An Emerging Theory of Enterprise Transformations

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AN EMERGING THEORY OF ENTERPRISE TRANSFORMATIONS

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This article contributes a set of actions a leader can take to implement a transformation and a framework (i.e., model of variables and research questions) for understanding and conducting further research on enterprise transformations. The leadership actions and research framework are built from reviewing the literature on enterprise transformations and lessons learned from a detailed case study. The research framework identifies the importance of focusing on aligning the enterprise transformation approach with the transformation need and internal context. Specific questions are offered for further research. Organizational leaders can use this article to understand the issues they need to focus on when leading an enterprise transformation. Researchers can use this article to identify potential research paths on enterprise transformations.

Keywords enterprise transformations; change management.

INTRODUCTION

This section defines the need for this article. First, I define the need to understand enterprise transformations from the challenges organizations are facing. Second, I explain how the article helps fill a need of the special issue of the Journal of Enterprise Transformations.

Enterprise Transformation Challenges

Organizations, both industry and government, have been and are continuing to change their present operations to align with the ever-changing environment (National Academy of Public Administration, 1996). Often, this need for change leads to a large-scale transformation, including a change in mission and subsequent required change in the core business. With the change in mission, the organization must also change the manner in which it completes its core business; that is, its processes, tools, and people. An organizational transformation is redefining an organization’s business (e.g., mission and products/services) and the way the business is operated (e.g.,
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processes, technology, people, and culture) (Kotnour, 2009). A fundamental transformation challenge is to determine the best way to ensure successful implementation of a performance improvement approach by overcoming barriers to change (Grover, 1999). Performance is defined by the set of measures the organization defines such as quality, profitability, efficiency (Sink & Morris, 1995). Organizations are using many tools to undergo these large-scale performance improvements and change efforts (e.g., total quality management, reengineering, downsizing, lean, six sigma, Baldrige, and ISO certification). Other authors have identified critical success factors necessary for successful large-scale changes (Appelbaum, Simpson, and Shapiro, 1987; Cameron, Freeman, and Mishra, 1993; Kanter, Stein, and Jick, 1992; Marshall and Yorks, 1994; National Academy of Public Administration, 1996, Sidky, 2007; Stanke, 2006). However, not all of these transformations are successful (Rouse, 2011). The leaders of these organizations are looking for insights into what will make a transformation successful and what methods they should use.

Earlier studies show that over 70% of the change efforts have failed (Champy, 1995). As highlighted by Rouse (2011), this success rate is not getting any better. Aligning the organization to the external environment can vary among three levels: organizational automation, enhancement, or redefinition (Davidson, 1993). To help organizations implement a transformation, this research will answer an executive’s question: What are the activities we need to perform to ensure a successful transformation?

The Need for Research on Enterprise Transformations

In response to the increasing need to transform and the decreasing success rate of transformations (Rouse, 2011), many books, training classes, and consulting support have been offered. The academic community has continued to call for the development of knowledge that is useful to both the leaders of organizations and academic researchers (e.g., Lawler, et. al, 1999). The intent of this article is to increase our collective understanding about enterprise transformations. The contribution is to provide insight into

1. The actions to take when implementing an enterprise transformation.
2. The research questions to explore when conducting research on enterprise transformations.

The audience for this article include four stakeholders of a transformation. The first three stakeholders are from an organization accountable for making a transformation. These stakeholders include the executive in charge of leading the transformation, the business unit directors within the organization, and the change agent supporting the executive in making the transformation a reality. These stakeholders can use this article to understand
the issues they need to focus on when making an enterprise transformation. The fourth audience is the researcher conducting research on enterprise transformations. This audience can use the article to identify the variables and research questions to explore. As shown in Figure 1 the article explores three areas.

**ENTERPRISE TRANSFORMATION LESSON LEARNED FROM THE LITERATURE AND CASE STUDIES**

This section identifies key learnings about enterprise transformations. To develop these learnings we take two approaches: review the literature on contemporary transformation practices and review a detailed case study. The research methodology used for this article is a combination of Eisenhardt (1989), Yin (1989), Brinberg and MacGrath (1985), and Cunningham (1993). The methodology was used to understand the current state of the literature and bring new insights from cases with organizations. This combination of the literature and lessons learned from the case is integrated to develop an emerging theory. Figure 2 provides a visual summary of the findings from this research and section.

