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Reinventing the Business for Transformative Growth

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SUMMARY

EXECUTIVE SUMMARY

Continuous innovation and transformation are the very life-blood of business. Yet, for many companies, the unprecedented events of the last two years have redefined what 'transformation' means. Many have had to re-examine their business processes, adoption of digital, workforce skillsets and other aspects of business resilience from the ground up. Today, a confluence of factors – technological advancements, an evolving workforce, competitive pressures, regulatory developments, geopolitics, and disruption from multiple fronts, including climate change and Covid-19 – continues to drive change. In many cases, Business Process Transformation (BPT) may even be key to a firm's longer-term continuity.

How do top managers view internal business transformation? How are companies in India looking to transform and reinvent their business models? To better understand these issues, **IMA India** partnered with **Project Management Institute (PMI)** on an intensive, interview-based research exercise. We ran in-depth discussions with the leaders of 10 prominent foreign and Indian MNCs to examine the internal and external changes they are witnessing, the challenges posed by those changes, and how they have responded. This report, which is based on our interviews as well as secondary research, seeks to identify best practices in change management.

In such disruptive times, there are no longer (if there ever *were*) any fool-proof 'play books' or 'rule books' that CEOs can consult while navigating change. What *are* available, however, are the practical experiences of leading organisations that have successfully transformed and reshaped themselves. This report seeks to reflect the authentic 'voice of the CEO' as it examines the various facets of BPT.

Divided into six chapters, the study starts with an overview of the subject. It then examines, in turn, the 'nuts and bolts' of (BPT), digitalisation and automation, emerging leadership imperatives and workforce management. A concluding chapter aims to draw together and synthesise some of the key learnings. Some of the key takeaways from this study include the following:

- **Simplifying Business Process Management:** BPT is an all-encompassing subject and includes a re-think of the underlying processes; stakeholder management; cultural change; and cross-functionality. There can be many catalysts for BPT, but the principle ones include shifts in the broader economy, in the competitor or regulatory landscape and technology itself.

- **Digitalisation:** In the last 2 years, almost all of the companies we spoke to have either entirely or substantially reworked their businesses around a new, digital-centric future. Often, BPT and digitalisation are treated as synonyms, but BPT goes much further than just digitalising existing processes. In this context, it is worth noting that digitalisation alone is no magic bullet. Everywhere and all times, it is something that must be carefully inter-twined with a company's processes, workflows and culture

- **Emerging Leadership Imperatives:** Leadership styles must embrace change. How organisations were led 5 years ago may no longer be relevant in an environment where products and solutions, customers and the workforce are constantly changing. New forms of leadership are therefore an integral part of any business transformation. Such change includes not only mindset and behaviour, but also, in some cases, leadership structures. Today's CXOs must embrace agility and nimbleness, which is really the only way to thrive (or even just survive) in an uncertain and changing environment. Equally, though, leaders must not just communicate, but *over*-communicate; *over-manage*, but without resorting to micro-management; adopt *robust performance-monitoring systems* (aptly described as a 'control tower mindset); *decentralise authority* and *empower people*; invest in *upskilling and re-skilling*; and *assume greater responsibility* for employees' overall welfare.

- **Enabling the Workforce:** Covid-19 has upturned work models and forced many companies to shift to hybrid modes of operation. More fundamentally, the behaviour, needs and demands of the workforce are changing. Millennials and Gen Zs are coming to the fore, bringing with them with very different attitudes and expectations from those of their older co-workers. At the same time, the type of skills and attributes that will drive organisational success in the future may be very different from those that enabled it in the past. The answer to these challenges lies in *hiring for the future*, including by tapping into newer talent pools; *continuously upskilling* existing workers; setting up *robust productivity-measurement systems*; using *business-transformation* itself as an opportunity to up-skill; and *fostering feelings of security and connectedness* among employees.

CHAPTER 1: INTRODUCTION AND OVERVIEW

INTRODUCTION AND OVERVIEW

In business as in life, change is the only constant. The Covid-19 pandemic has tested organisations and their leadership to the core – on various fronts. Long-established *business models are being challenged or overturned* and more than ever, *disruption and uncertainty have become a way of life*. From a longer-term viewpoint, *technology is changing the way businesses are run*, whether at the 20,000-foot level, function-wise, or at the level of individual projects. The *workforce is also transforming*. Gen-Zs and Millennials are coming to the fore, forcing organisations to *rethink their people policies and even their workplace and culture*. After the pandemic, *hybrid work models are ascendent*, displacing the traditional work-from-office model.

Agility is the new imperative, shifting the focus away from traditional, project-oriented thinking and towards one that is design-centred and product-management-based. *Business timelines are also getting redefined*: the 'long-term' is no longer measured in years but months or even weeks. Even for the most hard-nosed manufacturing companies, the *sales and marketing functions are transforming, becoming more finely targeted and data-focused*. Finally, strategic change is becoming a near-constant as organisations try to keep pace with rapidly-evolving technological and cultural shifts.

What has *not* changed, in all of this, is the constant pressure to deliver results while managing fundamental, internal change. Indeed, in an age of disruption, organisations must possess the internal capability to *implement* increasingly complex business transformation programmes – or risk succumbing to the wiles of disruptive business forces.

> *'Every company across the world has been impacted by the ongoing Covid-19 pandemic in terms of skills and capabilities, compelling leaders to adopt technology to manage people, operations and business operations.'* – **Managing Director of a leading medical technology company**

IMA India, in partnership with **Project Management Institute (PMI)**, recently conducted a research study that sought to understand how top managers are viewing internal business transformation and reinventing their business models. **The purpose was to understand the sort of challenges CXOs face in the midst of transformation, as well as the new business models that they have adopted – or are planning to adopt.** Clearly, 'transformation' is a broad term, but the focus of the study was on a few key aspects: *digitalisation and automation*; *process transformation*; *leadership*; and *people*. We ran in-depth interviews with the leaders of 10 prominent, foreign and Indian multi-national companies, to understand the internal and external changes they are witnessing, the challenges posed by those changes, and how they have responded.

