



# Transforming and Digitizing

Connecting Expertise  
and Innovation  
Across a Diverse  
Latin America

Mario A. Angelastro

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High performance. Delivered.

## About the Book

"You may think this book is of narrow scope, Business Transformation in Latin America. However, this is really a deep reflection, with plenty of experience, about leading change and managing organizations towards a digital world, in diverse, complex and dynamic environments"

*Professor Alfredo Enrione – Director at ESE Business School – Universidad de los Andes – Chile*

"A firm has the strategic imperative to renovate and respond to the challenges and opportunities it faces, particularly in today's environment, characterized by an impressive advance of the "digital world". We know we have to change, but it is not easy for us to engage in a successful transformation of businesses. Hence the value of the methodology that Mario Angelastro offers us in this book, which is a distillation of his many years of experience as a consultant at Accenture, and of his reflection and study of the themes of transformation and digitization."

*Professor Nicolás Majluf – Industrial and Systems Engineering Department –  
Pontificia Universidad Católica de Chile*



## About the Authors

**Mario Alberto Angelastro** has been the main author of the book.

He has career degrees from Instituto Tecnológico de Buenos Aires as Industrial Engineer and as Electrical Engineer. He has a certificate in Company Direction by the Institute of Directors of the United Kingdom.

He worked at Accenture for almost 35 years, 23 of them as Managing Director (equivalent to Partner), being for many years the Lead Managing Director of the Management Consulting service line and the Products industry operating group, both for Hispanic South America, and also the Sales Lead Managing Director of the Products industry operating group for Latin America.

He is the President of Aportes de Gestión para el Tercer Sector of Chile, a non-profit organization that helps NGOs improve their organizations' management through the voluntary work of Senior Professionals in the Private Sector.

He is a Visiting Professor at the Pontificia Universidad Católica de Chile for the Competitive Strategy Chair of the Industrial Engineer Magister.



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## Prologue

*"You must be the change you wish  
to see in the world"*

Mahatma Ghandi

For companies and organizations across the diverse Latin America, Digital Business is rapidly becoming a "land of opportunities" that materializes through Business Transformations.

"Transforming and Digitizing – Connecting Expertise and Innovation Across a Diverse Latin America" is a book that has been developed by Mario Angelastro, our colleague at Accenture Latin America for almost 35 years till January 2016, and a Team of Accenture's Regional and Global Experts, to help Readers get integrated answers to the following questions:

- Which are the [Key Factors that make Great Business Transformations possible](#)? Which are the company's or organization's core capabilities required to support these key factors?
- [Connecting Expertise and Innovation](#) – Which are Digital Business' key concepts and characteristics? Why and how are Great Business Transformations' key factors almost fully applicable to Digital Business-based Business Transformations?
- [Across a Diverse Latin America](#) – Which are the country characteristics that determine the "natural" conditions for effective Business Transformations across a diverse Latin America? Why and how do Great Business Transformations' key factors facilitate a positive management of these country characteristics?

- [A Case for Action](#) – How to assess and project a company or organization in terms of its maturity to pursue Great Business Transformations, including those Digital Business-based, across a diverse Latin America? And how to identify and design these Great Business Transformations?

This book will help us find in Great Business Transformation expertise, new ways to take advantage of the extraordinary innovation phenomenon of Digital Business and the diversity of Latin America.



**Andrés I. González**

Accenture

Capability Network LATAM Lead



**Sergio G. Kaufman**

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*"In the middle of difficulty lies opportunity"*

Albert Einstein

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## SECTION 0 – GENERAL INTRODUCTION

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# 0100: Book Acknowledgements

## A Genuine Piece of Teamwork

When I think of all the people that I wish to acknowledge for having supported and helped me in first obtaining the approval to begin this project, and then in the final writing, editing, and publishing, it becomes clear that the final product has really been developed by a number of highly professional and collaborative parties and people, **a genuine piece of teamwork**.

In particular, I wish to thank:

Sergio Kaufman, the President of Accenture Hispanic South America, who was the first person with whom I shared the idea of writing this book, roughly three months before my retirement from Accenture. Sergio was immediately enthusiastic and became the Senior Sponsor of this initiative.