**Contemporary Transformation Practices**

Best practices from organizations who have successfully conducted transformations point to the need for a systematic approach to managing the
large-scale change (Ackoff, Magidson, and Addison, 2006; Cameron, Freemark, and Mishra, 1993; Huber and Glick, 1993; Kaufman, 1992; National Academy of Public Administration, 1996; United States General Accounting Office, 1995; Wyatt Company, 1993; Anthony, Eyring, and Gibson, 2006; Bowonder, Anirudha, Kumar, and Shirodkar, 2010; Christensen and Overdorff, 2000; Johnson, Christensen, and Kagermann, 2008; Zook, 2007). From these previous studies, we found that a strategic, systematic orientation to the change led to organizations retaining the necessary skills to successfully complete their work processes. However, without a systematic approach, results were negative. Typical negative results were losing institutional memory, knowledge, and skill to perform the work resulting in a decrease in quality, improvement/innovation lacking, and employee burnout. These results occurred because the organization did not systematically plan the transformation or instead of systematic planning, relied on solutions such as across the board cuts or attrition to reduce the workforce. Organizations need an integrated approach to drive systematic, positive change. Authors such as Kanter, Stein, and Jick (1992) and Kotter (1996) provide further
insight into the key factors for leading change. The implications include that an organization must: design actions which produce positive and minimize the negative results; clearly understand the forces or drivers of the change; employ strategic, systematic actions that lead to more positive results; recognize that a change without planning leads to negative results for the organization; and fully understand the potential positive and negative results of an action before that action is initiated. The Kanter, Stein, and Jick (1992) findings highlight the need for an organization to: 1) clearly understand the change’s forces or drivers; and 2) design actions, which produce positive and minimize negative results. These authors found that 1) strategic, systematic actions lead to more positive results; 2) a change without planning leads to negative results for the organization; and 3) the potential positive and negative results from an action must be understood before action is taken. Sink and Morris (1995) offer nine integrated “fronts” for successful change to ensure positive results are achieved. We group these fronts with other research findings to define groups of action an organization can take to enable successful change. A successful change is one that achieves the change in performance the organization needs. The five groups are leadership, strategy, project management, learning, and systematic change.

Successful Change is Leadership Driven
Leadership is the set of actions that engages the organization in making the transformation a reality by providing a context and environment for change (Kotter, 1996). Leadership actions include establishing a sense of urgency; establishing a guiding coalition/infrastructure and process; communicating, providing symbols, signals, and rewards; and managing internal and external politics (Kanter, Stein, and Jick, 1992; Kotter, 1996; Pascale and Sternin, 2005; Sink and Morris, 1995). Lawler, Mohrman, and Ledford (1998) did find that leadership is related to successful change initiatives. Simons (1994) found that senior managers differ in their use of leadership actions to drive organizational change. Leadership is crucial to overall success of the transformation (Montgomery, 2008) and must be aligned to the change being sought (Christensen, Marx, and Stevenson, 2006).

Successful Change is Strategy Driven
A transformation is a complex and timely activity to undertake. One of this first steps in achieving successful change and transformation is to create a vision of the future (Barthélemy, 2006; Eskew, 2007; Kim and Mauborgne, 2004). Ackoff, Magidson, and Addison (2006) offer the “idealized design process” as a method for developing strategy. Strategic planning has been offered as a method to drive organizational change. However, to drive and sustain the change, strategic planning must evolve to strategic management (Kaplan and Norton, 2007; Van Wingerden, 2001). Strategic management is...
a continuous process aimed at aligning everyday actions with the long-term direction of the organization based on the needs of the customer or the organization. An organization can use strategic management to achieve a set of strategic outcomes and create a set of actions to move the organization towards those outcomes (Kanter, 2008). However, the organization must first understand the long-range, strategic nature of an organizational transformation as compared to a more short-term orientation towards day-to-day operations (Ruff, 2006).

Successful Change is Project Managed

Project management is the planning, organizing, directing, and controlling of resources to accomplish a set of objectives. Project management integrates transformation efforts and provides management information. Project management has been defined as a need to ensure successful change (Grover, 1999; Roberto and Levesque, 2005; Sirkin, Keenan, and Jackson, 2005). Kanter, Stein, and Jick (1992) suggest the need for implementation planning but do not provide specific project management details for a transformation. Planning the transformation involves defining transformation goals and objectives, stakeholders, and risks; integrating tasks, responsibilities, and timelines; and establishing the management, implementation, and informational infrastructures and process (Kaufman, 1992; Sink and Morris, 1995). Empowering change teams leads to systematic organizing and directing. Control of transformation involves using standards, measures, and feedback mechanisms; and conducting regular status and review meetings. Throughout the transformation, the project management structure helps the organization respond to barriers and new opportunities for change.

