

Managing Business Model Transformations: Observations from Selected Interviews with CIOs

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Support and introductions were provided by SAP. The conclusions, however, are solely mine.

Companies Selected

- Gil Katz, Colmobil, Israel
- Glyn Evans, Birmingham City Council, UK
- Mukund Prasad, Welspun Corp., India
- George Onofrio, AAA of Michigan, US

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Themes

- Governance of Transformation
- Pacing of Transformation
- Early Wins
- New Capabilities
- Bottom Line Benefits

Governance

- Each project had a team to manage
 - Cross functional
 - Technology AND Business
 - CIO as coach, coordinator, best practice disseminator

Governance Quotes

- We created cross-functional teams to address each of these pieces of the problem (the people, processes and technology). One of the insights that emerged was how many layers there were between me and the claims adjusters. - Onofrio, AAA
- Every project team has its own project board. Some of these teams are as large as 150 people, from IT, from the business unit being changed, and every team is lead by a business manager who is focused upon achieving the desired impact - Evans, Birmingham

Pacing of Transformation

- One of my professors used to tell me, “you don’t cross a large canyon in two steps, you must jump it all at once”. That was our situation here - Katz, Colmobil
- The financial back office change was a big bang approach, with no pilot testing... The people management changes we are doing with SAP, by contrast, we are rolling out one directorate at a time – Evans, Birmingham
- Historically we have grown through acquisition.... Some processes were easy to move... But other processes were all done through different legacy systems. Many of these still remain today. - Prasad, Welspun
- We were careful not to deploy this all at once in a “big bang” approach. Instead, we rolled it controlled increments for our auto claims first, and iterated as we learned along the way. - Onofrio, AAA of Michigan

Early Wins

- Our activities in accounting (A/R, A/P) and HR happened fast, and our common data management brought clear improvements. These early wins helped demonstrate that we were on the right track. – Prasad, Welspun
- We started with the corporate directorate, where there was strong support for the change. Having brought that off, we rolled it out to other directorates. – Evans, Birmingham

New Capabilities

- The world is becoming customer centric..... This [project] also gave us the confidence to reorganize the company to be market focused.... However the customer comes to us now, we have a full view of him. – Katz, Colmobil
- The SAP Claim application allowed us to be able to assign the primary claim handler at the first notice of customer loss, it gave adjustor accessibility to the complete file, transparency into the claim file that allows the manager to monitor the adjustors progress in resolving the claim, further transparency into the status of tasks necessary to bring a claim to resolution along with who the owners of those tasks are. With SAP, the claims file becomes the record for all of our processes. – Onofrio, AAA
- As a manufacturing organization, we needed to enhance our level of operational excellence.... We had to create a process that would lead to a fact-based decision-making model. This is not easy to do, and requires a lot of facts from our information technology to support it. – Prasad, Welspun

Bottom Line Benefits

- We are growing multifold right now.... Our processes would have become much more expensive and more complex [without SAP] - Prasad, Welspun
- As our project rolled out, we began to see perceptible improvements in employee satisfaction.... we're also seeing improvements in job turnover and retirements as well. There are still parts of the company using the old processes, and when those adjustors see other adjustors using the new system, they get envious. "When can I get on the new system?" This is exactly what you want. – Onofrio, AAA of Michigan
- Happily our [back office] change has delivered the goods, reducing our headcount in back office finance by 28%." - Evans, Birmingham
- The biggest metric is that we had 25% more vehicle sales this past year with no increase in headcount. - Katz, Colmobil

Conclusions

- There is a maturity model behind these transformations
 - No one wants to hear about the benefits of business model change if their email system has been down for three days. -Evans, Birmingham
- The business side **MUST** be involved from the outset in the governance of the project
 - we avoided any division between “the IT people” on the one side and “the business people” on the other side. – Onofrio, AAA of Michigan

More conclusions

- Because these projects are complex and long, early wins are key to maintaining momentum
- Senior management needs to be involved early, and remain engaged throughout (see early wins)
- Effective CIOs do not lead with the technology, but rather with desired capabilities and bottom line business benefits, in selling the projects to their management
- A successful transformation creates new possibilities for further innovation
 - Further advance on the maturity curve
 - Often not perceptible at the outset