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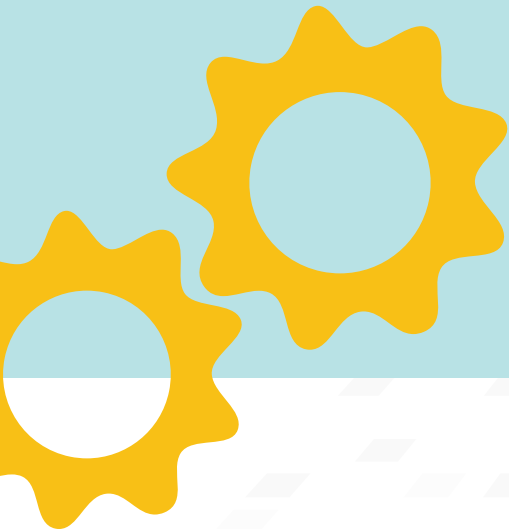
A SMARTER, EASIER PATH TO TRANSFORMATION IN 2024: **REGEN- ERATION!**

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»» A SMARTER, EASIER PATH TO TRANSFORMATION IN 2024: REGENERATION!

by David Cooper

Scores of business leaders, not to mention their teams, are weary of transformation. They're exhausted by its persistent drumbeat, knee-jerk reactions to sudden market shifts, steep costs, and internal whiplash – all with no guarantee of tangible results.

If that's you, I hear you, and you're not alone. The despair is real and justified, to the extent that a new approach to transformation is emerging. It's called regeneration, and it's creating a more sensible path to transforming the business

to stay profitable and relevant. Best of all, transformation through regeneration makes advancement simple and logical, with greater foresight and control in generating desired results.

Stick with me here and you'll see the dawn of a new light that's successfully leading companies forward. But first, let's give credit where it's due.

How did we get to this place of lethargy?

It's important to consider the

astounding good that enterprise transformation has brought to companies worldwide. The concept, which has been around for decades, began as a clarion call for organizations intending to survive, innovate, and grow in an increasingly competitive global business environment.

In the early years, buy-in and adoption of transformation was a slow process – that is, until everything exploded with arrival of the digital age. Digital transformation immediately sent



transformation into warp speed and became an edict: Do it or die, and this edict grew long and far-reaching legs.

IT transformation quickly permeated business ecosystems, bringing with it the need for more efficient processes, new business models and service strategies, newer and better products and services, and healthier company cultures that improve productivity and customer relationships.

Today, every division within a company is called upon to help boost workforce and revenue performance, reduce costs, and improve customer satisfaction.

These are the goals of enterprise transformation. Leaders and teams must respond to evolution or innovate to create it. But as so many businesses have learned, implementing ongoing transformation initiatives is easier said than done.

Here's the biggest reason transformation can be exhausting...

Too often, the benefits of transformation do not materialize

While transformation gained enormous steam and results over the past several years, dramatically improving outcomes for companies embracing the positive disruption it promised, success is far from guaranteed. EY (Ernst & Young Global Limited) is one of many organizations digging into real-

world results of modern-day business transformations.

A recent EY study among senior leaders says that 85% of leaders have been involved in two or more major transformations in the last five years alone. However, two-thirds (67%) of them experienced at least one underperforming transformation during this time. That's significant, but even more staggering, given the steep investments of time, costs, and

human resources involved in a major transformation, is that "companies continue to accept this rate of failure as the price of change." EY says it doesn't have to be that way. They're right.

Transformation is a big word with a somewhat vague meaning that encompasses many large and small changes. But a broad, simultaneous approach to transformation has the propensity to dilute its significance, and hence its intended impact.

Engaging in transformation is complex and can be disruptive in the wrong ways, leading to failure and organizational fatigue.

Everything changes with lightning speed these days due in large part to advancing technologies, changing buying behaviors, and greater competition. It's just hard to keep up.



Forward-thinking organizations are focused on transforming through regeneration – developing a long-term vision and a series of unified actions that harmoniously link operations and performance to create lasting value.

Leaders and teams need tangible results, and these are elusive when efforts don't materialize as promised or expected.