Successful Change Involves Continuous Learning

Learning is the creation, sharing, and applying knowledge (Argyris and Schon, 1978; Crol, 2000; Huber, 1991). Learning provides the real-time knowledge needed by the organization to adjust to the changing environment. Learning includes the activities to support the organization in: developing leadership (Kotter, 1996), learning from other organizations; learning from the organization’s own experience (Becker, 2008; Henderson, McAdam, and Parkinson, 2005; Kianto, 2008; Kleiner and Roth, 1997; Senge, 1990); continuously improving the transformation approach; and educating and training the workforce in successful transformations. Mukherjee, Lapre, and Van Wassenhove (1998) and Hatch and Mowery (1998) found learning to supportive of change in the manufacturing environment.

Successful Change Involves a Systematic Change Process

Systematic change approach aligns customers, products/services, processes/tools, structure, culture, and skill mix (Ackoff, Magidson, and Addison, 2006; Brynjolfsson, Renshaw, and Van Alstyne, 1997; Chan, Beckman,
and Lawrence, 2007; D’Aveni, 2007; Day, 2006; Stewart, 2006). The systematic change approach involves a set of processes and tools to help the management team make a series of start, stop, and continue decisions (Zook, 2007). Given the different types of change needed (Davidson, 1993; Lawrence, Dyck, Maitlis, and Mauws, 2006; Strebel and Ohlsson, 2006; Sull, 2005), the organization must match the improvement initiatives (e.g., continuous improvement or reengineering) with the need (Gadd and Oakland, 1996; Henderson, McAdam, and Parkinson, 2005; Nguyen and Mintzberg, 2003). The organization must understand existing processes, define requirements for new processes, and evaluate the existing processes against the requirements (Barthélemy, 2006; Hammer, 2004, 2007). The organization must align its processes by stopping non-matching processes, continuing matching processes, and starting the new processes needed to fulfill the newly defined future state and core business. Continuing processes must be evaluated to determine if the process can continue as is or requires an improvement or innovation to more closely align with both the future state and the possible resource reduction and changing customers’ needs. This systematic change process is a continuous process (Lawler and Worley, 2006).

Many different perspectives can be taken to understand how an organization can successfully transform. The intent of this article is to explore the enterprise transformation approach to address a large-scale transformation. We can use these literature findings to help build a theory of enterprise transformations.

**Detailed Case Study of an Organizational Transformation: Kennedy Space Center (KSC)**

To help bring further understanding of enterprise transformations, a detailed case study was completed on the organizational transformation of KSC. This case study resulted in a detailed model of one organization’s experience in using a strategic approach to transform the organization (Kotnour, 2009). This case study answered five key questions with lessons learned:

1. Why does an organization need to transform?
2. What is a transformation?
3. How can an organization transform?
4. How can a leader enable the transformation?
5. What is a systematic process to manage the transformation?

To answer these questions, I provide a summary of the lessons learned from the KSC experience. The lessons about organizational transformation and strategy are gleaned from this experience in transforming itself in the period of 1996–2003. These lessons learned are offered as gleaned learnings, not the “silver bullet” answer to organizational transformations. These lessons
learned were developed by understanding what did and did not work well. A leader can use these learnings to bring meaning to the many events and efforts associated with a transformation and to develop an organization’s unique approach to their transformation. We use this case study to further develop a model for enterprise transformations.

**What is the KSC Story That We Are Learning From?**

Before the five questions are answered, we will briefly explore the KSC story from which we are learning. KSC is NASA’s launch vehicle processing, payload processing, and launch/landing capability. In the early and mid 1990s the U.S. government was pushing to “reinvent” and downsize—this was also the case within NASA. The trigger events that caused the KSC transformation included:

- With the change in NASA leadership to Dan Goldin, NASA began to implement a “better, faster, cheaper” philosophy. NASA was re-establishing itself as a research-focused organization. This would require both NASA and KSC to transition out of their operational roles. Since KSC had traditionally been an operational center, this transition was a significant change for its civil service workforce.
- A national report called for the privatization of shuttle operations and a reduced civil service role in the daily operations of the shuttle processing activities.
- NASA conducted a zero-based review, which called for the significant reduction in the number of civil service employees at KSC.
- NASA created the space-flight operations contract (SFOC). The impact on KSC was the shuttle operations processing contractor no longer reported to KSC but rather to the Johnson Space Center. The number of government mandatory inspections points was also significantly reduced.
- The programs being conducted at KSC declined or phased down. The civil servant contribution to the Shuttle program was declining due to changes in SFOC. Spacelab work was declining. KSC support to other programs was not expected to grow.

