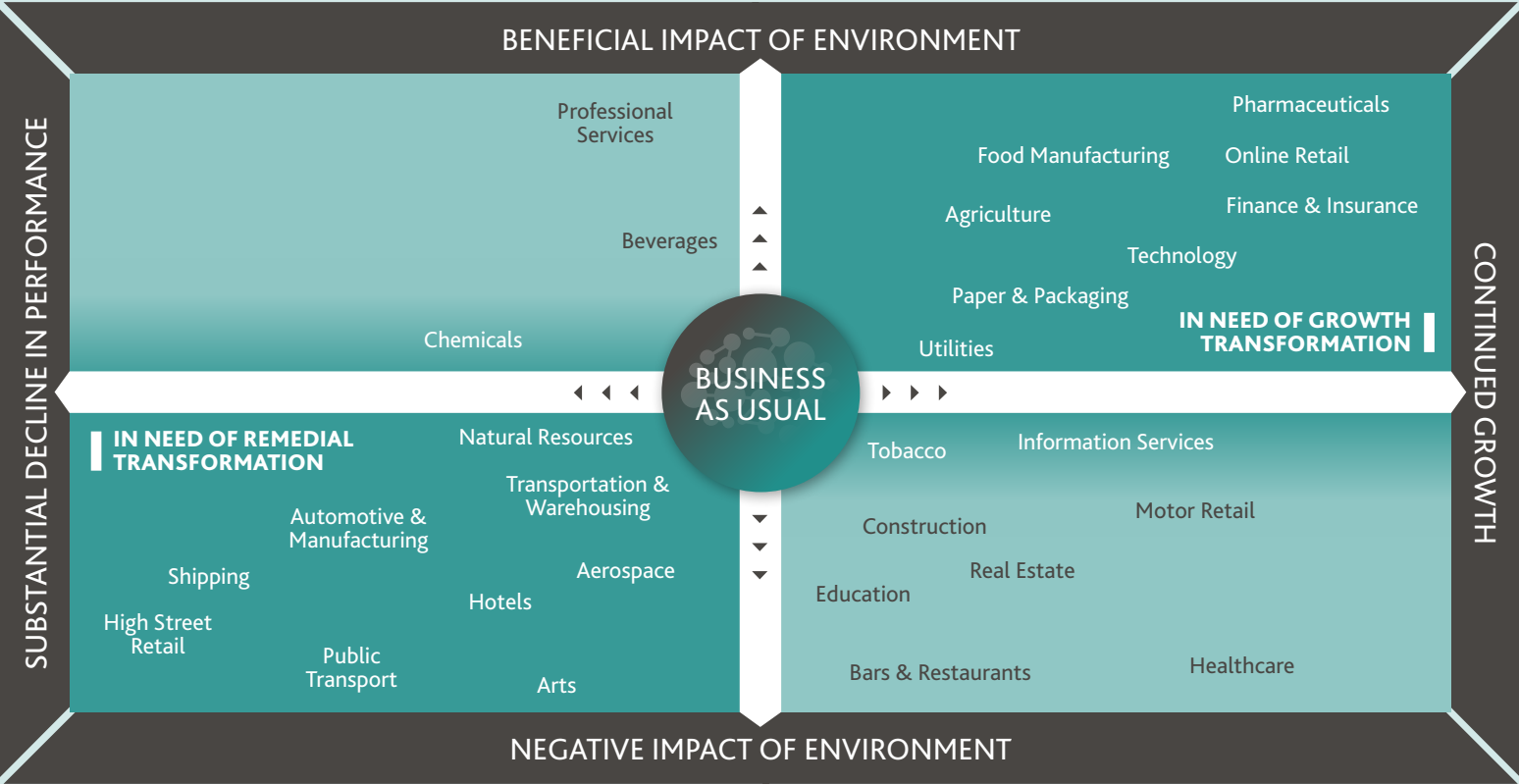
Operational transformation involves doing what the organisation does now but making it better, faster, or more cost effective. This might include changing the organisation's processes, the technology applied, or how it delivers value through data.

- ▶ **Process:** How are process objectives delivered in an efficient and effective way, with waste kept to a minimum?
- ▶ **Risk management:** How are risks and opportunities identified, quantified and managed?
- ▶ **Operational data management:** How is data collected, processed, and used to deliver operational process, and how is data quality ensured?



SECTION 5

MAKING THE CASE FOR BUSINESS TRANSFORMATION



Resulting from research completed in 2021.