Giving up is not the answer

Everything changes with lightning speed these days due in large part to advancing technologies, changing buying behaviors, and greater competition. It's just hard to keep up. For example, companies no sooner invest in, implement, and train employees on a new, enterprise-wide workflow or service solution when the market suddenly demands something newer and better. It's no wonder businesses throw up their hands and stop trying to transform.

But those that do give up invite risks and consequences. These can include being bested by the competition, and loss of relevance and market share. Further, processes, products, and services become obsolete, cutting

into profits. Loyalty diminishes as customers defect to more modern and efficient solutions and providers. And tragically, employees leave for more forward-

(HBR) article entitled, [“Has Business Transformation Become Obsolete?”](#)

In it, the authors explore how business transformation has



thinking companies, all while operating costs climb higher and productivity drops due to inefficient technologies and processes.

Such consequences are far more destructive than striving and even failing to transform. So no, giving up is not the answer. What is the answer?

Start taking a more practical approach to transformation in 2024

Some smart companies have managed to lessen the complexities and uncertainties associated with transformation. They're bringing clarity to themselves and other companies struggling with what to do and how to do it. Their approach and actions are discussed in a recent Harvard Business Review

morphed from a one-time special project to a never-ending series of transformations – the majority of which will fail. Alternatively, forward-thinking organizations are focused on transforming through regeneration – developing a long-term vision and a series of unified actions that harmoniously link operations and performance to create lasting value.

“When we work with regenerative leaders,” the authors explain, “our goal is progress toward a long-term vision, not making knee-jerk tweaks. Instead of exploring how they can improve the bottom line, these regenerative leaders work backward and ask: How could we invest in our people to create a long-term impact? How could we work together differently to

build a different kind of business? They push past short-term goals (succeeding this quarter) and refocus on long-term sustainability (regenerating for the future and nurturing a sustainable business model).”

Now that’s transformative logic! Why didn’t we think of it before? Well, of course we did. But in the digital age, short-term responses and quick fixes became urgent for success. Agility, pivoting, speed to market – you know what I’m talking about. However, these abilities are still very necessary and effective. But what thwarts their value is barreling ahead without the centering magnet of a true north star – a long-term strategy a company can use to stay on track to its destination. Lacking this foresight, expensive, well-meaning shots are fired into the dark.

I have also observed countless transformation initiatives driven by immediate pressures and the need to meet immediate performance goals. Companies quickly (or not so quickly) find out that all this does is engulf an organization and its people in a continuous cycle of change with no meaningful or lasting progress.

Transformation through regeneration is the new path and it works, provided you have a solid long-term vision.

How do you become a regenerative leader and company?

The HBR [article](#) shares how to do this in three steps and gives instructive examples. Be sure to explore these indispensable moves by reading the full article:

- 1. Become a student of successful change management:** The most regenerative leaders are also the most astute change managers. They create the foundation for change, listen for feedback, and keep improving the way they roll out the next change.
- 2. Re-envision the value chain:** Regenerative companies give each business unit agency, control, and visibility into their end-to-end value chain to make faster decisions, understand the impact of decisions, and stay in tune with how products get into the hands of customers.
- 3. Double down on culture:** Regenerative energy comes

from people with a can-do spirit, who design and craft lasting changes that regenerate their organizations. Culture is an essential element of any major change, and regeneration only works when culture is the driving force.

Echoing the importance of culture in driving positive change, EY’s use of predictive analytics identified six key drivers that, when done well, can increase the likelihood of success. These drivers are to inspire, lead, care, empower, collaborate, and build.

Any kind of change can be daunting for today’s business leaders and organizations, but when you do so by planning for long-term sustainability – with the whole organization moving together in enthusiastic lockstep – you’ll be better positioned to thrive in an ever-evolving marketplace.

Look at all areas of your organization and operations – from digital advancement to operational excellence, strategic growth, cultural shift, process optimization, customer centricity, innovation, and business model evolution. Formulate a long-term plan that

moves each of those areas and your people forward in the same direction.

