

Introduction

This document sets out the **Resultus** point of view on sustainable world class transformation, based on direct experience its partners have had delivering transformation at firms such as GE, Kingfisher, 3M, PwC, Reed Elsevier, Johnson & Johnson, and Infosys among others. We look at three broad areas of driving world class transformation: what makes an enterprise world class, how such enterprises operate, and the optimal way to deliver world class transformation. We examine performance benchmarks by key function, how world class companies like GE, Cisco and Wal-mart operate, and seven steps to deliver world class transformation.

World class enterprises

World class enterprises emphasise five key efficiency parameters to become respected as a leader in their sector. They are Lower Costs, Quicker Cycle Time, Higher Productivity, Lower Errors, and Optimal Staff. However, this is not all it takes to become world class. There are five other key parameters of effectiveness that separate these high-performance firms from the rest of pack. They are Improving Working Capital, Aligning Values and Strategy, Attracting and Retaining Great Talent, Access to Information, and Managing Priorities.

Not surprisingly, world class firms have overall lower costs. Take a look at their Finance and Procurement functions for instance. Their Finance function cost is 0.5% to 0.75% of revenue and their Procurement function cost is usually 0.6% to 0.8% of overall spend.

World class firms report results faster. They take approximately 5-7 days to close and 3-5 days to report. They also need 40 to 50% less time than average firms to prepare ad-hoc management reports.

Driving World Class Transformation

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World class firms are focused on keeping error threshold lower than average firms. They have 50 to 60% less customer billing error rate, and a third less AP invoice errors. Overall, they operate with 30 to 40% less staff in their support functions, thereby reducing G&A costs significantly.

In supply chain, world class companies focus on smarter cost management, better visibility due to forecasting based on stochastic modelling and advanced analytics capabilities, ensuring structured



management of risk through initiatives such as risk-adjusted inventory optimisation and integration of financial and operational

analysis, and crucially building supply chains around customer needs by gaining insight at the source and having strong customer relationships (as strong as

supplier relationships, if not stronger). When integrated well, this results in world class firms having 10-15% more efficiency in their total supply chain.

Measurement of process and functional efficiency and effectiveness at a granular level is not rocket science. Several firms have emerged that draw on data from thousands of public and privately-held companies and benchmark a company's operating performance against their peer group in an industry or sector. Overall, this gives business leaders an empirical evidence-based tool to gauge where their enterprise and function is vis-à-vis peer group, and crucially establishes the foundation to get buy-in from stakeholders, formulate a cogent transformation programme, and drive focused and impactful transformation.

World class operations



Let us examine key attributes that differentiate world class companies such as GE, Cisco and Wal-mart from their peer group. In a sense they are champion athletes of the corporate world, highly revered by customers, investors and employees alike. They have been at the top of their game for over quarter of a century. As you can imagine they operate in highly competitive sectors across financial services, health care, infrastructure, high tech and retailing. Between them they generate revenues of \$598b, operating income of \$41b, and enjoy enterprise value of \$520b. So, what do they do right?

Firstly, they operate shared services in a utility model branded as "global business services". 80% of their transaction-based

processes (e.g. AP, AR, GL etc) reside in a shared services centre. Additionally, over 85% of their IT and business process delivery is through tight SLAs with internal clients.

Secondly, they are strategic users of outsourcing. We have seen them reduce their cost of operations by 4-5% on an average, year-on-year, through better supplier leverage and distributed presence across low cost geographies. This ensures G&A costs are 5-6% of revenues.

Thirdly, technology landscape in these firms is relatively simple. They operate from just one enterprise-wide financial application and with a high degree of application integration. They also have 75% less databases than average enterprises. That is a whopping difference in technology complexity. Significantly, a third of their processes are enabled through self-service technology. This is 2-3 times more than average firms.

Fourthly, these firms attract and retain better quality employees with depth and breadth of experience. At least one-fifth of their staff has advanced degrees. These firms also invest 60% more time than average firms in training and development of their employees. GE's famed John F Welch Leadership Centre in Crotonville (30 minutes from Manhattan) is staffed by some of the best educators in the world. Their employees spend on average 80 hours a year in training and development. These firms also have formal retention plans for their employees.

