

Trends in Business Transformation Survey of European Executives

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Business transformation has become a central way of working.

Companies in Western Europe have carried out an average of seven transformation projects in the past three years.

The forces of globalisation will continue to increase the level of transformational activity in the next three years.

Implementation is seen as the riskiest stage of a project.

Having executives in the company who champion business transformation is a key factor that ensures the long-term success of a business transformation.

To be successful, a transformation project must be referenced continuously to the future state of the organisation.


Each person and each change agent must be able to see what the change is about.

Corporate leaders need to have a very clear vision for their core business as well as an ability to align human resources across diverse corporate, cultural and political environments.

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Definitions of business transformation vary, but for the purposes of our survey, the term is used to refer to strategic, enterprise-wide change projects that have a profound impact on the organisation's capabilities, environment, processes and performance. Correctly planned and implemented, business transformation can have far-reaching implications and benefits for the organisation, as well as deliver significant results that are visible on the bottom line. The project types covered by our definition of business transformation are as follows:

- Corporate transactions (such as M&A and divestitures)
- Outsourcing/offshoring
- Strategic changes (such as changes of business model)
- Enterprise-wide IT projects
- Cross-functional improvement programmes
- Enterprise-wide organisational restructuring; and
- Value-chain optimisation initiatives (such as major supply chain projects)

Introduction

The past few decades in business have been characterised by a succession of fundamental shifts in the way companies operate and structure themselves. In their search for greater efficiencies, economies of scale or lower costs, companies have embraced trends such as outsourcing, offshoring, and mergers and acquisitions, while rapid technological development has transformed the way information is shared and communicated, and the way business processes and transactions are conducted.

Although trends such as offshoring, mergers and acquisitions, and large-scale IT projects can have different objectives and require different skills, they are all examples of business transformation. Each type of project requires executives to set clear objectives, to ensure that those aims are understood by everyone in the organisation and to focus carefully on the implementation stage so that the objectives are achieved. In short, each project is about managing large-scale change – something that in today's highly distributed, global organisation is a complex and demanding undertaking.

Based on a survey of senior executives from Western Europe and a series of in-depth interviews with executives, this briefing paper produced by Capgemini Consulting in co-operation with the Economist Intelligence Unit, explores the trends that are driving business transformation and looks at the challenges and opportunities presented by this vital aspect of contemporary business.

The findings are based on two main strands of research: an online survey of 125 senior executives from Western Europe at businesses with minimum annual revenues of US\$500m and interviews with 15 senior executives from across industry to ascertain their views. Our sincere thanks go to all the interviewees and survey respondents for sharing their insights on this topic.

Executive summary

The need for business transformation has never been greater in the modern organisation. But while companies are gradually becoming accustomed to being in the midst of constant change, they often lack the knowledge and skills they need to thrive in such an environment. The aim of this report is to look at the factors that are driving the need for business transformation, to assess the experiences of European businesses as they grapple with implementing complex change projects, and to recommend ways in which executives can improve the success rate of transformation in their organisation.

The recent surge in mergers and acquisitions around the world serves as a potent reminder that there is no such thing as a static business environment.

Factors such as competition, deregulation, technology and, perhaps most importantly, globalisation, continue to exert a strong pressure in boardrooms across every industry, forcing executives to reinvent constantly the way in which they operate or structure their business. Change, it seems, is no longer a rare occurrence – increasingly, it is the normal state of affairs.

Executives have responded to this pressure to transform their business using a variety of mechanisms, including efficiency programmes, large-scale outsourcing contracts, as well as the aforementioned mergers and acquisitions. These business transformation projects have become central to the corporate agenda, and it is now unusual for large companies not to be in the throes of

