



A Leader's Guide to Business Transformation

KaiNexus

Introduction

In today's business environment with an uncertain economy, a tough labor market, and fierce competition, finding new ways to optimize processes quickly, reduce costs, and make innovative investments is more crucial than ever.

In a world of unprecedented change and market disruption, businesses need to find new ways to create value, unlock new opportunities, drive growth, and become more efficient. While incremental improvements will always be of value, today's successful businesses think big.

This ebook explores the meaning of business transformation and how it can be achieved.





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Chapter 1

WHAT IS BUSINESS TRANSFORMATION?

"Business transformation" is a phrase used to describe what happens when an organization fundamentally changes its operations. The goal of business transformation is to enhance operational and financial performance. Business transformation may occur at the organizational level or within a department or product group.



The significant difference between business transformation and other types of business improvement is the commitment by company leadership to a wholesale change in how something is done, as opposed to making incremental changes to a business process or product. Some business transformations include deploying a structured methodology like Lean management or Six Sigma. Others borrow from these approaches to create a custom structure for their transformation.

Business transformation may be either opportunistic or responsive. For example, adding a new product to address an untapped market exemplifies opportunistic business transformation. On the other hand, switching to a work-from-home model during the COVID-19 pandemic was responsive. Embracing remote work long-term to attract a wider pool of talent is one way to turn a responsive transformation into an opportunistic one.

The Harvard Business Review describes three types of business transformation:

Operational: Changing how an organization does things to make operations cheaper, better, or faster. An example is data-driven process improvement.

Core transformation: Adopting a fundamentally different way of operating. An example is moving from a retail to an online-only model.

Strategic: Changing the company's direction to take on a new opportunity. Examples are entering new markets or introducing new product lines.

Of course, all organizations change. However, most underestimate the scope and impact of true business transformation. Studies conducted by McKinsey & Company indicate that more than 70% of business transformations fail. These failures result from some combination of insufficient capabilities, lack of organization-wide buy-in, inadequate infrastructure, and the unwillingness to invest the human capital necessary to achieve the desired result.

Businesses engage in transformation for several reasons, including:

- A decline in business growth
- Challenging economic conditions
- A need to become more efficient
- Leadership changes
- New regulations or restrictions
- New technology
- Cost reduction imperatives
- Low employee engagement
- Quality problems
- Customer demands



Your success in life isn't based on your ability to simply change. It is based on your ability to change faster than your competition, customers, and business."

Mark Sanborn - LinkedIn

Chapter 2

THE BENEFITS OF BUSINESS TRANSFORMATION

Business transformation is often necessary for an organization to reach its goals. Of course, the benefits are unique to each business, but there are some significant benefits that most organizations enjoy when they alter their approach to business operations.



Better Organizational Alignment

For business transformation to be effective, it is first necessary to define and communicate the organization's strategic priorities. This starts with identifying the long-term, breakthrough objectives that will significantly impact the organization's trajectory. These "big" goals are then broken down into annual goals and specific opportunities for improvement that will make change possible. With this insight, leaders can give employees performance goals that directly align with the strategy. When the priorities are clear, decision-making improves, conflicts are easy to resolve, and everyone is rowing in the same direction.

Increased Employee Engagement

A true business transformation relies on employees identifying opportunities for improvement and implementing them. While the shift may start at the top, the rubber hits the road on the front lines. Employees who develop a sense of ownership over their processes are more willing to put in discretionary effort to solve problems and explore new ideas.

In addition, employee engagement has a significant economic impact. Engaged employees are less likely to turn over. According to Employee Benefit News, it costs around 33% of a worker's annual salary to replace them.

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Strategic Agility

Organizations that are consistently willing to engage in business transformation, even minor incremental improvements, are better positioned to react to changing conditions or to take advantage of new opportunities. In addition, employees steeped in the principles of continuous improvement are better prepared to respond to disruption and more likely to be helpful in decision-making.