A number of important findings emerge from these interviews, which may find applicability across industry. The subsequent chapters cover these in greater detail, but some of the main takeaways include the following:

Continuous learning and improvement via trial-and-error is more critical than ever. A **leading medical technology company** has, in the last 2 years, shifted to an *'Iterate fast, fail fast and share the learnings'* mode. Especially in uncertain times, it works well to try out various alternatives, fix the mistakes that arise, and keep moving forward.

There are no 'playbooks' to help CXOs navigate through disruptive change. The imperative today is to learn from failures and setbacks and to build a culture of learning from mistakes across levels. Failure, in fact, is a key ingredient of sustainable success. Not a single business was unaffected by the pandemic's first wave but the ones that came through stronger were those who took calculated risks, stayed open to failure and used mistakes to fine-tune their strategies.

Purchasing behaviour has shifted – perhaps irrevocably – and businesses will need to stay abreast with these changes. The new reality – for both B2Cs and B2Bs – will hinge around online purchases, fewer face-to-face interactions and micro-targeting of markets. Mobility restrictions were a near-term trigger, but there are also broader shifts at play, including the rise of digital marketing and ever-smarter AI and analytics.

> *We have transformed our organisational design in India, making service delivery largely virtual. Today, we only provide physical services where these add tangible value or are requested by the customer. This change has helped us to improve responsiveness to customer inquiries, increase efficiency and contributes to sustainability by avoiding travel.'* **– APAC Vice President of a European machine-tool company**

To stay relevant in the market, companies such as **one US-based industrial-products manufacturer,** have re-strategised, focusing strongly on specific segments and customers that are seen as more sustainable than others in the longer term. Meanwhile, **a French multinational electrical company**, which provides energy and automation digital solutions, has diversified its product portfolio to include segments such as pharmaceuticals and FMCG, broad-basing its business.

Employee well-being is paramount, even more so since the pandemic began. First with work-from-home and today, with most companies adopting some form of hybrid work, senior management's role in ensuring employees' financial, physical and mental-wellbeing has grown tremendously. An **Indian consumer durable manufacturing company** went out of its way to assure employees that their jobs were secure and that the company and its people would walk hand-in-hand through these uncertain times.

Businesses are reimagining their operations – and their workplaces – to best suit the new normal. One of the biggest learnings for **a producer of automotive and inverter batteries**, was that one need not necessarily travel to win new business. Even with restrictions on mobility now being eased, businesses have remained open to hybrid models, or are even doubling-down on them. For its contact centre, **a major global pharmaceutical company** has hired over 1,500 new people – 75% of the total workforce – since the pandemic began. Many have never seen the inside of its offices, and the firm's senior leadership is now evaluating how many of these people will need to ever come in.

Digitalisation has redefined the meaning of 'flexibility' – on multiple fronts. Many firms are leveraging it to enable process efficiencies, but at a major global **HVAC manufacturer,** it has helped strengthen a culture of accountability and transparency, and elevated internal communication, process flows and transactions. Machine-tools solutions-provider **a European machine-tool company** is exploring ways in which automation can simplify tasks and operations, while **a green batteries manufacturer** is leveraging low-cost robotics to overcome labour shortages at some of its locations. **a US-based industrial-products manufacturer** has developed a chatbot for more efficient internal communications.

'Digitalisation has helped us strengthen employee productivity and accountability by making processes more transparent and measurable, leading to increased employee engagement.' – **Managing Director of a global HVAC manufacturer**

Increasingly, data and analytics is driving internal efficiencies and effectiveness, the automation of services and improved demand forecasting. Recent studies confirm that organisations with robust analytics capabilities are the ones to have weathered the pandemic most successfully. Various companies are using analytics not only to forecast demand but also to understand users' behaviour.

The changing nature of work is causing many organisations to re-evaluate the type of skills they need and the talent pools they tap. Companies are hiring more than ever from diverse groups, discarding the traditional approach of hiring only experienced workers and bringing in 'freshers' from varied backgrounds, who often bring new perspectives to the table. Although high IQ remains a key attribute for project management and execution, emotional intelligence (EQ), and particularly traits such as empathy, is fast supplanting IQ.

As agility takes centre-stage, up-skilling and re-skilling both employees and leaders has become the new hallmark. At **a US-based industrial-products manufacturer**, robust psychometric tests help ensure that the employees are placed in the right role, and digital learning modules, supplemented by AI, help drive learning and development (L&D). Psychometrics also help identify which skills to impart to each employee to improve outcomes. At a **French multinational electrical company**, constant reskilling and cross-disciplinary competencies have become the norm, including within its senior leadership. Two years ago, **a major global tyre manufacturer** set up a 'Software Academy,' which is responsible for developing curriculum and providing training to employees on ~5,000 different software modules.

Change-management has gone from being a once-in-a-while process to a tool that drives continuous transformation. Today, transformation comes in many forms: shifts in the business outlook that feed into operational changes; a redefined organisational vision and goal; and new skills, capabilities and learnings. How companies adapt and respond to shifts in a fast-evolving environment will, it goes without saying, determine how well that are able to deal with the uncertainties that loom ahead.

Today, change management must be viewed as a business opportunity. It serves, ultimately, as a growth lever for organisations, increasingly their ability to manage complex change and deliver expected business outcomes. Ideally, such projects should be led by experienced programme managers skilled at managing large, often globally distributed teams working in multiple functional areas, such as engineering systems, hardware, software, AI, cloud and IoT.

> *'Constant reskilling and upskilling has become a necessity in these uncertain times. To develop competencies in multiple disciplines, all employees, including CXOs, are given targets to learn new skills.'*
>
> *– CEO of a multinational electrical company*

The subsequent chapters examine, in turn, the business process transformation process; digitalisation and automation; leadership imperatives for today; and employee enablement. A concluding chapter draws together the key learnings from this study.