Andrés Gonzalez, the Managing Director responsible for the Latin America Strategy Center, who shortly after my retirement from Accenture took on the role of Sponsor of the book. Andrés was a huge help from the very start, and strongly supported me on many occasions and in various ways throughout the development process.

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All the senior and innovative experts from Accenture who developed the Accenture points of view that I used as components or references for some of the book chapters, through all the book and particularly in relation to Digital Business in Sections 2 and 3, and in Business Transformation Key Concepts in Appendix 1.

All the Accenture's personnel and people from Accenture's clients that participated in the real-world execution of the described relevant cases who, thanks to their commitment to high performance, made them Great Business Transformations.

Finally, my wife Ernestina and my sons Rodolfo and Federico, who unconditionally and lovingly supported me throughout the wonderful yet demanding 35 years that I served with Accenture across Latin America, 23 of them as Managing Director.

I offer each of you my most sincere and profound thanks.

A handwritten signature in black ink that reads "Mario". The signature is written in a cursive, flowing style. Below the name, there is a horizontal line that starts under the 'M' and extends to the right, ending under the 'o'.

**Mario A. Angelastro**

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## 0200: Book Introduction

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### Book Focus

This book focuses on companies and organizations operating in Latin America.

### Book Rationale, Purpose, and Content

#### *A Bridge: Connecting Expertise and Innovation*

The "Digital Business Revolution", through business-, data-, and technology-driven Business Transformations, often new business developments, is changing the world at high speed (for definitions, please refer to Book Definitions at the end of Section 0200).

With the "Digital Business Revolution" we left an era when usually business best practices had higher requirements than technology capabilities, and entered an era when frequently technology capabilities have higher potential than business

best practices, thus genuine business innovation is now feasible and is creating new opportunities and threats.

In a number of diverse ways, Digital Business has started to rapidly progress in Latin America, where it is inspiring most companies and organizations to redefine or rethink their strategies.

Unlike what happened with the "evolution to integrated ERPs (Enterprise Resource Management solutions)", when being either the pioneer or the follower could have a controllable business impact, in



the "Digital Business Revolution", being the pioneer or the follower may have a profound and lasting business impact on the company's ability to achieve a viable and successful massive new Digital Business and protect the current already successful legacy/non-digital business.

This, along with the globalization of technology, knowledge, and talent, is the main reason why, with the "Digital Business Revolution", Latin American companies (both local and global) are being much more proactive than before with the "evolution to integrated ERPs". Therefore the "digital gap" between North American and European countries versus Latin American countries is closing much faster than the "ERP gap" between the same regions, which closed at a much slower rate during the late 1990s and 2000s and early 2010s.

Creating growth in a digital environment requires a sophisticated understanding of business and technology, a sensibility to focusing on the customer and innovation, soundness in strategy and roadmaps, and strength in functional execution. All this requires that companies and organizations effectively manage a mix of Digital Business and Business Transformation capabilities.

Given the above, **one of the purposes of this book is to serve as a practical bridge between:**

**(a) relevant accumulated Business Transformation expertise**, applicable with reasonable updates and specificity to most types of business transformation, including those related to today's agile Digital Business, and

**(b) innovative emerging Digital Business opportunities and challenges.**

To support this objective, the book features:

- A number of **relevant business transformation cases**, successfully carried out in companies and organizations across Latin America, some of which had already leveraged Digital Business. This includes a detailed review of the **key factors, that were common across the relevant cases included in the book and other cases in which Accenture participated, that were leveraged to make them "Great Business Transformations"**, identifying the **specific core business and operating model capabilities that the companies required to make themselves capable of applying those key factors.** [\(Section 1\)](#)
- A **point of view with regards to Digital Business**, and how it is generating transformation across the world in general and Latin America in particular, both transforming existing and developing new

companies or organizations, and **how to strategically embark on leveraging Digital Business.** ([Section 2](#))

- A **point of view with regards to the Digital Business connection to Business Transformation**, and how the key factors that make Business Transformations related to Traditional Business become "Great Business Transformations" are almost fully applicable to those Business Transformations related to Digital Business. ([Section 3](#))
- Some **key concepts (approaches and methods) related to Business Transformations**, e.g., how thorough business and operating models need to be, and how change management should be approached in this new era, considering the characteristics of the new generations of stakeholders. ([Appendix 1](#))