Customer Satisfaction

Customer satisfaction is a crucial driver of business transformation. The customer impact of every change must be considered, no matter how big or small. The most successful organizations view the value of their products and services through the eyes of the customer and conduct research to make sure that their business transformation aligns with customer needs and preferences.

Broader Leadership Skills

True business transformation requires a proactive and strategic approach to daily management. Each manager must understand how the work of their functional area impacts the overall business transformation goals and strategic objectives. Over time, they become more effective at setting priorities, engaging in change, and coaching others to improve continuously.

Enhanced Cross-Functional Collaboration

Sadly, it is common for different departments, teams, or functional areas to have conflicting objectives and priorities. The problem worsens when there is no central way of communicating and managing improvement activities. Because business transformation requires transparency and communication, it helps to break down silos and rally everyone around the annual and long-term goals. Improvement management software is one way to bolster cross-functional collaboration by giving all teams one platform from which to work and report on improvement projects.



Improved Quality

Because business transformation requires process improvement, it opens the door to addressing the root cause of quality problems. Attention shifts from fighting today's fires by applying Band-Aid fixes that may only cover up significant issues toward understanding each process step's purpose and expected results. Meeting production goals through any means necessary will not create meaningful change, but root-cause analysis and structured improvement certainly will.

Amplified Knowledge

Each time team members experiment with an improvement, they learn more about what works and what doesn't. Even if a change ultimately fails, it is a learning opportunity that can make the next experiment more effective. Business management software is ideal for capturing lessons learned and making them available to the rest of the organization.

Reduced Cost and Waste

While we often associate business transformation with doing new things, it often results from doing less. When organizations map the flow of value through the product life cycle, they often find activities or materials that do not contribute value and can be reduced or eliminated. Removing unnecessary steps from a process decreases cost, lowers the risk of defects, speeds time to market, and frees employees to focus on value-added activities.

Strengthened Resilience

Organizations comfortable with business transformation are more resilient in the face of micro or macro challenges. For example, they are better prepared to survive or even thrive in a recession by making more out of their existing resources and talent. They can also better respond to supply chain disruptions or other market forces by applying the problem-solving and structured improvement skills workers already possess.

Chapter 3

BUSINESS TRANSFORMATION STRATEGY

Every organization embarking on business transformation must have a vision of what they want their improved business to be. This vision must be aligned with the overarching strategic goals and business case. It is essential to have buy-in from all stakeholders.

Building a strategy begins with defining where the business wants to be, where it sits today, and crafting a plan to bridge the gap. The following steps are crucial to a successful transformation strategy:



Establish Leadership and a Guiding Coalition

Identifying leaders to provide oversight and support for the transformation plan is essential. It's crucial to have enthusiastic engagement from the senior leadership team; therefore, the transformation sponsor is usually the CEO, CFO, or another board member.



Major transformation programs often start with just one or two people. In cases of successful transformation efforts, the guiding coalition grows and grows over time. Unless a minimum mass of engagement is achieved early in the effort, worthwhile change is unlikely.

Because this guiding coalition will include members who are not senior managers, it tends to function outside the structure of the usual hierarchy. This can be uncomfortable, but it is necessary because meaningful reform demands working outside formal boundaries, protocols, and expectations.

Plan the Transformation and Define the Scope

A clear transformation strategy will inform the development of a clear path to achieving the vision for the organization.

The implementation plan lays out the changes that need to be made, sets forth when they will happen, and outlines all the sub-projects that make up the transformation plan. Each sub-project, or incremental improvement, needs clear objectives, milestones, scope, timeframes, and budget. It is also essential to identify all the workstreams, functional areas, people, processes, and systems that will be impacted by, or involved in, the transformation.

Managing and prioritizing the scope of work to demonstrate early success is crucial for generating momentum. Planning appropriately for the 'human side' of the transformation is also essential. Unless you're an organization that is used to constant change, transformation can be tough. People don't change their mindset and ways of thinking about problems just because you announce a new approach.