When you work backward from your long-term goal, you and your employees will find the excitement and energy you need to sustainably and continually regenerate your company as a whole.



by David Cooper

Inspiration & Ideas:

Next to your people, the most valuable assets you can own in business today are ideas based on real market opportunities. But somehow, these assets get sidelined in meetings among C-suite members, executives, and other leaders.

Why? You're inundated with endless new challenges, consumed with managing your company and people, and shouldering responsibility for revenue performance. Yes, your job is all-consuming, but the urgent need for innovation continues to rumble beneath your feet.

Since ideas, well vetted and executed ones, are the keys to sustainable success, I thought it would be instructive to share stories of leaders and companies that reinvented themselves and how they did it. Some are notable business transformers, groundbreaking innovators, strategic diversifiers, smart acquisition plotters, digital revolutionaries, and other illuminating movers and shakers.

No matter what other priorities are monopolizing your time, a big part of your job – and legacy as a



COMPANIES THAT REINVENTED THEMSELVES

leader – is to envision and position your company to undergo change. Much is gained in seeing how others transcended challenges and seized opportunities. Your leadership prowess and the trajectory of your company can benefit from these neuron-stimulating stories!

Transformations that work

According to Harvard Business Review (HBR), only 12% of large organizations with some type of transformation program underway at any given time

are producing lasting results. HBR says that figure hasn't budged in 20 years, despite all we've learned about how to lead change. In their recent article, "Transformations That Work," HBR shares strategies from companies that have defied the odds. Since the prevailing approach to change is not yielding desired results for most companies, they state the need for a new model that incorporates six critical practices that their research has shown are key to successful change programs:

1 Treat transformation as a continuous process: HBR cited how Dell Technologies' constant process of addressing operational, organizational, and strategic issues produced extraordinary results. In doing so, from 2014 to 2023, the company experienced a dramatic increase in market value, achieving more than 10-fold growth.

2 Build transformation into the company's operating rhythm: After taking the helm at Ford Motor Company in 2006, Alan Mulally introduced a rigorous business plan review (BPR) process of weekly meetings with the entire senior leadership team. This played a pivotal role in aligning the team around a vision and strategy known as One Ford. During Mulally's seven-year tenure, Ford rebounded from a \$12.7 billion loss to a \$6.3 billion pretax profit.

3 Explicitly manage organizational energy: In April 2020, just a few months into the pandemic, Virgin Australia entered voluntary administration as a bankrupt carrier. Later that year, Virgin was acquired by U.S. private equity firm Bain Capital. Under CEO Jayne Hrdlicka's leadership,

the company reorganized as a leaner, midmarket carrier, expanded its fleet by 60%, hired thousands of new employees, opened new routes, and reimaged its customers' experience. Such massive changes could have caused debilitating disruptions had leadership not been meticulous about managing organizational energy.

4 Use aspirations, not just targets, to stretch management's thinking: Adobe, the \$18 billion developer of software for creative services professionals, in 2011 declared its intent to shift its entire product line to the cloud – a strategy deemed unusually ambitious, if not revolutionary. Shantanu Narayen, Adobe's CEO, challenged his management team to reinvent the company. In 2023 alone, Adobe introduced 100 new features and updates for its software, including many advanced AI-powered tools. Since Narayen became CEO in 2007, Adobe's market value has increased to more than \$250 billion from just \$24 billion.

5 Drive change from the middle out: In 2013, Bob Bradway, CEO of Amgen, a global biopharma company, and his team set out to reshape the company. Amgen was grappling with the expiration of patents on several of its most successful drugs. For each initiative involved in the change, leadership selected two mid-level leaders – a VP-level lead and a director-level liaison, who would make transformation their primary focus. From 2013 to 2022, the company doubled the approved medicines in its portfolio from 13 to 27. In 2013, Amgen had three drugs that generated \$1 billion

or more in sales – and by 2022 it had nine. Transformation at the \$27 billion global company is still ongoing.