When taken together, these trigger events created a context in which the inherent value of the civil service workforce within KSC was questioned. These trigger events led to four goals for KSC’s transformation in 1996. KSC had to: 1) Communicate the relevancy of their operational knowledge to the success of current and future programs; 2) Transition from the phasing down programs and roles and into emerging programs; 3) Become responsive and ready to meet the requirements of the diminishing role and budget by re-aligning people, processes, and tools; and 4) Address low workforce morale. In summary, KSC was faced with the need to transform itself and its relationship with its contractors.
During constant change in the external environment and the NASA programs, KSC accomplished the following:

- Successfully met the shuttle, Expandable Launch Vehicle (ELV), and International Space Station (ISS) missions.
- Enhanced the programs being conducted at KSC. KSC Transitioned Shuttle processing to a private contractor; Consolidated the agency-wide ELV program at KSC; Created and implemented a multi-element integrated test for the International Space Station; and Supported shuttle upgrades.
- Re-aligned the organization. KSC Implemented a proactive strategic management approach; Successfully gained ISO and VPP certification; Developed and implemented a process to connect expectations and performance from the NASA strategic plan to individuals; and Developed a program for technology development of spaceport and range technologies.
- Revitalized the infrastructure in a constrained resources environment. KSC established a joint base operations contract with the U.S. Air Force; Developed a master plan with key stakeholders; and Focused KSC’s workforce on core competencies.
- Formed partnerships with the Air Force, State of Florida, and universities.
- Maintained the critical operational knowledge that NASA now needs as it implements the Vision for Space Exploration.

The reader can find further details of these changes and their significance in Kotnour (2010). These details are not provided in the article due to length considerations.

*Lesson Learned #1. The need to transform is caused by an organization’s current business model being irrelevant, unresponsive, and unready—the organization is not producing the right product the right way.*

The organization needs to transform because something within the current or future environment made the organization’s performance no longer acceptable. The organization was running fine in producing the right product/service the right way. The customer was happy and the internal processes were working well. The financial performance was going well. Something changed, or is in the process of changing, in the environment. A trigger event occurred. A trigger event is the event(s) that fundamentally shifted the organization’s relevancy or responsiveness in the industry. The organization is no longer producing the right product the right way now, or will no longer be doing so in the future. The current business model is irrelevant, unresponsive, and unready. Given the momentum an organization has, this challenge of sustaining performance excellence is not easy and requires a response different from the current, entrenched thinking.

This lesson learned is consistent with the literature lessons learned. The contemporary literature describes the drivers for a transformation. For
example, many authors offer reasons for a transformation focused on business performance gaps (e.g., Ackoff, Magidson, and Addison, 2006; Huber and Glick, 1993; Kaufman, 1992; National Academy of Public Administration, 1996; United States General Accounting Office, 1995).

Lesson Learned #2: A transformation is the purposeful, intentional, consistent change of an organization’s business model over time.

A transformation requires many decision and actions. The decision and actions must be made consistently with purpose and intent. Purposeful means having a specific outcome in mind. Intentional means by design. Consistent means having the purpose and intent drive all transformation actions. The purpose is to have performance excellence. Performance excellence is based on how well the organization is positioned in the external market:

- How well the market values the organization’s products and services
- How well the organization delivers the products and services.

A transformation is the re-creation of the organization. The organization must develop a new business model that will position and align the organization. A business model describes an organization’s business, and how it provides value (Hamel, 2001). A transformation is a change in the business model to ensure the organization is positioned and aligned (i.e., producing the right products the right way). The transformation changes the organization’s poorly positioned or misaligned state to a state of being correctly positioned and aligned to the market. The inherent challenge is that the organization must continue to adapt. Just because the organization delivers well today does not mean it will be able to deliver well in the future. The organization must be able to deliver the right products and services the right way. During a transformation, the organization determines what is the right work completed the right way with the right capabilities (e.g., people, processes, and tools) in order for the organization to bring value to its customers. The organization needs to define what the new right work/right way is. The new business model concept must position the organization’s role (e.g., mission) and contributions (e.g., products and services) in the environment and industry. The new business model must align the organization’s internal elements (e.g., people, processes, tools, and culture) to deliver the needed products and services in a manner the customer desires (e.g., cost, quality, and delivery speed).