Drive to Value

Organizations that achieve business transformation articulate the value they expect to achieve at the outset, and they rigorously monitor, measure, and track value through their transformation. Value becomes the connection between the business strategy and the transformation. Successful leaders take time to be unflinchingly clear about how the organization will create value. They establish solid and direct connections with the execution plan.

Communicate Constantly

Business transformation is only possible if team members at every level are willing to help, and it usually requires individuals to make short-term sacrifices. Human nature means that people will not make sacrifices, even if they are unhappy with the current state, unless they believe that meaningful change is possible. Without effective, credible, and frequent communication, employees feel disconnected from the strategic plan, and the culture does not change.

Leaders who communicate effectively incorporate messages related to transformation in their daily discussions. Every discussion of a business problem involves thinking about how it fits into the bigger picture. Performance appraisals discuss how the employee's behavior contributes to or undermines the vision. Quarterly performance assessments go beyond the financial metrics and include a conversation about how the organization is meeting or missing its transformation goals.



The difference between mere management and leadership is communication."

Winston Churchill

Communication is a two-way street, so it is vital that employees have a path to ask questions, provide feedback, and generally discuss the transformation efforts.

Chapter 4

BUSINESS TRANSFORMATION TOOLS

With these elements of the strategy as a guide, leaders can utilize business transformation tools to execute the steps necessary to achieve operational excellence.



Strategy Deployment

The first step of a transformation is developing and deploying the organization's purpose and strategy. The Japanese Lean term for this process is Hoshin Kanri, or policy management. During strategy deployment, the organization determines its ultimate vision, or "True North." Then, it answers the question, "Why do we exist?" Once that is established, aligning every person and process with the objectives necessary for success is possible.

Strategy deployment consists of 6 steps:

1. Establish the vision and analyze the current state
2. Develop a handful of breakthrough goals that will take three to five years to complete
3. Set annual objectives
4. Cascade goals down to the individual
5. Execute the annual objectives
6. Perform monthly & annual reviews

This approach to strategy deployment ensures that the strategic plan isn't just a document that is filed away. Instead, executing the breakthrough objectives becomes the daily focus for each individual. In addition, frequent reviews mean leaders can act quickly if barriers arise or progress is impeded.



Value Stream Mapping

The next step is digging deeper into the current state of every process to ensure that value flows smoothly to the customer. Value Stream Mapping is a technique for visualizing each step in creating the product or services delivered.

Value stream mapping involves five steps:

Plan and prepare: Assemble the team members involved in the process. Define the process to be mapped and the scope of the project. Set goals for improvement.

Map the current state: Be sure to document the existing steps that are actually happening, not what managers think should be happening. Include any delays between process steps and the capacity of each step.

Analyze the current state: Look for opportunities to reduce waste or friction from the process.

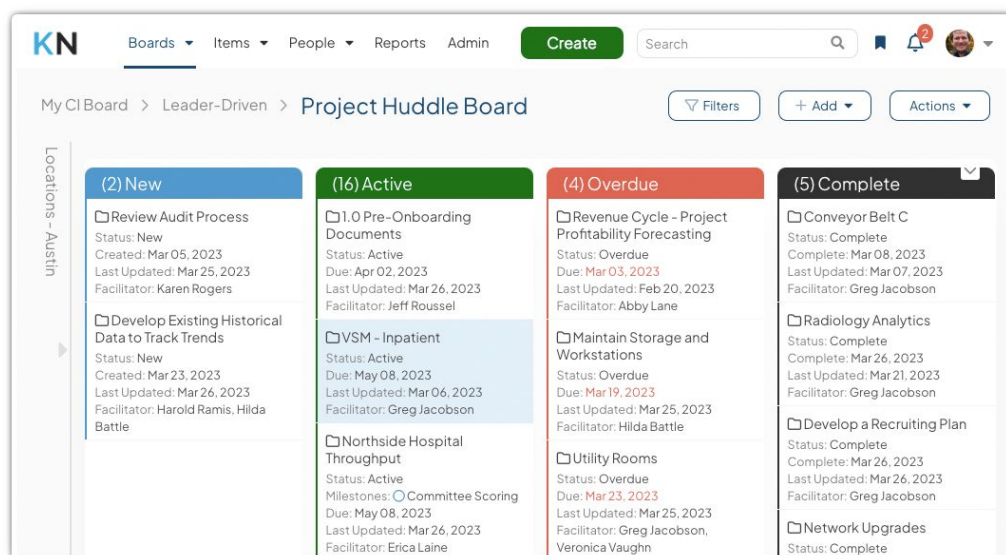
Draw a future state Value Stream Map: Brainstorm ideas to create a new value stream that reduces the number of steps, rework, or and delays.

