



MAKING THE TRANSFORMATION SUSTAINABLE

PART 6 OF A 6 PART SERIES

The essentials of leading through crisis to transformation

FIVE ESSENTIALS OF LEADING THROUGH CRISIS TO TRANSFORMATION

- 1 Leading from a distance
- 2 Building high-performance teams
- 3 Responding to crisis with empathy
- 4 Earning and keeping trust
- 5 Sustaining the transformation**



In 2012, the largest energy company in Denmark—Danish Oil and Natural Gas—plummeted into financial crisis when natural gas prices dropped 90% and Standard & Poor’s downgraded the company’s credit rating. In an effort to stanch the bleeding and turn the business around, the organization brought in Henrik Poulsen, a former executive at Lego, to serve as its new CEO.

Poulsen could have deployed traditional crisis-management methods like reducing head count to cut costs. But he didn’t. Instead, he saw an opportunity to fundamentally transform the company’s operating model. Renaming the business Ørsted, Poulsen explained, “It had to be a radical transformation; we needed to build a new core business and find new areas of sustainable growth.” With that goal in mind, Poulsen decided to reinvent the company from a black to an entirely green energy producer. Under his guidance, Ørsted sustained its momentum for profound change, becoming one of the world’s largest offshore wind energy developers.

Not every transformation will prove as dramatic as Ørsted’s. But as organizations start moving from the red to the amber stage of reopening in the COVID-19 era, they’ll have to determine how to keep nurturing energy for and commitment to ongoing change within their leadership ranks and workforces. After all, the recovery period will present new challenges that will differ from those that erupted during the worst of the pandemic. Leaders won’t be able to view transformation as a one-off effort; they’ll have to keep adapting and flexing long into the future, evolving themselves, along with their organizations’ transformations.

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Learning lessons from successful transformations—those launched in crisis and sustained over the long haul—can help. As executives head back into their (likely videoconference) strategy rooms on Monday morning, we suggest that they keep three principles in mind.

“It’s not the strongest or the most intelligent who will survive but those who can best manage change.”

— Charles Darwin

PRINCIPLE 1: Think like a private equity investor

The traditional corporate-strategy-planning cycle centers on a standardized set of annual strategy-planning sessions that generate operating plans and budgets for the year (figure 1). But at all too many companies, that routine process—which takes place in companies’ strategy rooms—doesn’t usually facilitate the deep strategic thinking that’s needed in determining how to best sustain major changes that the company has launched.

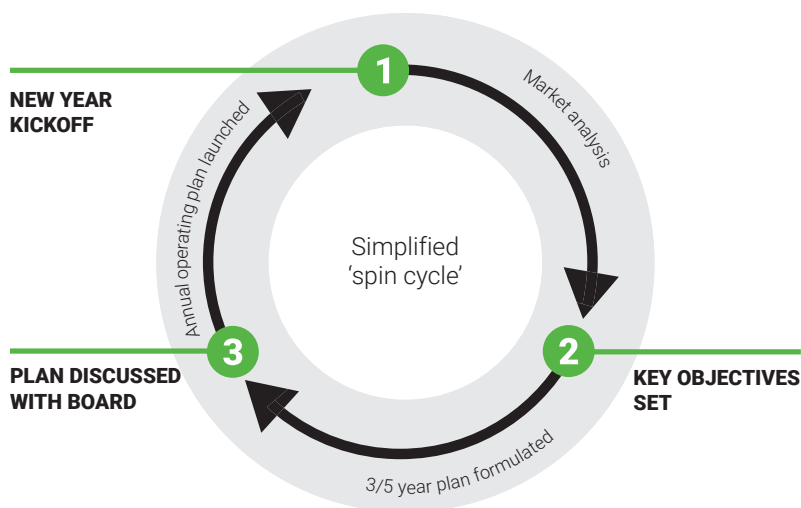
Why? For one thing, generating operating plans from strategy sessions requires considerable time and major effort, including the collection and analysis of details on every aspect of the company’s operations and business environment. All of that can distract decision makers from the important issue of thinking about how to sustain change. The effort typically unfolds amid internal competitions and negotiations between different parts of the business when it comes to budgets and resources, thereby creating further distractions.

To combat these issues, we recommend stepping back and viewing the company’s ongoing transformation efforts—and the business overall—from the perspective of an activist investor or a private equity fund. Such investors don’t look only at status quo when evaluating a business, they:

- Analyze the momentum in an industry by assessing long term potential, structural trends, competitive dynamics, and other external variables alongside the status quo.
- Use the resulting insights to uncover hidden gaps in strategic planning and execution.
- Ask future-focused, probing questions about the company’s long-term-value levers, such as:
 - How attractive will the company’s current and projected competitive position be in the long run? and;
 - How much headroom for growth does the business have over a multiyear period—and how might that change?

Company leaders have to engage in discussion and debate about how their company creates value and how that might have to change if the business hopes to overcome challenges and remain competitive amid a crisis and beyond. The conversations can sometimes get confrontational and heated—but you can’t shy away from them.

FIGURE 1: STRATEGY PLANNING AS USUAL



Source: AlixPartners

PRINCIPLE 2:

Stay true to your purpose

As your company looks to reopen, you may be seeking to sustain changes initiated amid the COVID-19 crisis or to perhaps launch new transformation efforts that will address challenges your company is confronting. In either case, keep in mind that all major change programs at big companies take years, not weeks or days. Plus, during that time, the effort will encounter inevitable setbacks.