**The following types of relevant cases have been included:**

- New Business Strategies and Architectures Implementation: [Clínica Universidad de los Andes](#).
- Supply Chain Transformations: [YPF](#).
- Digital Business Transformations: [SABMiller Latin America and Open Innovation in the Brazilian Financial Industry](#).
- Global or Regional Integrations: [Techint \(Tenaris\) and Unilever Latin America](#).
- Geographic Expansions and Post Merger Integrations: [Santander Uruguay](#).

### *A Roadmap: Across a Diverse Latin America*

The diversity of countries in Latin America across multiple characteristics, such as investment, market, labor, technology and logistics, specific limitations, suggests that these countries have different "natural" conditions to embrace Business Transformation. Initially, some countries may be well-positioned for profound Transformational Changes while others might be oriented more toward Continuous Improvements.

Selecting the most challenging characteristics per country and ensuring that the Business Transformation includes the key factors relevant to managing those challenging characteristics, allow

the pursuit of "Great Business Transformations", regardless of the country or countries where the Business Transformation will take place.

**Given the above, another goal of this book is that it might serve as a practical roadmap for:**

**(a) characteristics of Latin American countries for the execution of Business Transformations, as compared to a reference country** that is a mix of three countries that, according to the World Bank 2015 Ease of Doing Business Index, are the best positioned countries in their respective regions: New Zealand in Asia Pacific (positioned second worldwide) (note 1), Denmark in Europe (positioned third worldwide), and the United States in the Americas (positioned seventh worldwide), and

**(b) how the company or organization is taking into account, based on Business Transformation definitions, the characteristics of Latin American countries and how it is dealing with those characteristics.**

Note 1: Singapore (positioned first worldwide) has been excluded from the analysis, given that country's unique geographical, political, and economic characteristics.

To support this goal, the book features:

- The **characteristics of Latin American countries** in relation to the execution of Business Transformations at local, regional, or global companies and organizations, as compared to a reference country, and how to positively manage these characteristics. (Section 4)

### *A Case for Action: Maturity in and Opportunities for Business Transformation*

Finally, it is expected that the book will provide practical advice to help Readers:

**(a) Position, in terms of maturity, their companies or organizations in relation to the different approaches described and recommended throughout the book.**



**(b) Identify valuable, innovative and relevant opportunities for Business Transformation at companies, and design valuable and competitive top-down solutions for such opportunities.**

To support this goal, the book includes:

- **A questionnaire that Readers can review and answer in relation to their company or organization, focusing on the following areas** (Section 5):
  - How is the company or organization **identifying and designing the required Business Transformations, including those related to Digital Business?**
  - How is the company or organization **taking into account, in the Business Transformation definitions, the characteristics of Latin American countries, and how is it dealing with those characteristics?**
  - How is the company or organization **executing the defined Business Transformations, including those related to Digital Business?**

It is recommended to answer the questionnaire from three different perspectives.

- (1) Describing the current situation at the beginning of their reading of the book: **current situation initial perspective.**
- (2) Describing the current situation at the end of their reading of the book: **current situation perspective.**
- (3) Describing the expected situation at the end of their reading of the book: **expected situation perspective.**

The gap between answers (1) vs. (2) vs. (3) will help the Reader identify some preliminary opportunities to continue to evolve the company or organization's practices and capabilities for Business Transformation.

- **A point of view about how to identify and design a Great Business Transformation, including those related to Digital Business** (Section 5).

## Book Definitions

According to Accenture, **Digital Business** delivers growth and results by creating unique customer experiences through new combinations of business resources and digital technologies that produce innovative outcomes designed to meet the new expectations of the digital world. It executes a unique digital strategy that looks beyond what technology makes possible to what Digital Business models can make profitable.

According to the book authors, **Business Transformation** is about achieving advantage through the occurring or induced shifts in the business, in order to materialize dimensional value growth for stakeholders.

