

Transformation Leadership Strategiessm

Insights to empower you to transform enterprise performance

A Framework For Enterprise Performance Transformation

Publication Category: Research Update
Publication Title: A Framework For Enterprise Performance Transformation
Publication ID: US-SGA-TLS-2006-002
Domain: All SG&A domains
Topic: Transformation Leadership
Released: April 24, 2006

Context:

Enterprise Performance Transformation is a journey, not a destination. It is true that transformations are achieved via a series of transactions each delivering a specific desired outcome. It is NOT true however, that a series of one-off transactions automatically add-up, over time, to transformation. Transformation is an integrated, systematic, fact-based, top-down phenomenon, initiated at the P&L level, driving changes in SG&A functions in domains such as IT, Finance & Accounting, Human Resources, Supply Chain and Customer Care. The changes themselves are executed via a series of transactions.

While there are many transaction methodologies and roadmaps available to help improve the performance of your SG&A functions in isolation, few are integrated within the context of a transformation-framework. For instance, while several proven methodologies for outsourcing your Recruitment Process (a transaction) are available, and it may achieve reductions of 25% in your current spend and it does speed up your recruitment process, it may not answer the question: **How does your Recruitment Process Outsourcing (the transaction) align with the larger business objective of repositioning your company in your chosen industry (the transformation)?**

Effective Transformations involve assembling (1) A transformational Business Strategy to realign your business (2) A transformational Business Imperative to execute the business strategy (3) A transformational SG&A Imperative to execute the business imperative, and finally (4) A transformational Enterprise SG&A Domain to catalyze the SG&A Imperative.

Analysis:

Transformational Business Strategy:

Ever since the United States military began its transformation journey as articulated by the Office of Force Transformation (<http://www.ofc.osd.mil/>), there has been growing interest and acceptance of discipline of Enterprise Transformation. In the public arena, two institutions, the Tennenbaum Institute at Georgia Tech (<http://www.ti.gatech.edu/>) and 2020 Enterprise Transformation Center at University of Texas (<http://som.utdallas.edu/et2020/index.php>) have developed early leadership in this space. A recent book released by Dr. William B. Rouse (Enterprise Transformation: Understanding and Enabling Fundamental Change, Wiley Publishers) Executive Director of the Tennenbaum Institute,

Transformation Leadership Strategiessm

Insights to empower you to transform enterprise performance

A Framework For Enterprise Performance Transformation

offers specific insights on Enterprise Transformation approaches involving a range of strategies including M&A, Divestiture, and New value proposition development.

Transformational Business Imperative:

Regardless of how you arrive at a dominant transformational business strategy, you are faced with the decision of executing on it. One of the seminal models for this was proposed by Michael Treacy and Fred Wiersema (The Discipline of Market Leaders, Addison-Wesley). The proposed choice of one of three differentiating dominant business disciplines(from among Operational Excellence, Product Leadership, Customer Intimacy) provides a credible vehicle to establish a dominant transformational Business Imperative to achieve your business strategy.

Transformational SG&A Imperative:

Having embraced a dominant transformational Business Imperative (say, Operational Excellence), your organization needs actionable mechanisms to achieve it. First Kernel's SG&A Transformation Model (STM) proposes using a differentiating dominant SG&A discipline(from among Collaboration Infrastructure, Cost Configuration, Cognition Capability) as a vehicle to achieve the desired business imperative.

Matrix shows how your Business Imperatives and SG&A Imperatives can be aligned to achieve business change:

Bus SG&A	Operational Excellence	Product Leadership	Customer Intimacy
Collaboration Infrastructure	2	1	3
Cost Configuration	1	3	2
Cognition Capability	3	2	1

In the above illustration, an enterprise has determined that it needs to master the business discipline of 'Operational Excellence' to achieve its business transformational objectives. To realize this, the enterprise requires that its SG&A model optimize 'Cost Configuration'.

Transformational Enterprise SG&A Domain:

Depending on how your enterprise domains are internally organized, a particular SG&A domain may be a natural catalyst to coalesce your dominant SG&A transformation efforts around. For instance, if Product Leadership is the dominant Business Imperative being pursued by your enterprise and Collaboration Infrastructure is the dominant SG&A discipline being assembled, then your Supply Chain Management domain may be the natural catalyst and starting point for this effort.

Transformation Leadership Strategiessm

Insights to empower you to transform enterprise performance

A Framework For Enterprise Performance Transformation

Finally, with your Transformational SG&A Imperative chosen and the Transformational SG&A domain selected, a series of transactions (examples: Audit, benchmarking, establishing in-house competency, outsourcing) are organized as part of the overall end-to-end journey. All the dots are now beginning to get connected. Results can now be linked all the way back to the business strategy.

Take Away:

Enterprises have heretofore successfully improved the performance of their SG&A functions through a series of point solutions. The low hanging fruits are rapidly disappearing. It is time to shift to a holistic, integrated model to achieve enterprise change and dominance.

www.firstkernel.com

Contributing Analysts: Andy Pulianda (andy.pulianda@firstkernel.com)
+1 469 450 6900

Michael Sawyer (michael.sawyer@firstkernel.com)
+1 817 797 9295

Mentioned in this Research Update:

Individuals:	William B. Rouse Michael Treacy Fred Wiersema
Organizations:	Office of Force Transformation, US Military Georgia Tech. University of Texas
Websites:	http://www.oft.osd.mil/ http://www.ti.gatech.edu/ http://som.utdallas.edu/et2020/index.php
Publications:	Enterprise Transformation: Understanding and Enabling Fundamental Change, Wiley Publishers The Discipline of Market Leaders, Addison-Wesley

About First Kernel Research

First Kernel Research is a unit of First Kernel Consulting, Inc. We are experts in Enterprise Performance Transformation. We help enterprises implement a seamless combination of exceptional in-house capabilities and effective sourcing arrangements to harvest substantial value and savings from their IT Services and Business Functions.

Our Clients leverage the integration of our expertise, intellectual property, tools and guidance to achieve or surpass their SG&A performance targets. First Kernel has developed the industry's first *Enterprise Performance Transformation System*[™], currently pending a United States patent.

Transformation Leadership Strategies, Process Calibration Strategies, Performance Acceleration Strategies and Sourcing & Delivery Strategies are servicemarks of First Kernel Consulting, Inc.

This document is not intended as a recommendation; no direct or indirect liabilities are assumed by First Kernel, its subsidiaries and affiliates worldwide.