Once the new business model concept is defined, the organization needs to develop a strategy to make the new business model a reality. The business model implementation strategy needs to consider the “soundness” of the business model concept. The organization needs to define an implementation strategy based on how well the following three elements are aligned: 1) the external environment’s desires (i.e., the stakeholder’s and customer’s
needs and wants), 2) the organization’s desires (i.e., the management team’s strategic intent for the organization), and 3) the organization’s capability to operate the new business model. The organization needs to create a strategy that is aligned to the type of change that is being created. The business model implementation strategy must address any gaps in these three elements. Once this strategy is developed, the organization needs to provide enablers such as external advocacy, resources (time, people, dollars), and influence on the environment to ensure the strategy is implemented. Making this change in the business model requires a strategic response.

This lesson learned is consistent with the literature lessons learned. The contemporary literature describes the best practices and methods for systematic change of the organization. The authors offer different methods and approaches for defining the new business model and the strategy to implement the new business model (e.g., Ackoff, Magidson, and Addison, 2006). Kanter, Stein, and Jick (1992) describe a systematic set of steps for making an organizational change.

Lesson learned #3: A strategic response focuses on implementing a strategic transformation path while navigating four phases of a transformation.

A strategic response is needed to overcome the organizational inertia associated with transforming an organization. The first part of the strategic response is to implement a strategic transformation path containing four focus areas:

1. **Execute the Mission** focuses on delivering the mission and meeting customer requirements. The current operations “ball” cannot be dropped during the transformation. This current business provides the foundation for moving forward.

2. **Continuously Set Strategy** focuses on developing and evaluating the organization’s overall strategy (e.g., vision, business model, change path to the future). Setting strategy cannot be viewed as a once-a-year activity.

3. **Make the Strategy Real** focuses on implementing specific efforts to make the strategy a reality. You must implement the operation of the current business model and the new business model implementation strategies.

4. **Enable the Transformation** focuses on supporting the organization in understanding, accepting, and committing to the transformation. With a transformation, the organization has increased its responsibilities from executing the current business model to creating and operating the future business model while still executing the current business model. These multiple responsibilities can over-extend the organization’s capabilities. Leadership must help organization balance these responsibilities and to be accountable for making the transformation a success.

These four areas were derived by understanding how the senior management team spent their time and energy during the transformation.
The second part of the strategic response is to navigate the four phases of transformation:

1. **Understanding the Need for Change** defines the environment, the trigger event, and the unacceptable state of the current business model. In this phase, the case for the change is made.
2. **Strategic Exploration and Visioning** is when the organization holds conversations to explore its environment and business. In this phase, the organization develops and refines alternative future business models and strategies to move forward.
3. **Strategic Implementation** is implementing the vision defined in the previous phase. In this phase, the strategy includes the operation of the current business model and the new business model implementation strategy.
4. **Strategic Adjustment** is the continuous refinement of the vision and implementation strategy. In this phase, the organization continues to understand performance and adjust the strategy accordingly.

Within these phases and four focus areas, specific actions need to be taken. Based on these responses, specific conversations and activities to help the organization navigate the transformation can be identified (e.g., see section 3.1 of this article). These conversations are unique to each phase and focus area of the transformation. The activities to implement the four areas of emphasis across the four phases of the transformation help the organization implement the new business model. The organization needs to be led through these activities.

This lesson learned is consistent with the literature lessons learned. The contemporary literature describes the different phases of a change or transformation. For example, authors point to the need to establish quick, short-term wins (e.g., Kotter, 1996). The strategy and overall transformation needs adjustment through learning (e.g., Mukherjee, Lapre, and Van Wassenhove, 1998; Hatch and Mowery, 1998).

**Lesson learned #4: Leaders play six roles in a transformation.**

These six leadership roles are vital to overcome the transformation challenges and to implement a strategic response. Organizational transformations require fundamental changes in the way each employee behaves on a daily basis. Employees will be expected to take on more responsibility to make the transformation successful. Other studies show that leadership has profound impacts on the workforce, morale, and ability to meet the mission.