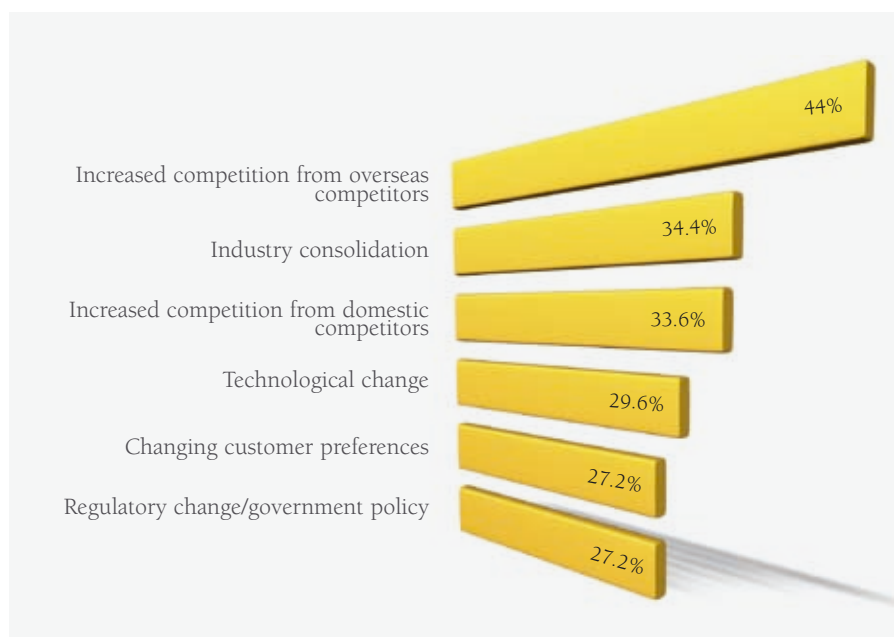
either planning or implementing some form of major change project.

But while business transformation has become central to the way in which companies conduct their operations, it is rarely a natural capability for the individuals who are tasked with planning and implementing these projects. Business transformation projects are inherently complex, and the fear of change can create a powerful state of inertia, deterring executives from making robust decisions and creating a culture of mistrust among those employees who are affected by the change. As a result, successful business transformation requires strong leadership, clearly stated objectives that are understood by everyone involved or impacted by the project and a strong focus on the implementation stage.

- **Changes in the global business environment are an important driver of business transformation.**

When asked to select the external trends that they felt were driving the need for business transformation, 44% of respondents cited increased competition from overseas competitors (fig. 1). As trade barriers continue to fall and as technology erodes the constraints of physical geography, companies in Western Europe face increasing levels of competition, especially from emerging markets, and a common response has been to use business transformation to cut costs using outsourcing, increase economies of scale using mergers and acquisitions and improve the efficiency of business processes using major IT implementations. This is reflected in the findings of our survey.

Fig. 1 • The six most important external trends driving the need for business transformation over the past three years



- **Business transformation has become a central way of working.** Overall, 86% of respondents to this survey agreed that “business transformation has become a central way of working”. The proportion who believe that business transformation is something at which their company excels, however, is just 30% (fig. 2). Companies in Western Europe represented by this survey have carried out an average of seven transformation projects in the past three years

“ Companies in Western Europe have carried out an average of seven transformation projects in the past three years ”

and, in general, expect the number that they undertake in the next three years to increase slightly. Levels of transformational activity are generally higher among larger companies than among smaller.

- **Setting objectives is not enough — implementation is the riskiest stage.** While respondents tend to rate themselves fairly highly for determining the need for business transformation and setting objectives, they are less confident about implementation, which is seen as the riskiest stage of a project by the highest proportion of respondents (38%).

“ Implementation, is seen as the riskiest stage of a project ”

The failure to achieve original objectives is also cited as the most common reason for project failure by 46% of respondents. Taken together, these results suggest that companies pay too much attention to setting objectives, and not enough to the mechanics and processes that will ensure these objectives are met.

- **The secret to success resides in strong commitment throughout the project.** Strong leadership and the support of senior managers are seen as the most important factors that ensure the long-term success of a business transformation project. This means that chief executives should not just initiate projects – they should also play an active role throughout their duration by setting clear objectives and ensuring that the whole organisation buys into the vision. Forty-seven percent of respondents said that having executives who champion business transformation is a key factor that ensures success, second only to having good project management and organisation at 53% (fig. 3). Traditional project managing skills, however, may not be enough. In today’s organisation, the ability to lead transformation and manage large-scale change is more important.