Work toward the future state: Overcoming the gap between the current and desired state may require several projects based on each opportunity for improvement.

Kanban

Kanban is a Lean technique for visual management to streamline the flow of value. It helps uncover blockages or waste that impedes the progress of work in progress from one step to another. The three principles of Kanban are:

Visualize workflow: Kanban was initially used by Toyota and involved the use of cards to indicate inventory levels for parts on the factory floor. Today, organizations leverage digital Kanban boards to track the flow of work of all types, from software development to construction projects.



Focus on flow: Once the flow of work from one stage to the next is made visual, it is easy for leaders and team members to react to obstacles and eliminate the waste of waiting.

Limit work in progress: The idea of "pull" goes hand-in-hand with flow. It means no work in progress is created until there is demand for it. Work in progress is limited to what can be accomplished in a reasonable amount of time.

Employee-Led Continuous Improvement

Now that the organization is aligned around a strategic vision, the value stream is understood, standards are in place, and there is a method of visualizing workflow, it is time for employees to engage in continuous improvement.

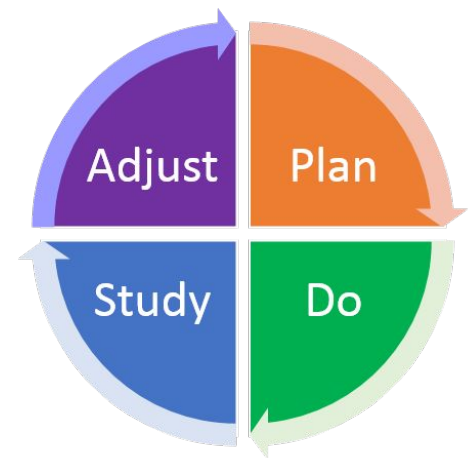
In transformed organizations, employees are encouraged to submit opportunities for improvement to a central platform that collects them and supports the related projects. Remember that front-line employees are best positioned to recognize and implement improvement opportunities. Continuous daily improvement is both a top-down and bottom-up endeavor.

Plan: Define the problem and scope of the project. Gather current performance metrics. Determine who will be involved. Brainstorm potential improvements to address the root cause of the problem.

Do: Implement ideas for improvement and test them. Ideally, changes will be contained and variables limited so that an accurate assessment of the results is possible.

Study: Analyze the results to see if improvement occurred. It is also critical to understand if the positive change happened for the reason the team expected.