## Book Characteristics

- The book has been written to allow its reading in sequential flow, from Section 1 to Section 5, supported by Appendix 1, or in an indexed customized flow.
- For some of the relevant Business Transformation cases, the book includes a digital extrapolation of those cases, considering a theoretical update by Digital Business that is available and feasible today.
- As this book deals with Transforming and Digitizing, it has been developed in a full digital and thus interconnected and interactive version.

We hope that you will enjoy this book and that it will bring value to your business and your career.

A handwritten signature in black ink that reads "Mario". The signature is written in a cursive, flowing style. Below the name, there is a horizontal line that starts under the 'M' and extends to the right, ending under the 'o'.

**Mario A. Angelastro**



# A Bridge: Connecting Expertise and Innovation

*"Whenever you find yourself on the side of the majority, it is time to pause and reflect"*

Mark Twain

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## 1100: Business Transformation Definition

According to the book authors, Business Transformation is about achieving advantage through the occurring or induced shifts in the business, in order to materialize dimensional value growth for stakeholders.

- Digital transformations, generated by Digital Business, are an increasingly important set of business transformations.
- Achieving advantage is supported by innovating, strategizing, implementing, operating, and sustaining/exceeding how business is conducted.
- Shifts in the business may occur in the market, in the company or organization, and in the processes and technology, as the latter is currently being intensively supported by digital technology.
- Stakeholders may be any one or a combination of shareholders, clients, personnel, partners, vendors, government, society, etc.
- Dimensional value growth encompasses both relevant economic value generation and market relevance improvement.

**Business Transformation presents a continuity of alternatives between Continuous Improvement and Transformational Change.**

Business Transformation Alternatives

	Continuous Improvement	→	Transformational Change
Their Key Characteristics	Evolutionary approach, improving current model with continuous initiatives of medium/low impact.	→	Revolutionary approach, replacing current model with new model aligned to strategy with program-based initiatives of high impact.
	Sponsored by C-Level but usually executed by Management level for medium/small company or organization scale.		Sponsored by C-Level and usually executed by C-Level and Management for large company or organization scale.
	Usually focused on cost avoidance.		Usually focused on demand generation and cost avoidance.



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## 1200: Business Transformation Relevant Cases

The objective of Section 1 is to present and describe some relevant cases of achieved Business Transformations in Companies in Latin America.

The following types of relevant cases and the following relevant cases are discussed.

	Type of Relevant Case	Relevant Case	Country	Industry
1	New Business Strategies and Architectures Implementation	<a href="#">Clínica Universidad de los Andes</a>	Chile	Education and Health
2	Supply Chain Transformations	<a href="#">YPF</a>	Argentina	Oil and Gas
3	Digital Business Transformations	<a href="#">SABMiller Latin America</a>	Latin America	Consumer Goods
4	Digital Business Transformations	<a href="#">Open Innovation in the Brazilian Financial Industry</a>	Brazil	Banking
5	Regional Integrations	<a href="#">Unilever Latin America</a>	Latin America	Consumer Goods
6	Global Integrations	<a href="#">Techint (Tenaris)</a>	Global by Latin America	Metals
7	Geographic Expansions and Post Merger Integrations	<a href="#">Santander</a>	Uruguay	Banking

