

Companies do not have the luxury of time when it comes to transformation



GKN fell into the acquisitive clutches of Melrose after dithering on plans to separate its aerospace and automotive arms

Transformation is a dramatic word. But in a world that is increasingly in flux, businesses must move fast, and often in dramatic ways, to stay ahead.

Three major recent corporate upsets demonstrate how critical it is to take the right action, in the right way and at the right time in the face of change. WPP has been one of the UK's great business success stories. But change can come from unexpected places and wrong-foot even the most gifted management teams.

In WPP's case, this has come both from its own industry (the rise of the big tech companies) and those of its clients (the impact of activist investors and "zero budgeting" on multinational consumer goods firms, for instance).

A company comprising so many different businesses has so far found it difficult to effect the necessary change at the necessary speed.

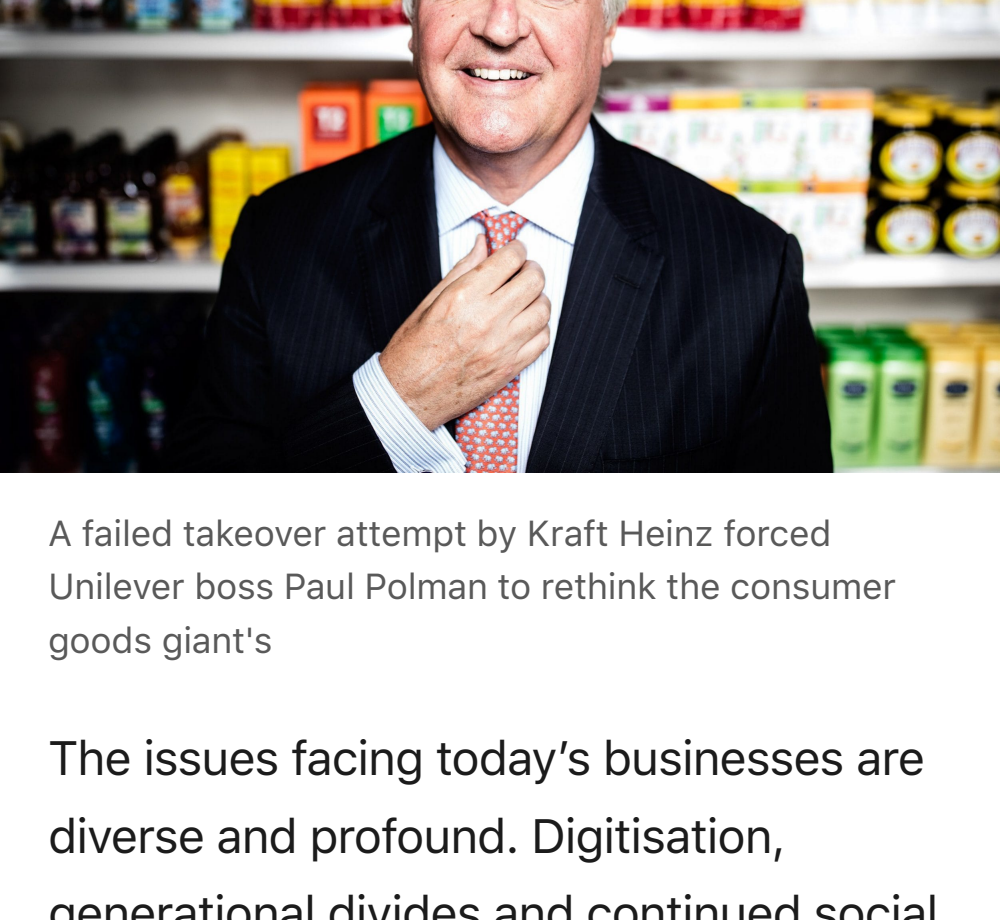
GKN is an extreme example of the impact of an unwillingness to transform. While Melrose was the ultimate agent of change, concerns had been raised long before its arrival.

Companies must be brutally honest with themselves about where their vulnerabilities lie

With investor calls for a new leader in December coming against a host of claims around waning productivity, the case was clear for fundamental and wide-scale transformation. If the company had, at that point, set about rigorously identifying its "must-do" priorities and a clear path for achieving them, it would certainly have bought GKN more time.

While inertia comes with a significant price, Unilever has demonstrated the benefits that decisiveness can bring. After finding itself in the crosshairs of Kraft-Heinz, it has had the courage to look at itself with a fresh perspective, making a number of hugely significant decisions that have had a fundamental impact on the shape of the business.

Unilever has communicated its transformation clearly and consistently. It has duly been rewarded by the market, with the share price now well above that of the Kraft-Heinz bid.



A failed takeover attempt by Kraft Heinz forced Unilever boss Paul Polman to rethink the consumer goods giant's

The issues facing today's businesses are diverse and profound. Digitisation, generational divides and continued social change are just three phenomena that are putting companies under acute pressure.

How should businesses respond? There are six key things to bear in mind. First, know what needs to change. Companies must be brutally honest with themselves about where their vulnerabilities lie.

Second, think small as well as big. Developing a transformation programme is a brick-by-brick process. High-value, high-impact initiatives – usually involving spending lots of money on large-scale change – will be important to transformation programmes.

Yet a significant portion of change also comes from the accumulation of smaller initiatives.

Third, work together. Once a strategy has been developed, driving progress from the top of the organisation is important so the entire business can successfully transform in lock-step together.

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Fourth, speed is everything. The real enemy of a successful business transformation is a lack of speed.

Businesses must be dynamic, with the ability to change tack and bring in fresh perspective as needed.

Fifth, innovation in technology, particularly in how to analyse and automate, significantly increases the pace of any transformation programme.

Sixth, and most importantly, there is no one-size-fits-all approach. There needs to be true understanding of a company's strategic, operational and cultural nuances.

Put simply, against the backdrop of unprecedented technological change, unpredictable consumer behaviour, economic turbulence and continued geopolitical uncertainty, businesses do not have the luxury of time. If you don't transform, there is likely someone else that will want to take over and do it for you.