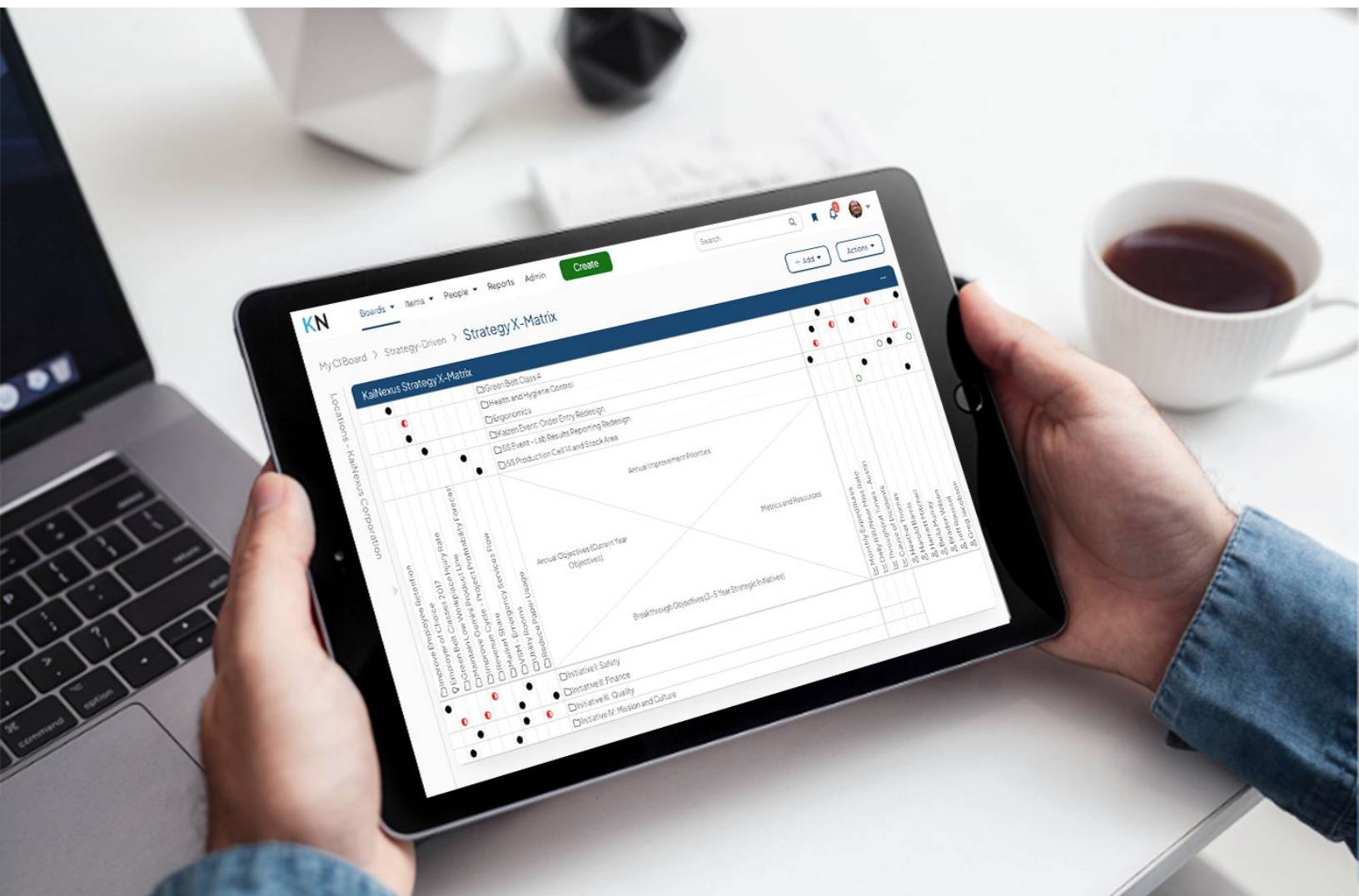
Adjust: If the desired results are achieved, team members can update the Standard Work and provide new training to process operators. If not, the cycle begins again with another hypothesis about what to change.



Chapter 4

BUSINESS TRANSFORMATION SOFTWARE

Organizations that deploy technology to support, document, and align business transformation efforts take the friction out of change, implement more projects, and have more success building a culture of continuous improvement. Unfortunately, not all project management software is suited to be a platform for transformation. Consider the following requirements when looking at your options.