CHAPTER 2:
BUSINESS PROCESS
TRANSFORMATION

BUSINESS PROCESS TRANSFORMATION

In the last few years, Business Process Transformation (BPT) has become integral to Boardroom discussions. BPT is an umbrella term describing significant changes to how a company is run, whether at the back-end or the front-end. Sometimes, BPT is treated as being synonymous with 'digital transformation' (which includes automation and digitalisation), and indeed, technology *can* potentially unlock huge value and new efficiencies. *(See the next chapter on how the companies we spoke to are leveraging it to their advantage.)*

However, it would be a mistake to conflate the two terms because, in its truest sense, **BPT goes much further than simply digitalising an existing process.** Rather, it involves a series of steps to identify and remove duplicate or unnecessary processes; improve what can be improved; replace what cannot; and to *then* automate as many actions as possible. In this framework, technology plays a supportive rather than a leading role.

'Improving the job is a job in itself. The company needs to have a regular cadence in place to monitor planning cycles to keep a tab on the progress and deal with new challenges that emerge.'
– India President of a US-based industrial-products manufacturer

In the final analysis, BPT is not only about adopting new technology, but also about **managing diverse groups of stakeholders, cultural change and cross functionality.** Managers of such programmes must possess the ability to integrate technologies, platforms, skills, people and methods.

What drives BPT? **Usually, the trigger is *shifting compliance regulations, changes in the broader economy, an evolving competitor landscape* – or some combination of these factors.** The 10 companies we interviewed all confirm that, especially since the pandemic began, *the urgency to rethink 'how the business works' has only grown.* The changing expectations of stakeholders, both internal and external, have led the way.

For many organisations, recent supply-chain disruptions have been a catalyst. Elevated shipping costs and delays and difficulties in sourcing raw materials and intermediate goods, have made companies re-examine everything from which transportation routes they use, to *where* they should locate their production centres. A recent survey by a global management consultancy found that 84% of businesses in India experienced longer-term damage from Covid-19 as financial distress and supply-chain issues worked their work through the entire business eco-system.

For **an Indian consumer durable manufacturing company**, the pandemic brought home the need to reduce the time-lag between manufacturing and customer acquisition, from an earlier 90-120 days. **A European machine-tool company**, which was already working to shift a bigger share of its production from Europe to Asia in line with end-demand, has accelerated this process. Faced with labour shortages in the initial lockdowns, **a green batteries manufacturer** introduced low-cost robotics into its production processes.

In general, BPT is viewed as a means of driving up productivity and efficiency. The pay-offs can be huge: managing a complex BPT programme well *can yield much more than the 'sum of the parts.'* For instance, it may result in an appreciable increase in levels of innovation within the organisation.

> *'We are leveraging 5 tools – Automation, Data Analytics, AI, Business Excellence and Experiential Learning – to drive the company forward, despite all the disruption caused by the pandemic.'* **– CEO of a green batteries manufacturer**

Across functions – from Sales and Marketing to customer support – processes are being reworked in line with new business realities as well as technological change. **a European machine-tool company** is transitioning from physical sales meetings to virtual ones, setting up augmented-reality-based product-counselling and technical support, and using analytics to predict demand. These changes have saved the company both time and money, while improving service quality and response. The switch to virtual modes of service has prompted process re-design: the default is to now provide in-person service only when necessary and use virtual tools everywhere else. This has the added benefit of freeing up geographical limitations on sales and service.

More generally, businesses are revising their marketing processes to run continuous rather than discreet, time-bound campaigns. OTT is replacing traditional media, consumers are skipping advertisements they dislike and online news is supplanting newspapers. Consequently, 'ever-on' social-media campaigns are replacing TV- or print-based advertisements, Simultaneously, sales channels are moving from distributor/retailer-based to direct-to-consumer. In recent months, **a green batteries manufacturer**, which has always sold through distributors, has leveraged its web-presence for direct sales. The company is also leveraging data and analytics in novel ways (*see discussion in the next chapter*). Such changes are causing a fundamental re-think in the structure and workflows of sales and marketing teams.

At a holistic level, organisations are transforming how they innovate, solve everyday problems, and how they form and refine their strategies. Faced with growing volatility and unpredictability in the environment, a **leading medical technology company** has moved to an '*Iterate fast, fail fast and share the learnings*' mode of functioning. This 'fail fast' approach applies as much to new product development as it does to financial and strategic planning. The key, however, is for senior managers to have an open mind-set, leave their egos at the door and learn quickly from their mistakes. Doing so helps to foster a culture of openness – one bereft of a 'fear of failure', which can be debilitating.

In all of this, definitions of 'short-term' and 'long-term' have been turned on their heads. Companies now struggle to predict even what the next 3 months might bring, let alone the next 3 years. Planning cycles have consequently shrunk – in some cases to no more than 10 days – with automation playing an integral role in the process. As buying, selling and order-to-cash (OTC) processes get automated, these feed into and shorten the planning cycle, enabling organisations to become more nimble and better able to cater to their customers' needs.

KEY TAKEAWAYS

➢ **Business process transformation (BPT) is often conflated with 'digital transformation' but in its truest form, BPT goes much further than that.**

➢ **BPT is not just about tech adoption, but also about rethinking processes ground-up, and managing diverse groups of stakeholders, cultural change and cross functionality.**

➢ **All of the companies we interviewed confirm a growing urgency since the pandemic to rethink 'how the business works.'**

➢ **There can be multiple drivers for a BPT programme, but usually, the trigger is shifting compliance regulations, changes in the broader economy, an evolving competitor landscape – or some combination of these factors.**

➢ **Many firms see business transformation as a route to enhanced productivity and efficiency. Recent supply-chain disruptions have become a causal factor.**

➢ **At the functional level, Marketing and Sales are evolving in line with shifting consumer behaviour and technological developments.**

➢ **Disruption is the new norm, and innovation and planning cycles have sped up, forcing continuous internal change.**

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CHAPTER 3:
THE DIGITAL
REVOLUTION

THE DIGITAL REVOLUTION

Both before the pandemic, and especially since, digitalisation has become an imperative for businesses of all shades and stripes – and one that is integral to nearly every transformation journey. A few years ago, Klaus Schwab, Executive Chairman of the World Economic Forum, coined the now-much-touted term, 'Fourth Industrial Revolution.' His vision of a technological revolution that would fundamentally change how humans live, work and relate to one another is well on its way to being realised.