To keep people energized for change despite the challenges, you must stay true to your company's purpose and values.

Transformative leaders know that their workforces become increasingly motivated—and retained—by these concepts. They know that regularly communicating the importance of the company's purpose and values in a way that captures and inspires them is an imperative. Therefore, it will take not just a concerted focus on your organization's purpose and values but also a steady frequency of reemphasizing them to your wider circle of stakeholders, including customers, employees, and investors. During Ørsted's transformation from black to green energy, its mission and purpose as an energy company never faltered.

Ørsted's consistency of purpose offers a valuable lesson about leaders: like gifted athletes and top-tier dancers, great organizational leaders rarely falter in their movements. By contrast, at all too many companies, boards of directors or management teams—often both—put off a big move for too long and then all of a sudden look for a silver-bullet solution to get to greatness fast. Rushing to execute an impulsive transformation is dangerous, carrying potential risks like resource drain, employee disengagement, and neglect of a company's core value drivers. The best leaders know this. They remember their constancy of purpose.

Rushing to execute and impulsive transformation is dangerous

TRANSFORMATIVE LEADERS, THEY MAKE SURE THEIR TEAMS UNDERSTAND TWO THINGS:

- 1 Even normal operations must remain in a constant state of transformation
- 2 Everyone in the organization is in the change game for the long haul



PRINCIPLE 3:

Drive sustainable change with a compelling story

Stakeholders both within and outside organizations look to the organizations' leaders to guide them throughout the transformation journey. They want to know why the company is changing and why they should care about it.

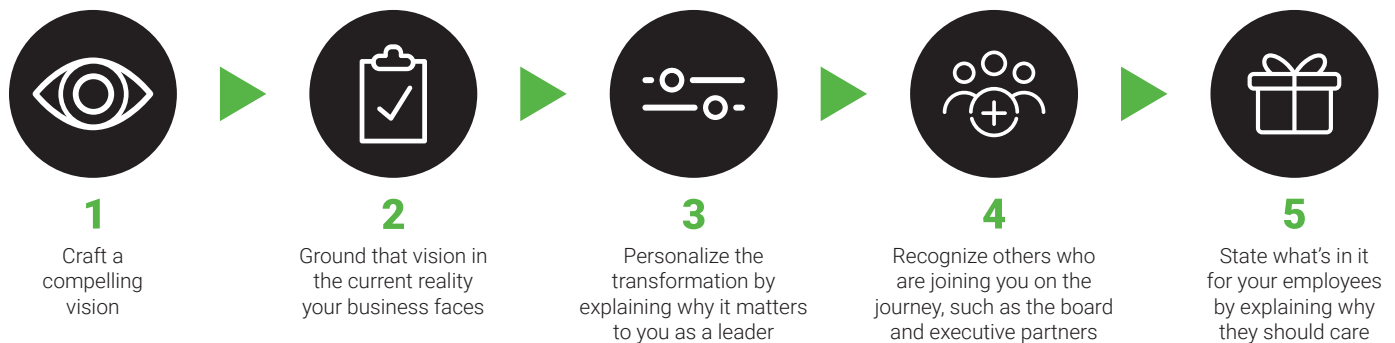
To provide that guidance, craft a compelling transformation story for employees, customers, and shareholders. The most-effective transformation stories have five defining characteristics (figure 2).

No transformation is easy, and to drive profound change, a company leader must make difficult choices and weigh complex trade-offs affecting multiple aspects of the company. The aspects include organizational culture,

incentives programs, operating model, and core capabilities. Even as leaders make choices involving those areas, they have to continually reinforce not just the company's purpose, but also the mission and vision behind the change effort. Relating a clear and compelling transformation story can help a leader meet all of those imperatives.

Leaders have to continually reinforce not just the company's purpose, but also the mission and vision behind the change effort.

FIGURE 2: YOUR TRANSFORMATION STORY



Source: AlixPartners

NEXT STEPS FOR LEADERS

To help their companies survive a crisis of any sort, leaders must initiate major changes—even as chaos, fear, and loss swirl around everyone in the organization. But even if the transformations they launch land the company on the other side of the crisis, the leaders can't sit back and relax, because once the worst of the crisis has eased, energy for change could die out as exhaustion from having dealt with it sets in.

Truly transformative leaders will work to sustain momentum for change long after a crisis has passed.

They know that new challenges will arise, as will fresh opportunities to keep strengthening the business. By shaking up their own strategic thinking, staying true to the company's purpose, and crafting a compelling transformation narrative, leaders can keep employees, customers, and other stakeholders informed. This will help keep the parties invested in where the company is going next and why.

Questions for your next strategy meeting

- Where is value flowing in our industry? Which trends, tailwinds, headwinds, and competitive moves could help our transformation program succeed? Which could cause it to fail?
- Are we willing and able to keep reallocating capital as needed to achieve our transformation objectives?
- Are we willing to responsibly disrupt our status quo to push our transformation forward?
- Are we ready to set forth the highest aspirations for our people, consistently adhering to our shared purpose and espoused values?
- What is necessary for our organization to take this transformation program seriously? How can we build conviction and courage among ourselves and our team?
- Are we as leaders personally ready to commit ourselves to the transformation over the long haul?

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ABOUT US

For nearly forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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