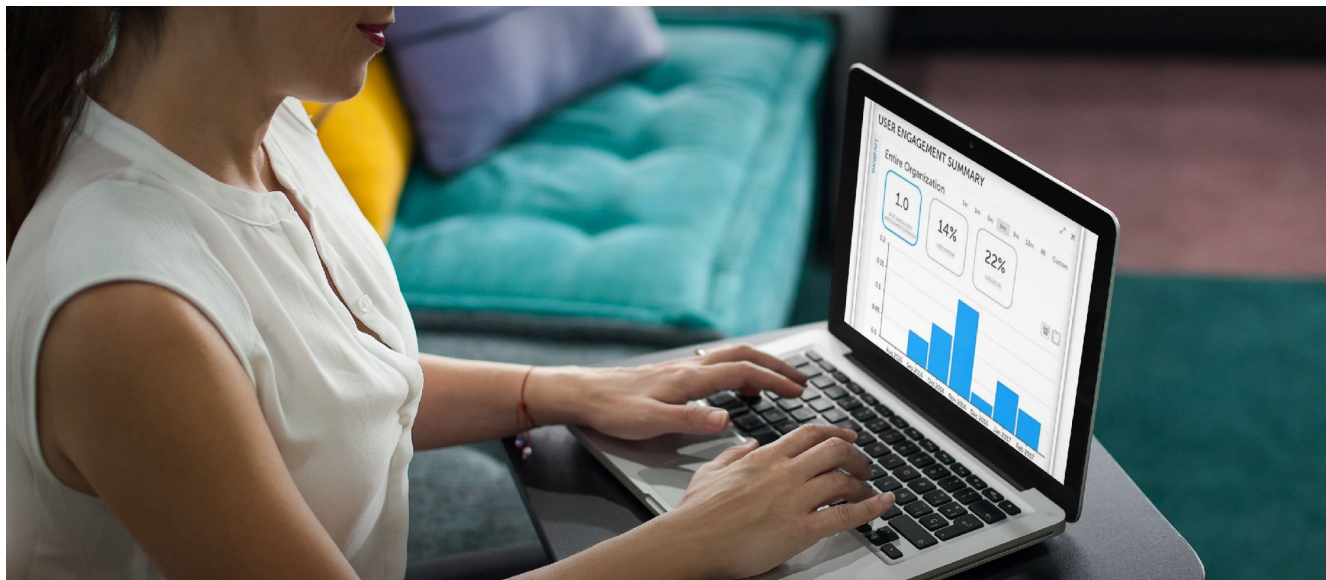


Activity, Engagement, and Impact Reports

One of the most important responsibilities of business transformation leaders is understanding the health of the improvement culture throughout the organization. Transformation software should give instant insight into the people, teams, and departments engaged in change and calculate the impact of those efforts.

Visual Management

Most people understand visual information far more quickly than text. A digital platform for visualizing transformation projects and results ensures that people stay connected to the work and each other, no matter the time or where they happen to be. Whenever someone needs information about the state of a project or process, it's available on any device.



Smart Notifications

Notifications and alerts via email help keep people engaged and on track with their improvement projects. They let managers know when tasks are completed, or deadlines are missed, and it helps ensure that action is taken to sustain transformation momentum.

Configurable Improvements and Projects

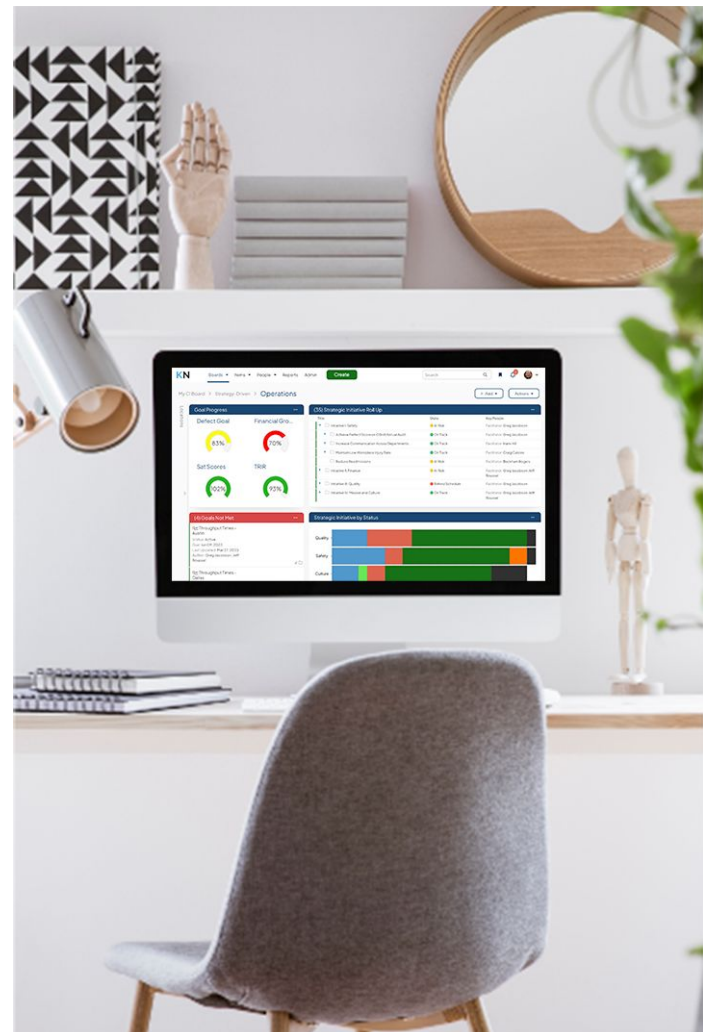
There is no cookie-cutter approach for improvement projects. Different organizations handle improvement work uniquely. Look for a solution that is flexible enough to meet every need.