Any digital transformation will consist of several smaller projects rolling into an overall programme 'umbrella' that provides better and sharper business outcomes, such as business value realisation, innovation, faster time-to-market etc. As digitalisation's roots deepen, change is visible across the spectrum, from services companies to traditional manufacturers. It finds applications at every level of the business, and across functions.

For most companies, the journey towards digitalisation started before the pandemic but Covid-19 has given it a booster dose. Recent studies by research organisations and global management consultancies find, for example, that:

- In the Asia-Pacific region customer interactions via digital channels have grown 53% in the last 4 years[2].
- 91% of companies surveyed in India said that digitalisation is a key component of their corporate strategy[3].
- 75% of people using digital channels for the first time will continue to use them as the crisis recedes and conditions 'normalise'[2].
- Over 60% of Indian companies aim to use cloud platforms for digital innovation and automation[4].

DIGITALISATION CASE STUDIES

Prior to 2020, **an Indian consumer durables company** was moving towards digitalisation at, by its own admission, a snail's pace but in just one year thereafter, it achieved what might otherwise have taken it a decade. It's entire sales process, from warehouse to distributor and then to the retailer at the last mile, is now fully automated. The company has also digitalised its entire supply chain and financial planning and processes. It has also moved from traditional marketing to analytics-driven digital marketing. Without these changes, the company believes its very survival may have been threatened.

'The pandemic has accelerated our digital transformation journey. The entire sales process, warehousing as well as post-sales customer-care processes have been automated.' – CEO of an Indian consumer durable manufacturing company

A **leading Indian tyre manufacturer** has made a leap towards automation and digitalisation. For years, its leadership had been slow to grasp the full potential of technology. Having implemented SAP more than 15 years ago, it barely scratched the surface in terms of making full use of the platform. It also failed in its earlier efforts to implement SalesForce and other CRM apps, mainly thanks to internal gaps in knowledge. Recently, the company has hired a Chief Technology Officer (CTO), who has helped it transition to the cloud. For the last 5 years, it has also had a dedicated internal project-management office, which plays a frontal role in the adoption of technology and automation tools.

A German tyre manufacturer is broadening its product portfolio from one centred around *physical* parts (i.e., tyres and mechanical parts) to *digital* platforms, such as operating systems that can control an entire car. From primarily an industrial company, it will soon become a cloud-based software company, with systems, processes and a workforce of over 250,000 people aligned to that goal. For a legacy company to make such a radical shift will demand change-management skills of a very high order.

In many organisations, digitalisation is deeply inter-linked with changes in processes, workflows and factory automation. Last year, **a European machine-tool company** partnered with a global consultancy for a 4-year project that seeks to achieve full automation – both internally (in terms of automating tasks) and externally (building self-service tools for customers). This is part of a medium-term business-transformation exercise that seeks to bring down costs (such as on physical sales meetings, site visits, etc) and improve its response time to customers. Ultimately, this will help it serve a range of customers from high-value, highly-profitable ones to smaller ones who will primarily go down the self-service route.

'Our focus is on leveraging digitalisation to improve process efficiency. This will help us shift the organisation from process orientation to outcome orientation.' – CEO of a major Indian tyre company

The costs incurred on technology are usually recouped over time but in some cases, the benefits become visible very quickly. In the three years since it began its digitalisation journey, **a major HVAC-manufacturer** has managed to unlock huge productivity gains. Its workflows have become more transparent, the approvals process has been fast-tracked, and as a result, there is a palpable, and very positive, cultural shift towards individual accountability. At the same time, with their bandwidth freed up, people are able to do much more with their time, boosting productivity.

A green batteries manufacturer has leveraged automation and digitalisation in at least three distinct areas of its operations:

- Faced with labour shortages at the start of the pandemic, it began using robotics and low-cost automation to produce batteries at some factories. This 'forced automation' helped it to meet demand while overcoming a serious supply-side problem.
- It uses data analytics not only to forecast demand but also, by capturing data on warranty-use trends, to improve on its production strategies. In the battery industry, warranties are an important factor driving purchase decisions, so warranty usage trends can provide important insights.
- It was the first battery company in India to use AI-based chatbots to communicate with employees spread across the country. It has also deployed AI to track how employees are progressing on digital learning modules – and ultimately, to certify them on this score.

'We are churning data to better understand both market demand and warranty-use trends in the market.' – CEO of a green batteries manufacturer

Even for the most strongly process-driven companies, digitalisation and process automation have been a boon. The availability of timely and high-quality data is today key to any company's internal workings. This, together with its 'fail fast' approach, can unlocked new levels of efficiency and effectiveness.

CHALLENGES…

Many organisations have been quick to jump on the digitalisation bandwagon but the journey has not been equally smooth for everyone. One **MNC electrical company** sought to digitalise its operations – all the way from production through Finance to Marketing. This was, however, an uphill task:

- With its diverse portfolio of products, it was difficult to align all of the various business units and their components, including the factory floor and testing sites.

- On the marketing front, it found virtual interactions with customers to be less effective than physical ones.
- There were efficiency gaps on the Finance side as well.
- To overcome these issues, it adopted a range of tools to enable both the measurement and ramping-up of productivity.