Fig. 2 • Business transformation skills



Fig. 3 • The three key factors that ensure the long-term success of a business transformation project



About Capgemini Consulting



About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of Consulting, Technology and Outsourcing services, has a unique way of working with its clients, called the Collaborative Business Experience. Backed by over three decades of industry and service experience, the Collaborative Business Experience is designed to help our clients achieve better, faster, more sustainable results through seamless access to our network of world-leading technology partners and collaboration-focused methods and tools. Through commitment to mutual success and the achievement of tangible value, we help businesses implement growth strategies, leverage technology, and thrive through the power of collaboration. Capgemini employs approximately 68.000 people worldwide and reported 2006 global revenues of 7.7 billion euros.

Capgemini Consulting is the management consulting discipline of the Capgemini Group. We offer transformational excellence through understanding specific customer needs in all business sectors. Based on our strong functional expertise and our ability to accelerate change, we collaborate with customers to design the best strategies and execute the transformation, impacting both business results and growth. Across the globe, Capgemini Consulting has 5,000 management consultants.

Capgemini Consulting, leader in Business Transformation

When it comes to transforming a business, whether it's growing revenues, reducing costs, or developing a new go-to-market strategy, most companies may understand changes needed but lack the infrastructure, resources and/or time to deliver. We can help put together a case for change and then configure a successful program that will drive that through.

Capgemini Consulting provides:

- Sector-specific, functional, in-depth expertise, drawing on the wealth of experience of one of the world's premier consulting firms.
- Direction and management of major transformation projects, putting people at the heart of the process.
- Intimate knowledge of the company's field of operation, values, specific social and sociological features, and of its key players and their projects.

Our teams develop a culture of innovation that draws on Knowledge Management, a global network for assessing and sharing best practices in the Consulting profession, alliances and partnerships in the fields of knowledge, management and new technologies, and participation in numerous research projects.

Thanks

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Contact us

European	Michael Buettner michael.buettner@capgemini.com +49 30 887 03 868 Jean-François Lendais jean-francois.lendais@capgemini.com +33 (0) 1 49 67 59 59
Belgium	Alain Van Buyten alain.vanbuyten@capgemini.com +32 2 7081111
Denmark	Daniel Paetsch daniel.paetsch@capgemini.com +45 3977 8594
Finland	Panu Rahikka panu.rahikka@capgemini.com +358 9 4526 5817
France	Jean-François Lendais jean-francois.lendais@capgemini.com +33 (0) 1 49 67 59 59
Germany, Austria and Switzerland	Michael Buettner michael.buettner@capgemini.com +49 30 887 03 868
Italy	Andrea D'Angelo adangelo@capgemini.com +39 02 41 49 32 22
Netherlands	Teunis Steenbeek teunis.steenbeek@capgemini.com +31 (30) 68 90 000
Norway	Tallak Thorleifsson tallak.thorleifsson@capgemini.com +47 241 27 616
Poland	Marek Wozny marek.wozny@capgemini.com +48 22 850 9200
Portugal	Rui Filipe Alves rui-filipe.alves@capgemini.com +35 1214 12 22 00
Spain	Fernando Rodriguez Peralta ferodrig@capgemini.es +34 91 6578504
Sweden	Ragnar Gustavii ragnar.gustavii@capgemini.com +46 8 5368 4008
UK and Ireland	Pamela Venables pamela.venables@capgemini.com +44 870 905 3493
China	Sophia Li sophia.li@capgemini.com +86 21 6105 3888
North America	Steven Patton steven.patton@capgemini.com +1 313 887 1415

Capgemini Consulting

Cœur Défense - Tour A

La Défense 4

110, esplanade du Général de Gaulle

92931 Paris-La Défense Cedex

Tél. : +33 (0)1.49.67.30.00

www.fr.capgemini.com