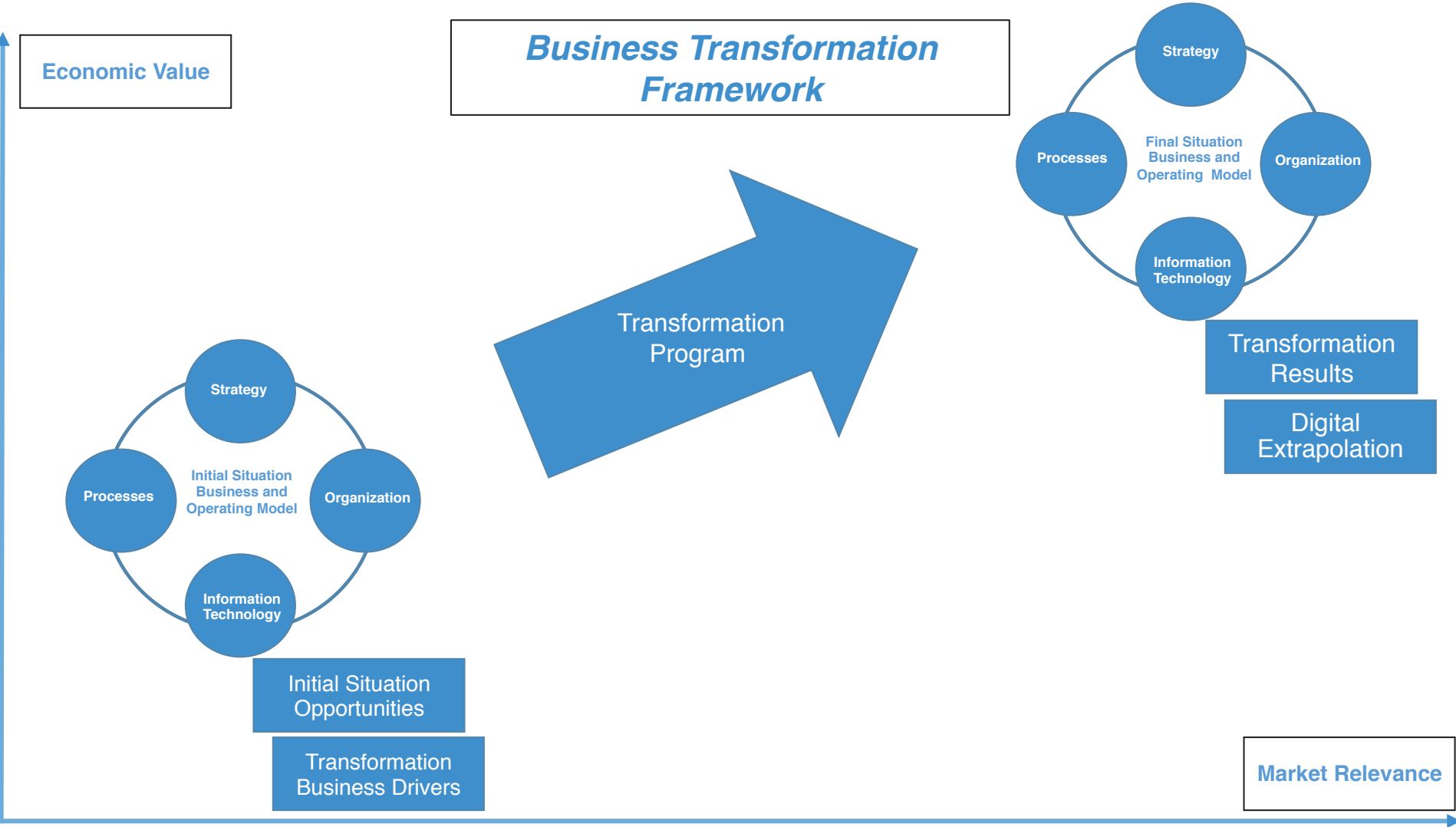
The cases are distributed throughout a period of 16 years according to the time chart described in Chapter 1210: Time Chart of Relevant Cases.

This chapter will utilize the following framework to describe the key concepts of each Business Transformation case.

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The correlation among the key concepts described in Appendix 1 and those described in Section 1 is as follows:

[G-1200-01]



Key Concepts According to Appendix 1		Key Concepts According to Section 1
1	<a href="#">Business and Operating Model</a>	Initial Situation: Business and Operating Model, Final Situation: Business and Operating Model
2	<a href="#">Business Drivers</a>	Initial Situation: Opportunities, Transformation Business Drivers
3	<a href="#">Business Case</a>	Transformation Business Drivers
4	<a href="#">Roadmap</a>	Transformation Program
5	<a href="#">Value Realization Plan</a>	Transformation Results
6	<a href="#">Program Governance</a>	Transformation Program
7	<a href="#">Program Management</a>	Transformation Program
8	<a href="#">Change Management</a>	Transformation Program
9	<a href="#">Risk Management</a>	Transformation Program

**Note:**

Company and Transformation Profile and Complementary Analysis are part of Section 1 framework but do not represent key concepts in Appendix 1.

For some of the relevant Business Transformation cases, the book includes a digital extrapolation, considering a theoretical update by Digital Business that is available and feasible today.