…AND LIMITATIONS

Ultimately, any digital transformation journey must align with the business and how it functions:

- In some cases, it is simply a matter of 'digitalising' existing, well-defined processes.
- In other cases, the *processes* – or even, in certain situations, the *business model* itself – will need to adapt or transform in line with the new requirements.
- However, if automating a process over-complicates matters, drives up costs or bandwidth requirements, or if the benefits to the company and its people are limited, it may demand a re-think.
- The key is to automate robust processes where possible but to *eliminate* those that were flawed or superfluous to begin with.
- The solution to a given problem may be digital in nature – but in some cases, it *may not* be.

'Digital is an often-misused word. Technology needs to be simple and must align with the business. The trick is to not overcomplicate the technology or the process of implementing it.' – ***India President of a US-based industrial-products manufacturer***

KEY TAKEAWAYS

➢ **Any digital transformation journey must align with the business and how it functions. The technology itself must be intuitive and easy to use.**

➢ **The ideal is when tech adoption is deeply inter-linked with improvements in processes and workflows**.

➢ **While most companies have been quick to jump on the bandwagon, the journey to digitalisation has not been equally smooth for everyone. Aligning various functions and units with new technology can sometimes prove tricky.**

➢ **In some cases, digitalisation means simply adding a layer of technology onto existing processes; in others, it means rethinking a process entirely.**

➢ **Digitalisation can also be a good opportunity to eliminate flawed or superfluous processes.**

CHAPTER 4: REINVENTING LEADERSHIP

REINVENTING LEADERSHIP

Ongoing disruption – emanating from the pandemic but also from other, longer-term drivers – is reshaping the world of business. Strategies are being rethought and organisational structures are morphing. For many companies, this may require a fresh approach to the issue of leadership. Behaviours and mindsets, as well as leadership structures themselves, may need to change in line with these unprecedented times. The overarching need is for leaders who are capable not just of forging a path towards sustainable growth but who can ably respond to constant, ever-shifting challenges.

'The senior leadership cannot always have fool-proof plans. This makes it critical to devise alternative plans to deal with the problems at hand.' – **CEO of a green batteries manufacturer**

NIMBLE AND AGILE LEADERSHIP: THE NEED OF THE HOUR

'Agility' was the one word used by nearly every CXO we interviewed, to describe today's key leadership imperative. In a nutshell, agility means being able to respond quickly and easily to emerging issues – which is crucial in a fast-changing, increasingly disruptive environment. An agile leader can deftly find alternative ways to deal with challenges and will learn quickly from failure. To illustrate:
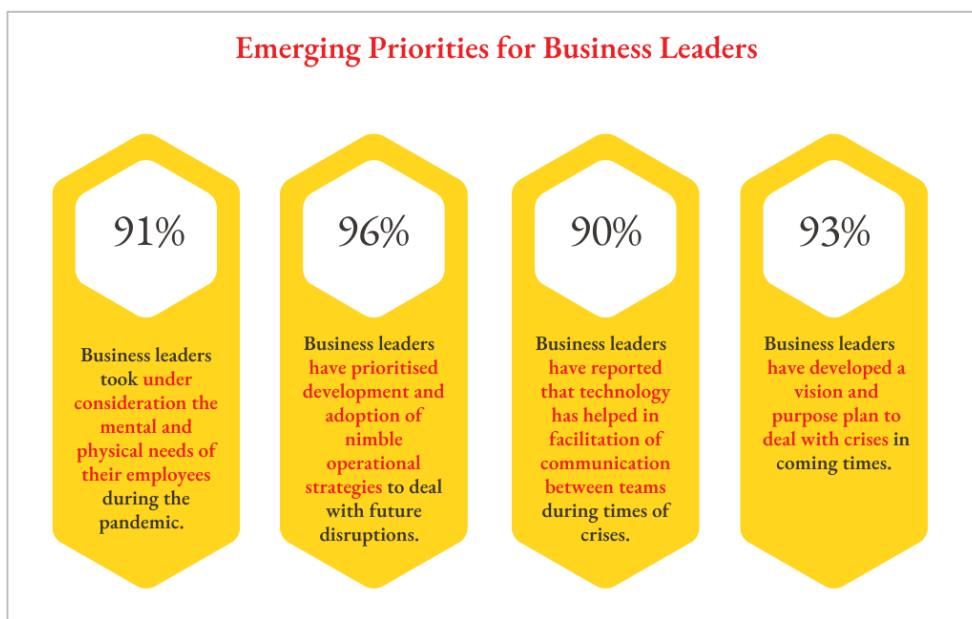
- In a fast-evolving market, it can be difficult to determine how the environment will play out over the longer term, and there can be no 'fool-proof' plans. Moving quickly through options and finding new ones when Plan A falls through, is therefore more important than ever.
- **The Indian subsidiary of a German tyre manufacturer** now uses a matrix to measure agility among its leaders. This helps it to identify those who are best able to operate in an uncertain environment.

- Recognising that risk-mitigation and agility are deeply interlinked, **a green batteries manufacturer** has transformed its risk-mitigation strategies. Instead of once a quarter, its senior leadership now meets every month to take stock of progress, check operational bottlenecks and explore cross-functional alternatives to deal with business challenges.

OVER-COMMUNICATE TO REDUCE STRESS AND MISINFORMATION

Over-communication has become the new norm in a hybrid world. A survey found that over 90% of Indian businesses regard communication as a key element of their corporate strategy, especially in a remote-working environment, and that technology played an essential role in this[1]. Attention spans are shortening but in uncertain times, *increasing* the flow of information can reduce confusion and bring leaders closer to their people. For instance:

- At a **French electrical company**, senior managers communicate with their employees about every single step of the internal transformation process that is underway. This has played a key role in preparing people for the on-going digitalisation of French multinational electrical company's business processes. Focus-group discussions were initiated to increase bonding between team members, both within departments and across business verticals.