The first role is to define a leadership style and team. The leader must decide on the leadership he/she will lead with. This style includes the role of strategy and the level of involvement in the strategy process. The second role is to provide a vision of the future. With the transformation’s challenge of developing a new business model, the leader must provide a vision of the future. This vision provides a context for decision making. The third is
to chart a course for the future and pick the right change approach. Once the vision is defined, the leader must help the organization determine the path to the future state. Different change approaches (e.g., evolutionary vs. revolutionary) can be used and must be selected carefully. The fourth role is to implement rational decisions and actions. Once the vision and path are defined, the leadership team needs to make decisions and take actions leading the company in walking down the path from the current state to the future state. Everyday decisions will need to be made in the context of the vision and change path to the future. The fifth role is to create an environment for strategy. The leader must create an environment in which the strategy process can thrive. An environment needs to be created in which an infrastructure supports the leadership team in making the strategy process work to deliver the desired outcomes. The leadership team needs to have open, honest strategic conversations, which lead to good decisions being made and accountabilities met. The sixth role is to demonstrate commitment. The management team must continuously demonstrate commitment to the transformation and strategy processes. You must communicate, act, and reward in alignment with desired outcomes. The leader needs to hold people accountable for making the change and for behaving in new ways in accordance with the new business model. The leader must play these six roles to create the environment in which accountability for the transformation can occur.

This lesson learned is consistent with the literature lessons learned. The contemporary literature describes the different roles of a leader. Many authors describe the activities a leader can take to support change (e.g., Simons, 1994; Kotter, 1996; Sink and Morris; 1995).

Lesson learned #5: The transformation is managed through the strategic management process.

As defined earlier, a transformation is the purposeful, intentional, consistent change in an organization’s business model. To manage the organization’s transformation an eight-step strategic management process is used. Strategic management is a continuous process aimed at aligning everyday actions with the organization’s long-term direction based on its customers’ needs. The strategic management process includes eight functions:

1. Set Strategic Intent is a group process (strategic planning) by which the organization defines or refines the organization’s vision, mission, goals, and objectives.
2. Deploy the Strategic Intent is the set of activities to share the strategic intent throughout the organization.
3. Set Strategy is the process (implementation planning) by which the organization develops specific strategies and actions to implement the strategic intent and defines the specific performance measures to track progress.
4. Deploy Resources assigns resources to the specific initiatives defined in “Set Strategy.”
5. Execute the Strategy is when the projects and activities are actually performed.
6. Deploy Results is the process by which the organization measures its performance in accomplishing goals and objectives.
7. Review performance is the process (performance evaluation) to review performance to produce lessons learned and recommendations on how to improve the organization and adjust the strategic intent.
8. Deploy Learnings is the use of the lessons learned and recommendations in the next cycle of strategic management.

This lesson learned is consistent with the literature lessons learned. The contemporary literature describes the importance of strategy in driving the transformation (e.g., Kaplan and Norton, 2007). The literature also points to the need for a systematic process to drive the transformation (e.g., Ackoff, Magidson, and Addison, 2006). Other authors describe the importance of project managing the change initiatives (e.g., Grover, 1999; Roberto and Levesque, 2005; Sirkin, Keenan, and Jackson, 2005). The strategic management process offers a systematic process to define the strategy, to align resources to the strategy, and to project manage the efforts. The strategic management process is a process to ensure the transformational activities are purposeful, intentional, and consistent.

In summary, this case provides insight into the five transformation questions:

1. Why does an organization need to transform?
   Lesson Learned #1. The need to transform is caused by the organization’s current business model being irrelevant, unresponsive, and unready—the organization is not producing the right product the right way.
2. What is a transformation?
   Lesson Learned #2: A transformation is the purposeful, intentional, consistent change of an organization’s business model over time.
3. How can an organization transform?
   Lesson learned #3: A strategic response focuses on implementing a strategic transformation path while navigating four phases of a transformation.
4. How can a leader enable the transformation?
   Lesson learned #4: Leaders play six roles in a transformation.
5. What is a systematic process to manage the transformation?
   Lesson learned #5: The transformation is managed through the strategic management process.

We can use these lessons learned to help build a theory of enterprise transformations for both leaders and researchers.
TOWARDS AN EMERGING THEORY FOR ENTERPRISE TRANSFORMATIONS

Taking the results from the literature and case study, we can begin to develop a model of enterprise transformations. The intent of this section is to provide a model of an emerging theory of enterprise transformations. To provide this theory we look at it from two perspectives: a practice theory (i.e., guidance to the leader) and a research theory, which offers some of the variables and questions to answer.