Fifthly, these firms give their managers unfettered access to management information. In these firms more



than two-thirds of their managers have online access to financial reports, and 90% of all reports are distributed electronically.

Overall, it is speed and flexibility that sets these three world class firms apart from their peer group and make them most admired in their peer group.

World class transformation, delivered

How do world class enterprises deliver transformation? We have observed their perfect execution of game-changing transformation programmes is based on seven key building blocks.

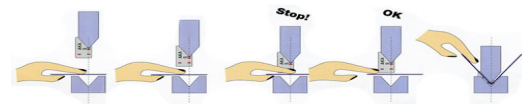
First is **Leadership**. Having the right leadership at the top of the firm, and having the leadership team synchronised with transformation that is required, is fundamental to its success.

The second is establishing a **Programme Management Office (PMO)** that is sponsored by a senior executive, usually the Chief Operating Officer if there is one. The PMO must be operationally led by a dedicated Programme Director, usually an officer of the firm, and one who brings strong credibility in the organisation, built on collaborative behaviour. However, we recommend keeping the PMO compact, not exceeding 8-10 members, so it does not become too unwieldy to run.

The third key building block is to **Brand** the transformation programme. This is vital, and often gets short shrift. Branding the programme energises people across the enterprise and gets them behind the Programme. This is crucial to winning hearts and minds.

Fourth, identify **Programme Champions** from across the organisation. Champions are usually chosen on their position in the power-influence network and are mostly in the middle-management of the firm. They are central to the success of any transformation, large or small. Identify your champions right, and you will be half way to succeeding with your objectives.

Fifth, winning people's support is smoother when you "**Show-and-Tell**" your key managers, champions and influencers by showing best practices. Take the group on a study tour to other world class enterprises so they can see first-hand the challenges, and how they were overcome through a structured approach. After such study tours, cynics usually buy into the programme because they begin to recognise that other enterprises have been through a similar journey before them. This key step has proved to be one of the most important factors that accelerates the learning curve in driving transformation.



The sixth key building block is to manage, guide and communicate through an **Operating Rhythm**. We recommend you have the PMO meet fortnightly with the programme sponsor, programme director, programme champions, and key invitees in attendance. In this meeting, review progress of the transformation programme at a granular level, celebrate successes, learn from and correct failures or mistakes, provide resources, and remove road-blocks. Ensure meeting notes covering the agenda, a clear statement of desired outcomes, expectations and contributions, and supporting dashboard are circulated at least 24 hours before meeting is convened.

This allows attendees to prepare and focus discussion on converting red and amber flags to green. After meeting, key celebration items must be communicated across the company as this creates trust and reinforces the new behaviour and culture that any transformation is seeking to embed.

Lastly, reward the execution of transformation and achievement of results through an impactful **Reward and Recognition Programme**. A combination of cash, benefits in-kind and stock options as well as individual and team recognition will



amply motivate employees to embrace new ways of working and delivering results. A merit driven reward and recognition programme that is based on empirical evidence, and is transparent, wins the hearts and minds of everyone in the enterprise.

It is important that this element of the Programme is led by the CEO of the enterprise and delivered through the HR function.

In Conclusion

One thing is certain – most business sectors are going through seismic shifts, and this will continue for the foreseeable future. Stakeholder expectations of value and the way products and services are consumed will place huge demands on operating architectures, business practices, and skill and speed of execution in enterprises.

Business leaders have a choice – they can either run the race or drop out. If they want to run it, they have no choice but to transform their firms to become world class. To become world class is not the privilege of a few but an egalitarian opportunity in a flat world.

When you focus on becoming efficient and effective, and follow a relentless programme of implementation as outlined above, your firm can also join the pantheons of high-performance enterprises that have trodden the path before.

Are you ready to be world class?

About the author

Sanjay Viswanathan is co-founder and partner of Resultus – Strategic Resultants. His core expertise is to create enduring value in businesses. He has generated several billion dollars of shareholder value through leadership roles at Fortune 500 and FTSE 100 firms.