- Meanwhile, at **a global HVAC-manufacturer**, continuous communication has helped manage conflict while fostering a culture of cooperation across functions and verticals in the midst of transformative change.

- On the other hand, when **a European machine-tool company** faced challenges in effecting its planned transformation project, it attributed them primarily to a communication gap between subordinates and managers.

Emerging Priorities for Business Leaders

91%	96%	90%	93%
Business leaders took under consideration the mental and physical needs of their employees during the pandemic.	Business leaders have prioritised development and adoption of nimble operational strategies to deal with future disruptions.	Business leaders have reported that technology has helped in facilitation of communication between teams during times of crises.	Business leaders have developed a vision and purpose plan to deal with crises in coming times.

Source: PwC's Global Crisis Survey: India Insights

OVER- RATHER THAN UNDER-MANAGE

In the new normal, the hallmarks of efficient leadership include strong process orientation combined with 'over-management'. For example, **a US-based industrial-products manufacturer** believes in focusing on every minute detail of the problem at hand and breaking it down into clear and distinct steps. Everything – from dealing with clients and taking orders, to hiring and even managing employees – is process-driven. This not only gives a sense of direction to people but also reduces risk and variability for the firm. Meanwhile, a **major global healthcare company**, which also prides itself on its strong process orientation, has carved out a separate team within the organisation whose sole responsibility is to drive big transformative changes and unclog the bottlenecks that hamper change-management.

ADOPT A 'CONTROL TOWER' MINDSET

In driving change, it is not enough simply to establish robust structures or to deploy specialised skill-sets. Equally important is to create strong review processes. In this regard, it helps both to track, and to be able to differentiate between, leading and lagging indicators of performance. Used judiciously, such indicators can help determine whether things are headed in the right direction.

The other key element of a 'control tower' mindset, however, is to empower employees. The leader's role here is to ask people the right questions, double-check their progress towards defined goals in a structured manner, and push them to think critically. In the absence of such mechanisms, the chances of straying off-course increase dramatically.

> *'Do not assume that a transformation project is related to just software or hardware. Be open to conversations about what shape it will take and adopt a mindset that enables employees to drive change by asking the right questions.'* **–MD of a leading medical technology company**

DECENTRALISE LEADERSHIP WHEREVER POSSIBLE

The pandemic has driven some organisations to restructure – and specifically, to decentralise – their leadership and decision-making:

- Mobility restrictions pushed a **French multinational electrical company** to dissolve the existing hierarchies and to authorise employees at the local level to take full responsibility for the business in their surrounding areas. Previously undiscovered talent came to the fore and levels of trust and motivation jumped as people felt better rewarded and recognised for their achievements.

- A **major global healthcare company** has adopted a 'servant leadership model', which, simply put, is about leaders *helping* their teams to resolve problems and deliver outcomes. This model requires leaders to possess a few key characteristics, including the ability exert influence without authority; understanding – and working around – the softer aspects of how the organisation is structured; and strong process orientation.

Ultimately, what underpins decentralised leadership is the reality that learning is neither a linear process nor a one-way street. It is vital for leaders to help employees understand their role and purpose in the organisation and coach them along their journey. Leaders who manage to do this are the ones who build a happy work environment, which encourages employees to stick with the company in the long term.

ASSUME RESPONSIBILITY FOR PEOPLE'S MENTAL AND PHYSICAL WELLBEING

An employee's work persona is just one facet of their lives – and often, not even the most important one. With the pandemic confining everyone to their homes, and with work and personal lives getting mixed up, leaders have had to become more flexible in managing their people. Frequently, they have stepped in to help people overcome personal challenges. From securing oxygen cylinders and personally delivering medicines and rations to quarantined workers to grief counselling, the remit of leaders has only grown and grown. Making employees feel safe and valued is arguably one of the main jobs of any CXO today.

Of course, technology can help streamline some parts of the job. A **green batteries manufacturer** has developed apps that collate information on their employees' whereabouts, their travel history, who they came in contact with, as well as their body temperature, which can be filtered by location and time. This has helped prevent a major outbreak of Covid-19 within its premises.

'Employees will move on and that is completely fine. But the company and its leaders should never stop caring for them.' – MD of a major global pharmaceutical company

INVEST IN UPSKILLING – FOR YOUR EMPLOYEES AND YOURSELF

With many organisations transforming their business models – or at the very least, digitalising their operations – continuous re-skilling is imperative. At one level, this means creating systems and processes that help workers learn new skills and unlearn old ones. At **an Indian consumer durable manufacturing company**, the leadership has spent two years empowering its employees and making L&D a part of everyday work. Rather than a one-time process, tech-enabled learning is now continuous. Part of this process is to impart leadership skills that will help build the next generation of leaders. Yet the greatest resistance to such initiatives often comes from managers, including at the higher-up levels, who resist unlearning what they believe to be 'tried and tested' methods. Fostering an open mindset, particularly at the senior leadership level, is therefore key to any change-management process.

KEY TAKEAWAYS

➢ **Nimble leadership – the ability to respond quickly and easily to emerging issues – is critical in a fast-changing and disruptive environment.**

➢ **As the environment shifts in fundamental way, there can be no 'fool-proof' plans. Rather, one needs to have back-up plans, and be able to quickly switch gears.**

➢ **Over-communication, especially in a remote working environment, helps to streamline information flows and reduce ambiguity, driving collaboration.**

➢ **One of the hallmarks of efficient leadership today is strong process orientation combined, where appropriate, with 'over management.'**

➢ **Equally important is a 'control tower' mindset, which is a mix of robust review processes and employee empowerment.**

➢ **Decentralised leadership can, in many cases, and particularly in a hybrid environment, yield huge benefits.**

➢ **Especially since the pandemic, leaders must assume responsibility for employees' mental and physical well-being.**

➢ **Continuous upskilling – of oneself and one's employees – is part and parcel of business transformation, which is itself increasingly led by digitalisation.**

CHAPTER 5:
ENABLING THE
WORKFORCE

ENABLING THE WORKFORCE

The long-term success of any business depends on its ability to adapt and grow with a changing environment. However, if there is *one* aspect of internal transformation that matters more than any other, it is the ability to evolve with and fully enable and empower one's workforce. Most CXOs agree that the volatility and uncertainty they have seen in the *last 2 years* surpasses anything they saw in the *preceding decade*. Today, a raging war for talent is coming up against new, hybrid work models. This makes it harder to hire and retain people but equally, it gives companies access to a wider, less-geographically-constrained talent pool. The pace of internal transformation has been breath taking but in many cases, employee up-skilling/re-skilling has not managed to keep up and nor have hiring practices. There *are* notable exceptions, including from among the companies we interviewed – and by all accounts, there is a refreshing shift towards better people practices.