A Transformation Practice Theory

The transformation practice theory offers prescriptive advice to the leader on what the organization and leader can do to create a successful transformation. Figure 3 summarizes this practice theory. The practice theory looks to identify the very specific set of actions a leader can take to transform the organization. Many methods and tools (e.g., Simons, 1994; Kotter, 1996; Sink and Morris; 1995; Ackoff, Magidson, and Addison, 2006) can be used to implement the specific activities outlined in the Figure 3.

As defined earlier, a transformation is the purposeful, intentional, consistent change of an organization’s business model over time. To make this change over time, the transformation goes through four phases: understand

![FIGURE 3 Transformation practice theory.](image-url)
the need to change, strategic exploration, strategic implementation, and strategic adjustment. Throughout the four phases, the organization and leadership team is focused on four items: executing the business, continuously setting strategy, making the strategy real, and enabling the transformation. As a leader of a transformation, the question becomes, what actions do I need to take within each phase and within each focus area? Figure 3 provides an initial description of these major actions the organization and leader can take to implement a successful transformation. Each item within the cell of the figure is taken from both the literature and case study lessons learned.

To better understand the specific actions to take within this transformation practice theory, we need to further understand what actions should be taken to deliver the required outcomes. This need for increased understanding leads to our transformation research theory.

**Transformation Research Theory**

This transformation research theory offers a research focused model of the constructs, questions, and variables to consider when studying organizational transformations. By integrating the results from the literature review and the case study, we can develop an integrative model of enterprise transformations. This model represents an emerging theory for enterprise transformations. Figure 4 provides a graphical representation of this theory. The core of the theory is best described by the overall hypothesis:

Higher alignment of the enterprise transformation approach with the transformation need, internal context, and transformation challenges will lead to a higher overall performance of the transformation.

This model was developed by using the results of the literature review and case studies. Figure 5 provides a mapping of the findings to the emerging theory. This mapping was made by identifying the variables the lessons learned are describing. The intent was to move to a more generalizable and measurable variable-based model.

The “transformation need” construct was identified to provide a set of variables for describing the context creating the need to transform. Transformation need is defined by the concepts of external drivers (e.g., market and industry shifts), internal drivers (e.g., goal performance, processes, and capabilities), and the transformation need types (e.g., develop products and improve processes). The case study highlighted the different types of transformation needs. For example, KSC’s changes had different types transformations required. They had to modify internal processes in some cases. Other parts of the transformation focused on creating a new line of business.
FIGURE 4 An emerging theory of enterprise transformations.
**FIGURE 5** Mapping of findings to the emerging theory.

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<tr>
<td>The need to transform is caused by the organization's current business model being irrelevant, unresponsive, and unready—the organization is not producing the right product the right way.</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>A transformation is the purposeful, intentional, consistent change of an organization's business model over time.</td>
<td>X</td>
<td>X</td>
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<tr>
<td>A strategic response focuses on implementing a strategic transformation path while navigating four phases of a transformation.</td>
<td>X</td>
<td>X</td>
<td>X</td>
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</tr>
<tr>
<td>Leaders play six roles in a transformation.</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>The transformation is managed through the strategic management process.</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>X</td>
</tr>
</tbody>
</table>
The transformation needs construct is defined to describe the nature of the transformation.

The “internal context” construct is defined to describe the internal team available to lead, drive, and support the transformation. Both the literature and case studies point to the need for leadership. A support or infrastructure is also needed to help the leader enable the transformation and implement specific change initiatives.

The “transformation approach” construct is defined to describe the specific approaches and action taken to transform the organization. Again both the literature and the case study draw focus to the methods for transforming (e.g., strategic management and process improvement methodologies such as six sigma). This construct is part of the model to draw focus on the methods used to implement the transformation. Enterprise transformation success comes from understanding the transformation need and developing a transformation approach that will address the unique transformation challenges. The transformation approach will also be aligned with the internal context. This transformational alignment will lead to greater overall performance.

The “alignment of transformation” construct is defined to describe how well the three previous constructs (i.e., “transformation need,” “internal context,” and “transformation approached”) are aligned. By alignment we mean, how well do these elements work together to deliver what is needed. For example, if the transformational need requires an immediate response, a long-drawn out process improvement or culture change approach may not make sense. If the organization has two to three years to transform, then a more methodological and sustained effort is possible. In the KSC case study, they had both instances where a more immediate response was needed (e.g., transform operations contract management) and a longer-term evolution was needed (e.g., building a capability for technology development). The leadership team’s and the change infrastructure’s capabilities also influence the type of transformation that can be undertaken and the transformation’s performance.

