

REMAIN RELEVANT BY SETTING THE TONE FOR SUCCESSFUL BUSINESS TRANSFORMATION

By Daniel P. Wikel

Many business leaders recognize that the longevity and future relevance of their organizations is not guaranteed. The pattern of new consumer habits, new competitors, shorter business cycles and value creation challenging traditional business models is a familiar one. What's changed, however, is the accelerated rate at which these forces materially impact the fate of organizations and industries.

For any transformation to succeed, leadership must accept that the time to act is now

Between 1964 and 2016, the tenure of organizations listed on the S&P [500 declined from 33 to 24 years](#). By 2027, that window is expected to shrink to 12 years. As corporate longevity wanes and business leaders seek to sustain their organizations' relevancy, attention has shifted to transformation as a risky, but necessary, path toward business survival.

Experts and media outlets amplify stories from Netflix (pivoting from DVD rentals to streaming content to original production) to Nike (scaling

its athletic wear portfolio into an ecosystem of digital apps and services) as models of reinvention done right. But less emphasis has been placed on the most immediate, taxing steps of any transformation process: Realizing the need to embark on a transformation process and assembling the right team to create and execute the plan.

For any transformation to succeed, leadership must accept that the time to act is now — first stabilizing the business and then equipping your teams with the resources, funding, and tools to do so.

Warning Signs That It's Time to Transform

The trajectories of Blockbuster, RadioShack, Zenith Electronics Corporation and many others illustrate what can unfold when the symptoms of current or impending disruption are ignored. Whether a company is on the brink of distress or enjoying a period of stability, there are clear indicators that should prompt management to challenge the status quo.

For healthy organizations with solid capital structures, regular product portfolio reviews may identify a product or service no longer positioned for long-term growth or margin expectations. Such projections could be early signs of changing customer expectations — and an opportunity for competitors or new entrants to seize market share. Understanding the need to act, even when

disruption seems far in the future, requires keen foresight, bold leadership and a supportive board and investor group.

The tell-tale signs of transformation in distressed organizations are more palpable, and more challenging to overcome. Liquidity issues, declining sales, depressed margins and rising costs each point to a situation overdue for change and swift action. In these dire instances, transformation may seem like the obvious solution, but in many cases, management teams may require third-party intervention or outright direction. To orchestrate an effective turnaround, organizations cannot move directly to the top of the pyramid without establishing a solid foundation. Leadership must commit to stabilizing the business, creating a financially viable capital structure to support a transformation with new innovations.

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How Governance Can Make or Break Transformation Efforts

Realizing the need to evolve is part one of the pre-work for successful transformation. Part two hinges on developing an actionable, achievable plan to guide the organization from its current to future state.

Too many management teams fall into the trap of outlining improbable or overly optimistic strategic plans. Avoiding these early missteps requires strong governance (and willingness to provide it) from boards of directors, private equity

investors or even activist investors. Also consider soliciting feedback from key customer and trade partners, as well as the employees in the trenches. Together, each of these resources can shed light on what your organization needs to sustain long-term relevance.

At each stage of the planning process, leaders should tap into their governance structure to check and challenge their roadmap and underlying business plan assumptions. This involves objectively reflecting on questions such as:

- Given our market position today, where will this plan realistically position us in one, three or five years?
- Will our lenders or investors be supportive of this roadmap?
- Beyond illustrating goals and objectives, does the plan outline specific actions and timelines that must be met to fulfill them?
- What inputs are missing from this plan? Is there employee feedback or market research that deserves additional consideration?

Stress-testing transformation plans helps validate that your new way forward is the right one, but it's not an exercise management should undertake alone. With the perspective of board members and investors, executives can better understand and identify potential pitfalls — or missed opportunities — and adjust course while there's still time.

Starting and Sustaining Business Transformation

Acknowledging the need to reinvent your business and architecting a sound plan to do so are the first barriers to successful transformation. As the [former CEO of Bon-Ton](#) expressed shortly after the retail chain filed for bankruptcy and announced its liquidation in 2018, "If I had had the foresight to realize I had to blow up the model, I would have."

Once these critical hurdles are cleared, organizations can begin the hands-on work of affecting change. [This phase](#) inevitably introduces a new set of challenges, from creating an internal, cross-functional project management office to manage, measure and report on turnaround activities, to evangelizing these changes across the business.

Transforming your business is an extended process with many risks and potential for errors along the way. However, organizations that pursue transformation at the right time with a robust governance and action plan supporting them have much greater odds of success.

Key Takeaways

Think differently.

Acknowledge the warning signs indicating the need for your organization to evolve and instill that awareness throughout the business.

Plan differently.

Look to board members and investors to challenge your transformation plan, ensuring it's feasible and effective.

Act differently.

Identify areas of your business that need to be stabilized and address those first so that future transformation efforts have a strong foundation to launch from and continue to be market relevant.



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