6 Access substantial external capital from the start: Since major change requires major investments, nearly all successful transformations tap capital markets. In HBR's study, nearly all failed transformations were underfunded, with leaders trying to finance through cost-cutting, which typically falls short as these measures usually can't provide enough financial resources. Conversely, tapping external capital played a crucial role in fueling T-Mobile's growth. From 2013 to 2019, the company's earnings soared 1,000% and subscriber numbers more than doubled, from 33 million to 86 million. Mulally borrowed \$24 billion to fund Ford's transformation in 2006, and Michael Dell invested more than \$60 billion to turn Dell into a leader in infrastructure technology in 2017.

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More success stories to fuel your fire

- MICROSOFT embraced a growth mindset with a transformational focus on cultural and strategic shifts. Under CEO Satya Nadella's leadership, beginning in 2014, the company transitioned from a know-it-all to a learn-it-all culture. Nadella killed failing projects like a mobile phone operating system and embraced new opportunities like cloud computing and open-source technologies, and has overseen a partnership with OpenAI, making Microsoft a leader in artificial intelligence (AI). Microsoft today has a market capitalization north of \$3 trillion.

- NETFLIX blazed the trail from DVD rentals to streaming pioneer and later, content creator, all through business model innovation. A global leader in streaming services, Netflix had more than 230 million subscribers worldwide as of 2023, and its investment in original content has led to numerous awards and a strong competitive position.

- AMAZON boldly evolved from e-commerce to cloud computing through diversification and innovation. They diversified from being an online retailer to launching Amazon Web Services (AWS), which provides cloud computing services and has become the most profitable segment of Amazon, generating \$90 billion

in 2023 net sales, up from \$80 billion in 2021.

- LEGO reinvented itself through product and market innovation. The Denmark-based company, founded in 1932, faced severe financial difficulties in the early 2000s, recording its first-ever loss in 2023. On the verge of bankruptcy and needing a transformation to survive, Lego refocused on its core product, built a collaborative culture, embraced digitalization with video games and movies, and collaborated with popular



franchises, such as Star Wars and Harry Potter – and they closely focused on their customers. Through its transformation, Lego rebounded to become the largest toy company in the world by sales, achieving sustained profitability and growth.



What do these success stories have in common?

- Behind every successful reinvention or transformation are strong, visionary leaders who are fully committed to and capable of inspiring everyone in the organization.
- Cultural shifts are a necessary byproduct of strong leadership. Leaders create new leaders who foster an internal operating culture built on an agile growth mindset.
- Every success story starts with a clear strategic focus and a long-term plan for sustaining growth and success.
- Customer centricity is essential so that customer needs and preferences can be anticipated and serve as guides in ongoing transformation initiatives.
- Technology investments are central to providing competitive advantages and new business opportunities.

- Continuous learning and adaptation are key. Business leaders and employees alike must be committed to learning and embracing new ideas, technologies, and processes to manage and capitalize on change over time.

If you have time, check out this link from the U.S. Chamber of Commerce on [13 Hugely Successful Companies That Reinvented Their Business](#). There are a few repeats from the stories above, but the others are equally compelling. For example, did you know that Play-Doh was first sold as a cleaner that could remove coal residue from wallpaper in the 1930s?

Execute to win!

Times are a-changing and so are smart companies. Stories like these illustrate how, despite severe challenges, a long-term vision, innovation, strong leadership, a solid company culture – and smart idea execution – can help companies achieve remarkable outcomes.

Today's business leaders face an extraordinary magnitude of challenges. Technology innovation is hastening disruption in all markets. Interest rates are high. Supply chain issues continue. Inefficient internal processes drag down productivity. Yet even with these persistent realities, companies must move forward.

My advice is to dig deep before you leap. Make sure your ideas align with your company's north star (long-term vision). Never compromise valuable resources and reputation with a faulty, misguided approach. In any new business

initiative, aim to be bulletproof. The time to overthink everything is now, before you begin development. Ready, fire, aim is an approach doomed to fail.

Whether you plan to introduce a new product or service, change your business model, diversify your product portfolio, enter new markets, target new audiences, or move to grow through technology – prioritize your change management processes and

perform due diligence. Research, analytics, idea vetting, logistics, and marketing strategy must always precede execution.

The success stories above are excellent examples of prioritizing and acting on great ideas by formulating a solid strategy and approach to change. And in all of them, employees across the organization are central to their success.



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