Most of the graphs included in the relevant case chapters respect the "look and feel" of the graphs utilized in the working papers developed during the corresponding Business Transformation programs.

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## 1210: Time Chart of Relevant Cases

The relevant cases described in Section 1 are distributed throughout a period of time from 2001 until 2016, an era that was characterized by numerous global and local major/economic events that greatly influenced the markets in which the companies and organizations operated and executed these Business Transformations.

Through a time chart that includes the information discussed below, this chapter provides a summary description of these global and local major/economic events.

- Global major/economic events.
- Reference countries' (New Zealand, Denmark, and the United States) governments and major/economic events.
- Latin American countries' (Argentina, Brazil, Chile, Colombia, Mexico, and Peru) governments and major/economic events.



## (2001-2016) Economic Events & Country Governments

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## 1220: Deep Dive into Relevant Cases

As it was before mentioned, the following relevant cases, encompassing different types of Business Transformations, have been included in the book:

[1221: New Business Strategies and Architectures Implementation: Clínica Universidad de los Andes](#)

[1222: Supply Chain Transformations: YPF](#)

[1223: Digital Business Transformations: SABMiller Latin America](#)

[1224: Digital Business Transformations: Brazil Financial Industry](#)

[1225: Regional Integration: Unilever Latin America](#)

[1226: Global Integration: Techint](#)

[1227: Geographic Expansions and Post Merger Integrations: Santander Uruguay](#)

Please, enjoy the reading of them.

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# 1221: Universidad de los Andes – Chile

## Company's Introductory Words

Clínica Universidad de los Andes has been one of the most relevant projects ever held at the University.

Starting with the Institutional Strategic Planning process of the University and then continuing with the Strategic and Tactical Planning, the Operative Design, and the Implementation of the Clinic, this comprehensive Program materialized the University Founders' plan to develop a university clinic with world-class standards, processes, and technology, with the purpose of facilitating the University to become more relevant in the education, research and practice of medicine.

Fundamental for the results was that this initiative was central to the University's strategy and main focus of the University's expansion, was fully sponsored by the Senior Counsel and the Dean, closely managed by the Clinic C-Level, and supported by a solid program, change, and risk management from beginning to end.

Probably the value of intensive integration was the most important takeaway, as this program involved work streams of a very different nature and people with very diverse backgrounds and skills.

### **Jorge Laso**

Clínica Universidad de los Andes  
Chief Executive Officer

**Case Authors** Miguel Pochat and Mario Angelastro.

## Company and Transformation Profile

---

**Organization Name** **Universidad de los Andes**

**Transformation Type** *New Business Strategies and Architectures Implementation – the Clinic – from Strategy to Operation*

**Management Theme** *Why, in a market with pre-existing available alternatives that was undergoing a turbulent economic period from mid-2006 to 2014, did Universidad de los Andes decide to develop, from scratch, a world class clinic?*

**Transformation Name** Proyecto Clínica (Clinic Project)

**Organization Profile** Universidad de los Andes (UAndes) is a very well-known university, based in Santiago de Chile. It was founded in 1989, inspired by the ethos of Opus Dei. UAndes Medicine School opened its doors in 1991.

The main campus of UAndes is located at San Carlos de Apoquindo, in the area of Metro Santiago, where it has operated since 1995.

UAndes expanded its educational scope throughout the 1990s and the first half of the 2000s.

In 2006, UAndes executed a full-scope Institutional Strategic Planning process that revisited its mission, vision, and principles, and determined the strategic intent and a roadmap for the following five years.

## Initial Situation: Business and Operating Model

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### **Strategy**

The 2006 Institutional Strategic Planning process confirmed that, to become more relevant in the education, research and practice of medicine, UAndes needed to establish its own clinic, Clínica Universidad de los Andes (CUAndes).

This clinic would be integrated with the Medicine School, built in the university main campus and structured with world-class standards, processes, and technology.

Note: UAndes developed its Institutional Strategic Planning in a comprehensive and structured way, intensively involving its senior organization and carefully following a sound strategic planning methodology.

### **Organization**

From the very start, the CUAndes program was sponsored by the senior organization of UAndes, primarily the Senior Counsel and the Dean, and was led by a CEO specifically appointed for the program.