'Learning is never a linear curve. One must help employees understand their role and purpose in the organisation, and coach them during their journey. It is the leader's job to find ways ways to help employees stick with the company.' d
– MD of a major global pharmaceutical company

HIRING FOR THE FUTURE IS A STRATEGIC IMPERATIVE

This is because, at one level, the skills and attributes that companies needed yesterday may not be the ones they will require tomorrow. For instance, while high IQ is important for many positions, EQ often matters even more. A learning mindset, the willingness to admit to failure (and learn from it) and a strong team approach are the skills that many companies seek today. Before hiring someone, some companies now conduct psychometric tests to ensure strong fit with specific roles. At another level, companies find themselves fighting an uphill battle against massive skill shortages.

Before the pandemic, one **leading drug manufacturer** would hire *only* from experienced domain specialists. Today, it has let go of such strictures and is instead sourcing talent fresh out of university, and taking in interns with no prior experience. A more open approach to hiring allows it to up-skill people to suit its specific needs, in the process helping to bridge not only its own but also the industry's yawning skill-gaps. Many of these recruits, it has discovered, are more curious to learn and are less judgemental, than their more-experienced colleagues; they also bring fresh perspectives to the table.

UP-SKILLING AND RE-SKILLING IS AS IMPORTANT AS HIRING EXTERNALLY

Most of the talent needed to carry the organisation along its transformation journey will already be in place but to produce the best possible outcomes, they require continuous support and encouragement. Close to 90% of business leaders say that their firms are investing in training employees for greater collaboration and productivity in a hybrid environment[5].

One US-based industrial-products manufacturer's culture is built around nurturing its internal talent and providing it with holistic training. Its standard approach is to enable 70% of learning on the job, 20% via mentorships and training modules and 10% from external sources. This has yielded rich outcomes: despite multiple lockdowns and the three waves of Covid, a major project that it launched in 2018 will be completed this year, less than a year behind schedule.

'I am a firm believer that one is never too old to learn something new. Life-long learning and success are inextricably linked to staying relevant – irrespective of industry or vocation.'
– President & CEO of an Indian subsidiary of a Germany tyre manufacturer

An Indian consumer durable manufacturing company is fostering a culture of continuous learning and development. As part of its business-transformation programme, it has automated several processes in sales. Realising that one-off training modules may not yield the desired outcomes and that many of its employees are not 'technology natives', it has made continuous training the norm. The focus is as much on learning new skills as unlearning old ones.

Meanwhile, **the Indian subsidiary of a German tyre manufacturer** has set up an in-house academy for the over-40,000 employees working in its traditional lines of business, who may become unemployable with its planned switch to a software-driven business. This academy offers over 600 different curriculums, including in software. Additionally, it has developed several learning and development programmes for employees at all levels. The aim is to make learning a continuous process throughout an employee's tenure at the company.

PRODUCTIVITY MEASUREMENT IS GETTING HARDER

Enabling remote work is one thing, but measuring productivity in such an environment quite another. This will become an even bigger challenge going forward, as hybrid models become increasingly common. In fact, for many employees, flexible work arrangements will be a hygiene factor – and businesses that *do not* offer it in some form may find themselves disadvantaged in their ability to hire and retain talent. It remains an open question, though, as to how to monitor productivity without infringing on employees' privacy. However, as demonstrated by the experience of many companies at the height of the lockdowns, a shift to outcome-based productivity measurement is a good starting point.

MAKE BPT AN OPPORTUNITY TO UP-SKILL

Typically, a well-run transformation initiative will produce an in-house cadre of experts who promote cross-domain, cross-functional delivery excellence. This is a crucial element of survival and growth, especially in Black Swan scenarios. In turn, effective implementation skills add to the organisation's 'sustainability quotient,' generating consistent and scalable outcomes from repeatable systems and processes.

MAKE YOUR EMPLOYEES FEEL CARED-FOR AND SECURE

In these uncertain times, many companies are investing in programmes focused around the health and safety, including in terms of mental health, of employees and their families. A side benefit, in some cases, is that this ignites a greater sense of commitment towards an organisation that truly cares for them. Such efforts have ranged from securing oxygen concentrators, hospital beds and ambulance services, to developing in-house apps that track people's movement and which can alert them if they are at risk of infection. On a related note, strong, transparent and consistent communication is vital. As companies navigate a harsh environment, keeping their employees informed about where the organisation stands and what it is going through, can be reassuring. Over- not under-communication, is the mantra today.

KEY TAKEAWAYS

- ➢ **Increasingly, companies seek employees who have a learning mindset, a willingness to admit to failure (and learn from it) and a strong team approach.**
- ➢ **With flexible working environment becoming common, it is prudent to shift to outcome-based productivity measurement metrics.**
- ➢ **Up-skilling and re-skilling one's existing workforce is critical, driving collaboration and productivity in hybrid environment.**
- ➢ **Companies are increasingly adopting a culture of continuous learning and training as a part of the business transformation journey.**

CHAPTER 6:
PULLING THE STRANDS TOGETHER:
LESSONS LEARNT

PULLING THE STRANDS TOGETHER: LESSONS LEARNT

Black-Swan events like Covid-19 are hugely disruptive. But they can (and do) catalyse massive internal transformations – changes that might otherwise have taken years to implement. The most obvious shift brought about by the pandemic is the move towards digitalisation and automation. Equally, though, businesses have reworked their supply-chains, tweaked or reimagined their business models, brought a fresh approach to leadership and redefined their relationship with employees. There are no guarantees as to what the future might bring but learning from the past is a good starting point for preparing for uncertainty and disruption.