The “performance” construct is defined to describe the success of the transformation’s efforts. Performance contains three elements: transformation readiness, transformation performance, and enterprise performance. First, transformation readiness describes how well the organization is ready to transform—how well the organization is providing a consistent, intentional, purposeful approach to the transformation. Second, the transformation performance describes how well the organization is implementing the needed changes in the organization. Third, enterprise performance describes the actual goal performance (e.g., financial performance) of the organization.

Further research needs to be completed to further test this model. Each one of these constructs needs to be further defined with appropriate the measurement approaches defined as well.
Research Questions

Table 1 provides a set of research questions related to enterprise transformations. These questions were developed by the authoring reflecting on what knowledge needs to be created. These questions can be used to help identify future research projects. Each set of questions is related to an element of the enterprise transformation model provided in Figure 4.

In addition to the questions related to the model, further questions can be explored related to the research process used to answer the model questions. These questions include:

- How does researcher involvement impact the transformation process?
- What are the appropriate roles of the researcher?
- How can the researcher be better prepared to produce useful knowledge?
- What are the research processes and tools?
- How can industry more effectively participate in the research process?

Researchers can use these questions to help scope the body of knowledge on enterprise transformations.

<table>
<thead>
<tr>
<th>Model element</th>
<th>Research questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Transformation needs</td>
<td>• What are the different types of transformations?</td>
</tr>
<tr>
<td></td>
<td>• What are the combinations of external drivers and business models that lead to the different types of transformation?</td>
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<td></td>
<td>• How are “proactive” and “reactive” transformation types different?</td>
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<td></td>
<td>• What challenges does an enterprise transformation create?</td>
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<td></td>
<td>• Under what conditions do the different challenges become important?</td>
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<tr>
<td></td>
<td>• How do the different transformation challenges impact the type of transformation approach to take?</td>
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<tr>
<td>B. Internal context</td>
<td>• What are important elements of the internal context to focus on?</td>
</tr>
<tr>
<td></td>
<td>• How does leadership team, change infrastructure, and culture impact the type of transformation approach to take?</td>
</tr>
<tr>
<td>C. Transformation approaches</td>
<td>• What are the different types of transformation approaches?</td>
</tr>
<tr>
<td></td>
<td>• What are the elements of a transformation approach?</td>
</tr>
<tr>
<td></td>
<td>• How does transformation approach impact transformation performance?</td>
</tr>
<tr>
<td>D. Alignment of transformation approach with transformation need, internal context, and transformation approaches impact performance?</td>
<td>• How do we measure transformation approach alignment?</td>
</tr>
<tr>
<td></td>
<td>• Are some approaches better aligned than others?</td>
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<tr>
<td></td>
<td>• How does the enterprise transformation approach and alignment need to change over the life cycle of the transformation? What needs to be emphasized in each phase?</td>
</tr>
<tr>
<td>E. Overall performance</td>
<td>• How can we measure enterprise transformation readiness?</td>
</tr>
<tr>
<td></td>
<td>• How can we measure the performance of the enterprise transformation?</td>
</tr>
<tr>
<td></td>
<td>• How do we measure enterprise performance?</td>
</tr>
</tbody>
</table>
CONCLUSIONS

From this article, two conclusions are made. First, a model and set of specific actions can be defined for the leader to take to implement a transformation. These actions are intended to ensure the transformation is successful. From the literature review and case study a set of lessons learned were identified. These lessons learned focused on the role of leadership, strategy, change methods, change infrastructure, and the nature transformations. Specific actions can be defined across the life-cycle phases of a transformation. However, not all transformations are the same. Therefore, this practice theory needs to be adapted to different transformations. We need to understand the practice of transformations better.

Second, a set of constructs and variables can be abstracted from these lessons learned. Using the lessons learned an overall research model was developed. This model highlights how the alignment of the transformation need, internal context, and the transformation approach impact overall performance. This model was based on lessons learned from the literature and a detailed case study. We need to conduct further research to build deeper understanding about enterprise transformations. Both the literature and the case study point to the need for further research. Not all transformations are successful. To help address the challenges of enterprise transformations, we need a theory and robust knowledge set focused on enterprise transformations. The intent of this article was to provide an initial theory to build from. This theory needs to offer a perspective to help the practicing leader take action and a perspective for the research to study transformation.

REFERENCES