### **Processes**

Even though UAndes supported Hospital Parroquial de San Bernardo, also located in the area of Metro Santiago, and had a number of agreements with other hospitals in which the UAndes' students learned the practice of medicine, UAndes had no clinic before the development of CUAndes, so no pre-existing processes were available.

### **Information**

Similarly, no information systems were available for CUAndes.

## Initial Situation: Opportunities

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*What were the UAndes objectives for the development of this brand new, world-class clinic?*

### **Strategy**

To become more relevant in the education, research, and practice of medicine, UAndes needed to develop its own clinic, CUAndes.

### **Market**

As this initiative required the development of a brand new clinic, UAndes had the opportunity to define the CUAndes strategy and thus its market positioning, taking into account UAndes' revisited mission, vision, and principles, as well as its capabilities and potential, and the market requirements and challenges.

### **Organization**

As UAndes had neither a clinic-specific organization nor the majority of the required personnel in place, UAndes had the opportunity to define its preferred organizational structure and personnel profile.

### **Processes**

Similarly, as UAndes did not have a set of pre-existing clinic-specific processes, it had the opportunity to define its preferred processes.

However, when UAndes developed its Strategy in 2006, the University decided that CUAndes would be part of the same fiscal entity, and therefore would have common back-office processes for both academic and clinical purposes.

### **Information**

Finally, since back-office processes would be the same, UAndes decided to use a common Enterprise Resource Management (ERP) system for academic and clinical purposes.

So, the back office (ERP) would be primarily served by UAndes and the front office, comprising among other systems the Hospital Information System (HIS) and the Laboratory Information System (LIS), would be the main focus of CUAndes.

## Transformation Business Drivers [\(A120\)](#) [\(A130\)](#)

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*How did UAndes bring value to the community and the University through the opportunities it introduced with the development of a new world-class clinic?*

### Options

UAndes had two clear options:

- (1) To continue with the agreements with other hospitals where the UAndes students were learning the practice of medicine, leading to potential issues such as insufficient capacity and different positioning.
- (2) To establish its own brand new clinic, CUAndes. This would obviously be a very complicated undertaking, but it would also generate a significant opportunity.

### Decision Process

The Project of developing a university clinic was already a part of the foundation plans for UAndes in 1989, and the initiative was reconfirmed as a key component of the Institutional Strategic Planning that was executed during 2006.

### Conclusion

The defined CUAndes program objective was to facilitate the development of undergraduate and graduate activities in various healthcare career paths and to strengthen the UAndes' network of clinical fields, while providing a facility for the ongoing training and specialization of its professionals.

### Conditions

As the CUAndes team was composed of people from very diverse backgrounds, some with expertise in other clinics and some without it, change management would need to drive a shared culture, one that was inspired by the ethos of Opus Dei.

