BUSINESS TRANSFORMATION *PROCESS*

Businesses must adapt to the new economy. The "Thought Leaders" are trying to figure out how.

By Patti McCracken / Photography by Stefan Walter / Illustration by Mark Allen Miller

It was cute. Compact. Clever. In 1998, the Smart car entered the market, and straightaway it was as if the urban everyman's hip future had shown up early to play. And if a vehicle could have "apps," this one did.

Removable color panels on the body allowed the car to pretty much change its clothes. And Smart towers were designed: slick, skyscraper car dealerships, which looked like multi-story parking garages full of tiny cars, were going to pop up in major cities across Europe. Smart – originally a cooperation between Mercedes-Benz and Swiss watch company Swatch – had a grand vision of completely turning on its head the way the car industry worked. It championed a dream of mobility and convenience. If Smart could have sold cars out of vending machines, it would have. Nothing seemed out of reach. But it couldn't keep up with itself. Smart went for too much too soon, according to analysts. The company overestimated its customer base's ability to keep pace, and it didn't set clear, reachable goals to help. Although media buzz and interest were high, sales were disappointing that first year, and have been ever since. In its first 12 years, Smart has undergone four major business strategy overhauls. It started as being the car for commonsense city slickers, but by 2009, Smart had narrowed its scope considerably, and now targets its market to small businesses, which use the tiny cars as wheeled gofers. Smart's main problem? It tried to introduce a 21st-century product using 20th-century tools.

It is not alone. Business leaders are puzzled by the massive changes in the marketplace, which were unforeseen a decade ago, or even five years ago. And the recession has only added to their bewilderment. Enter the "Thought Leaders," a core group of C-level executives and academics who have joined forces to redraft the way businesses function. They call it "Business Transformation" and aren't so much reinventing the wheel, as they are trying to transform the way it moves. Although very much in its infancy, the Thought Leaders are essentially a think tank, with the goal of mapping out a more relevant management methodology and practice. The group receives its funding from SAP. One priority of the Thought Leaders group is to reassess the way companies and management consultants interact. The consulting field experienced a huge boom in the 1980s and 1990s, driven by the surge in globalization after the end of communism in Europe. But the consulting industry has not adapted well to a global, technology-driven industry landscape.

EMBEDDED *TEAMS*

So one idea of the Thought Leaders is to embed consultants within corporate teams, rather than have them on the sidelines as external players. "When I think back to when I was a management consultant, we were not taking a lot of responsibility for our results," says Dominic Houlder, Adjunct Professor of Strategic and International Management at London Business School. "What we want to do now is offer change as a solution, rather than just advice, which I think is a watershed."

Turning that aspect of consulting around – thinking of a consultant as team player, not as an advisor – is a major paradigm shift in the industry. "Normally, what the consultant wants is to sell more hours. So the way they sell more hours is by finding →

Thought Leaders: Martin Petry, Lars Gollenia, Jan vom Brocke, Dominic Houlder

→ more problems. But that's starting to appear as a moral hazard," says Houlder. But the most significant driving force behind building a new business transformation architecture is to harness the IT giant. The rapid growth of technology has made many so-called old business models obsolete. Information technology began to revolutionize business in the 1970s when computing technology became affordable and deployable on a mass scale for the first time. Now, IT has morphed from being a simple tool to accomplish business tasks into an enabler of innovation. "It used to be that IT followed business, but now we see it is the other way around. It's driving business," says Jan vom Brocke, professor of Business Process Management at the University of Liechtenstein.

The role of IT and the systemization that is supported by technology has grown considerably in recent years, as have the volume and turnaround time that companies now face. This growth has, over time, created a sizable gap within company structures – an industry fault line – with technical staff on one side and everyone else on the other.

Put another way, it's as if the brain is separate from the body. And the Thought Leaders are busy trying to figure out the best way to reconnect the two. And then share that info with everyone else. "What we have seen in the past is that there are specialized teams around management consulting and specialized teams around IT consulting, and what we are trying to do here is build a bridge between the more traditional consulting approach and the IT approach," says vom Brocke.

The Thought Leadership Business Transformation initiative is a diverse network of organizations that includes universities, such as London Business School and IESE Business School, which are partners in the think tank. The universities offer M.A. and Ph.D. students the opportunity to research and implement new models of sustainability. Meanwhile, the entire network has come together to brainstorm and delineate a structured yet flexible model of business transformation – starting with wide-ranging case study research (Smart is one such study). The intent is to establish a distinctive methodology and handbook in 2012. The handbook is envisaged as a do-it-yourself business transformation manual for companies and consultants. "What we are trying to do is build sustainability in change, and not this separation between PowerPoint terrorists and IT," explains Martin Petry, CIO of Hilti Corporation.

Another case study of sustainability the business transformers are studying is Apple. Although the company initially got off to a good start, it soon was suffering from the same essential problem Smart was battling: a cool tool of the future, but what to do with it? "Smart ended up going from here to there, to here and back, and nobody could follow where they really wanted to go," explains Petry. "They should have kept the vision at the horizon, not beyond it, and integrated steppingstones along the way. The vision itself is not enough." Apple, on the other hand, was able to set itself back on track. With iTunes, Apple showed that it recognized IT as the driver, and steered the technology on a course carefully designed to dovetail with the lifestyles – or rather, desired lifestyles – of its target customers. Apple provided customers with a device for storing and listening to digital music – the iPod – and an online store to purchase the music, a complete package.

Customers were already used to downloading music, but a platform like iTunes and the iPod had not been available in this form. Unlike Smart, Apple was one step ahead of consumers, not 10 steps. The Thought Leaders see Apple's transformation as one of their learning tools. One more thing to take back to the lab and dissect. "There are certain models of change that work for a given period, but then become stuck," says Houlder. "We've assembled our team to try and move it forward." ■

SUSTAINABILITY
IN CHANGE