Revise your definition of the 'long-term', and revisit planning cycles.

Across sectors, it has become harder to accurately gauge what the next few months will bring. Planning cycles have shrunk, but data and analytics are allowing firms to keep pace with such changes.

View BPT more holistically

Most people view business-process transformation as being the same thing as 'digital transformation.' Yet, while technology *can* potentially unlock huge value and new efficiencies BPT goes much further than that. It includes re-visiting processes from the ground-up, embracing cultural change, cross-functionality, and effective stakeholder management.

'We are operating in uncertain times and customer expectations are rapidly changing. One needs to remain mindful of the longer-term vision for the company, but also stay open to changing it.' –
CEO of a green batteries manufacturer

Embrace automation and digitalisation

Ideally, automation and digitalisation should be closely connected with changes in a company's internal processes, business models or workplace requirements. And it is never too early to begin the process. Organisations that had already started digitalising generally fared better in the crisis than their peers. They were able to pivot more rapidly than others or to accelerate changes that were already underway. Several of the companies we spoke to had begun their digital transformation journey a few years before the pandemic. Being 'early birds', they had unlocked many of its benefits – enhanced productivity, transparent communications, reduced operating costs, amongst others. When the pandemic struck, they faced fewer immediate challenges in making the switch-over, instead using the organisational bandwidth they had saved to implement other fundamental changes.

Build internal agility…

Not all plans work out but it is vital to learn from failure, quickly adapt and have alternative plans to fall back on. Many companies have adopted a 'fail fast' approach either before the pandemic or as a result of it. This demands an agile mindset, most of all at the leadership level, but also lower down the line.

…a process-driven culture…

Moving from an 'instinct-driven' or 'hierarchy-driven' culture to a process-driven one can bring distinct advantages. Particularly in times of crisis, 'documenting what you do, and doing what you document' can help de-risk the organisation, reduce variability and provide employees with a regular, predictable cadence to their work.

….and a 'control tower' mindset

Robust structures and specialised skill-sets alone cannot ensure meaningful change. What makes all the difference is strong review processes, and the ability to track performance in real-time, both of which are crucial for understanding in which direction the company is headed. In parallel, it is vital to empower people, including by asking them the right questions and getting them to think critically.

Plan for continuous reskilling

Technology-led disruption is a fact of life. More than anything else, it impacts workers' longer-term employability. The only way around this is to develop multiple competencies, which implies constant reskilling. Several of the organisations we spoke to have well-defined processes to evaluate their employees' skills and to then map these against the type of skills they will need to stay ahead of changes in the internal and external business landscape. Each year, the goal is for workers to acquire a certain number of skills they lacked a year ago. At a **French multinational electrical company**, the entire workforce, including CXOs, were given a deadline to familiarise themselves with certain core technical skills required in a remote environment.

Re-prioritise your markets – and customers – from time to time

As markets evolve, it becomes necessary to rebalance one's portfolio of products and customers. One approach, adopted by **a European machine-tool company**, is to split customers into three segments: high-potential clients, which require bigger resource commitments in order to grow the business; established, high-value accounts that require fewer resources to hold on to; and smaller clients that generate only modest profit for the company. Being able to service all three groups is expensive but a good work-around is to adopt digital tools, such as virtual support and augmented-reality-based interactions, rather than, necessarily, physical visits.

Keep an eye on the 'long vision' but remain open to altering it

The definition of 'long term' has irrevocably changed. In an age of uncertainty, it can be difficult to plan even six months ahead. From four set forecast-cycles a year, a **leading medical technology company** began offering a monthly guidance-range when it became clear that something extraordinary was at play in early 2020. Yet, staying flexible does not mean giving up on longer-term organisational goals, or stopping to track progress towards them.

Foster open mind-sets at the leadership level

Every transformation project employs the same broad principles of management but will vary in detail by the nature of the company and the sector in which it operates. Driving such projects requires a mindset, particularly among leaders, of openness, learning and experimentation. It would be a mistake, for instance, to treat a digitalisation project as being merely about installing certain hardware or software – instead of the deeper-rooted process-oriented, business-model or even cultural changes such projects often entail.

Build a diverse and inclusive workforce

Diversity and inclusion are more critical than ever but at the same time, it is becoming harder to find experienced talent. For many businesses, it is imperative to discard outdated notions about the sort of worker profiles they 'need' to hire. From *only* considering highly-experienced talent, one pharmaceutical major has started to hire 'freshers' from varying educational backgrounds. It recognises that new-age talent is not only curious to learn but also brings fresh perspectives to the table. Equally important is to purposefully bring in a mix of skills: emotional intelligence, team work and critical thinking.

Lay out a continuous-improvement roadmap

Essentially, the role of senior management is to *continuously improve the jobs of their employees*. Improving others' jobs, in so many words, is a job in itself. If this is done well, it will automatically generate growth and ensure business sustainability. For instance, high attrition may be a symptom of underlying problems. Bringing it down requires not just a roadmap but a clear focus on what the issues may be. More broadly, if every function has a roadmap for continuous improvement, and all of the blocks of the business are in alignment, the company's journey towards its end-goals will be smoother.

Strong communication is non-negotiable

Frequent, transparent communication underpins nearly every successful transformation project. Conversely, poor or infrequent communication almost guarantees its failure. Leaders, especially during such difficult times, need to possess exceptional communication skills if they are to influence and inspire people along the way.

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