Mobile Applications and Kiosks

Transformation work is not confined to the desktop; your transformation software shouldn't be either. The best solutions offer Android and iOS apps that will work beautifully on tablets or phones.

Support for Cross-Functional Collaboration

Many transformation projects with the most significant impact involve cross-functional collaboration. That's because process breakdowns and opportunities for improvement often happen when work is transitioned from one team to another. Therefore, choose transformation management software that supports collaboration across functions and unifies the organization a single platform.



Charts and Views

Many standard charts are commonly used to measure and track business transformation activities. The software you select should support all of the following, even if you aren't using them today:

- Control Charts
- Calendar View
- Pareto Charts
- Run Charts
- Kanban View
- Goal Charts
- Bar Charts
- Huddle Boards
- Bowling Charts
- X-Matrix View
- KPI Charts
- Team Dashboards

Robust Search Capabilities

The ability to search a knowledge repository for past projects and documents is essential for ensuring information is used effectively to build on past successes or avoid mistakes.

Success Broadcasting

Improvement culture takes off when people celebrate and announce success. Therefore, success broadcasting is a feature you'll want to be sure is included in any solution you consider.



About KaiNexus

KaiNexus is the ultimate SaaS platform that supports continuous improvement and operational excellence. KaiNexus helps you execute and manage your improvement program throughout the entire improvement journey.

From daily improvement on the front lines to rapid improvement events, Lean projects, and strategy deployment, KaiNexus gives your people a single place and a standard method for capturing improvements. From there, it pushes each idea through to completion.



Features

- Top-Down & Bottom-Up Improvement
- Strategy Deployment
- Multiple User Types Available
- Visual Management
- Impact, Activity & Engagement Reports
- Intuitive Charts and Data Tracking
- Smart Notifications
- Email Submission
- Configurable Improvements & Projects
- Class & Certification Tracking
- Cross-Functional Team Collaboration

Support

- Dedicated Customer Success Manager
- Lean Strategist
- Onboarding Configuration & Support
- Email & Phone Customer Support
- Online Support Documentation
- Video Training
- Marketing Communication Specialist

Technology

- Data Encryption
- SSL
- iOS and Android App
- iPad and Android Tablet Enabled
- Robust API Capabilities

Organizations of all sizes in all industries in every stage of the improvement journey use KaiNexus. Their unifying commonality is that they recognize that continuous improvement is vital to the success of their organizations and that like with all other complex businesses processes, they need a platform from which to manage it. They work to engage their entire organization in improvement and value the ideas and opinions of their front-line workers. Our customers strive to develop the methodologies and leadership behaviors critical to developing an improvement culture and understand that they need a software to support those elements.

If this sounds like you, KaiNexus would be a good fit for your organization. **Contact us** to learn more.