- IDENTIFYING THE DRIVERS OF TRANSFORMATION
- Whether evolutionary or revolutionary, the decision to embark on change and transformation is always driven by at least one or several factors. These factors ('hooks', 'triggers' and 'drivers'), can generally be split between internal and external sources, and can include:
- Internal

 - ▶ Weakening profit margins, declining EBIT/ EBITDA
 - ▶ Unsustainable growth (without making changes to TOM)
 - ▶ Overreliance on manual and inefficient ways of working
 - ▶ Inefficient organisational structures
 - ▶ Stagnation/lack of ideas and challenge
 - ▶ Significant operational failure
 - ▶ Board and executive committee mandate
 - ▶ Change of leadership
 - ▶ Systems becoming unsupported
 - ▶ Growth or change by accident - now need purposeful growth or to Rethink how to maximise opportunities e.g. due to unexpected, higher levels of growth through the pandemic.
- External

 - ▶ New regulations and laws (e.g. UK Sox)
 - ▶ A regulatory breach
 - ▶ New or growing competition, reduction in market share
 - ▶ Change in customer/ consumer behaviours/ market trends
 - ▶ The emergence of new markets and opportunities
 - ▶ Global events (e.g. COVID)
 - ▶ Political changes (e.g. Geopolitical Events)
 - ▶ Changes to cultural and societal expectations (e.g. ESG)
 - ▶ Price of raw materials and the cost of doing business
 - ▶ The introduction of new, disruptive technology and innovation
 - ▶ Changes to suppliers and supply chains.



SECTION 6

TRANSFORMATION READINESS

Before pursuing a strategy of transformation and change, understanding the level of readiness within the organisation is advised, and is often crucial. This allows the entity to evaluate potential enablers of and barriers to change and take action to ensure that the appropriate foundations are in place. All projects are different, and our Transformation Readiness Tool is flexible and based on a wealth of experience and knowledge in delivering a variety of change and transformation projects across industries and sectors. It will provide you with the insights you need to help you set your projects up for success.

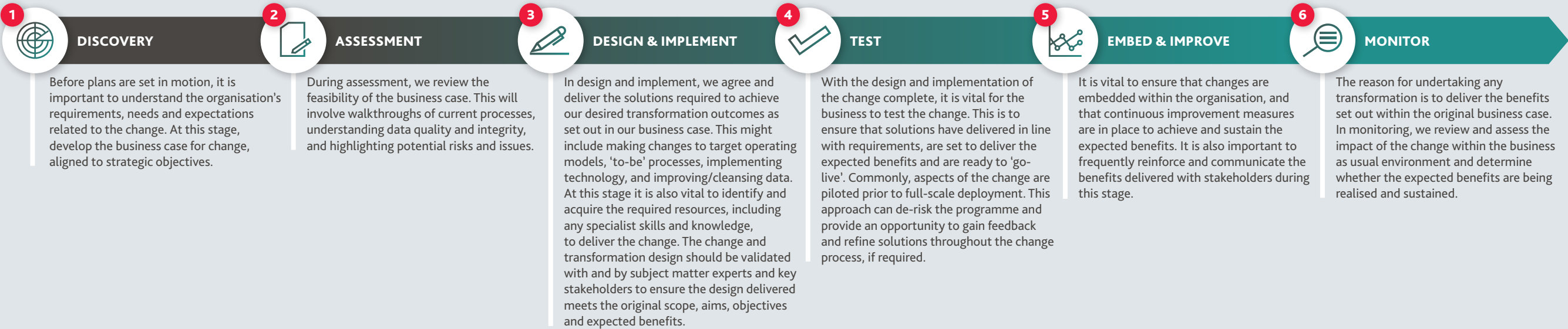
Get in touch with us to find out more about assessing transformation readiness.

SECTION 7

STAGES OF TRANSFORMATION

DELIVERING SUCCESSFUL BUSINESS TRANSFORMATION

BUSINESS TRANSFORMATION MANAGEMENT



SECTION 8

CHALLENGES OF DELIVERING TRANSFORMATION

Regardless of whether a business transformation initiative is driven by internal or external factors or is considered growth or survival transformation in nature, organisations should ensure that they are ready – with the skills, experience, and capabilities they require – to deliver it.

Here are some key ingredients to consider when planning transformation and change, and some challenges to look out for.





SECTION 9

HOW WE CAN HELP

Our Business Transformation team has a wealth of experience and knowledge gained from hands-on project delivery and advising organisations varying in size, sector, and complexity. We have experience of the full project life cycle, from opportunity assessment, initiation, and business case development, to implementation and benefits realisation.

We understand the key challenges in delivering change and transformation, and can share valuable insights into delivering successful projects, change and business transformation following industry good industry practice.

OUR TEAM



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