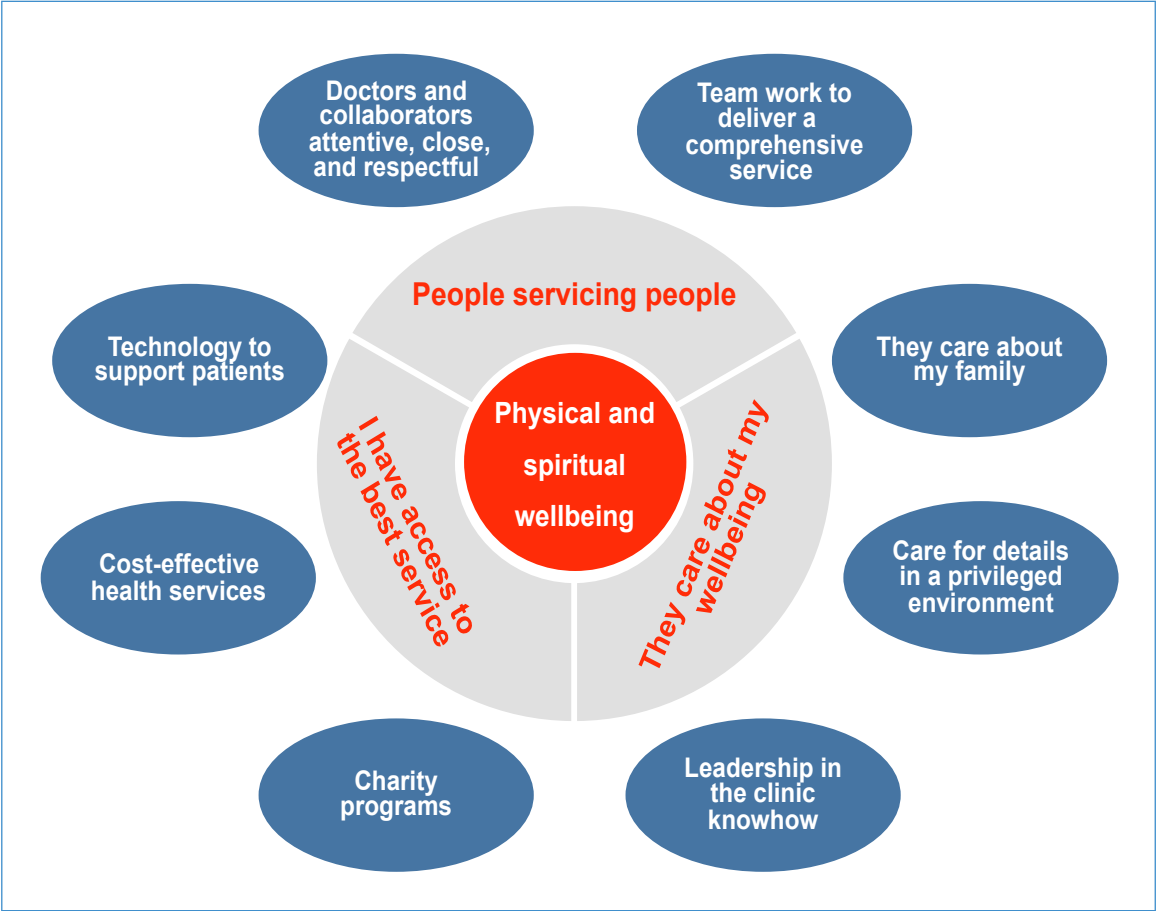
### Rationale

**Positioning Statement:** Clínica Universidad de los Andes is the best option for those seeking a **comprehensive, quality clinical care**, where zeal for service and support of its professionals will make them feel that there are **people serving**



**people**, in order to **regain their patients' physical and spiritual health** while supporting their families, and in addition **training professionals who are appreciated and valued for their skills, solidarity, and ethical behavior.**

[G-1221-01]



## Transformation Program [\(A140\)](#) [\(A160\)](#) [\(A170\)](#) [\(A180\)](#) [\(A190\)](#)

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### Actions

The CUAndes program needed to operate on multiple fronts: some related to the physical construction of the clinic and others related to its practice/business development. This transformation case deals only with the practice and business development of the CUAndes program.

### Governance

Please refer to Initial Situation Organization.

### Latin American Characteristics

**Key Characteristic:** Chile counts with a combined health system.

**History of the Mixed System:** The state sector was consolidated in 1952 with the creation of the National Health Service, which had as many as 33,000 beds (90 percent of the country total) and provided most of the medical consultations and diagnostic tests nationwide. The National Health System had historic significance in health development in Chile and was a pioneer in Latin America, but eventually began to undergo problems arising from an extreme concentration of resources, in which the state had a major role in terms of service administration and delivery. ISAPRE Health Insurance institutions came into existence in 1981 under the enactment of Ministry of Health's D.F.L. No. 3, giving rise to one of the most far-reaching reforms in the sector. This allowed the private management of compulsory contributions of workers' health, while recognizing the freedom and capacity of people to choose the health system of their preference.

**Rationale for the ISAPREs:** Therefore, Health Insurance institutions, subject to the rules of free market and free health initiative, deliver maximum benefits to offer the best health services alternative to the population. Conversely, the state should focus its efforts on coordinating tasks in order to promote, protect, and allow those most in need to have access to health, and ensure that these actions are developed according to an efficiency level in line with the scientific and technological advances available. The free health initiative contributes to the development of new investments and the improvement services in order to meet the increasing

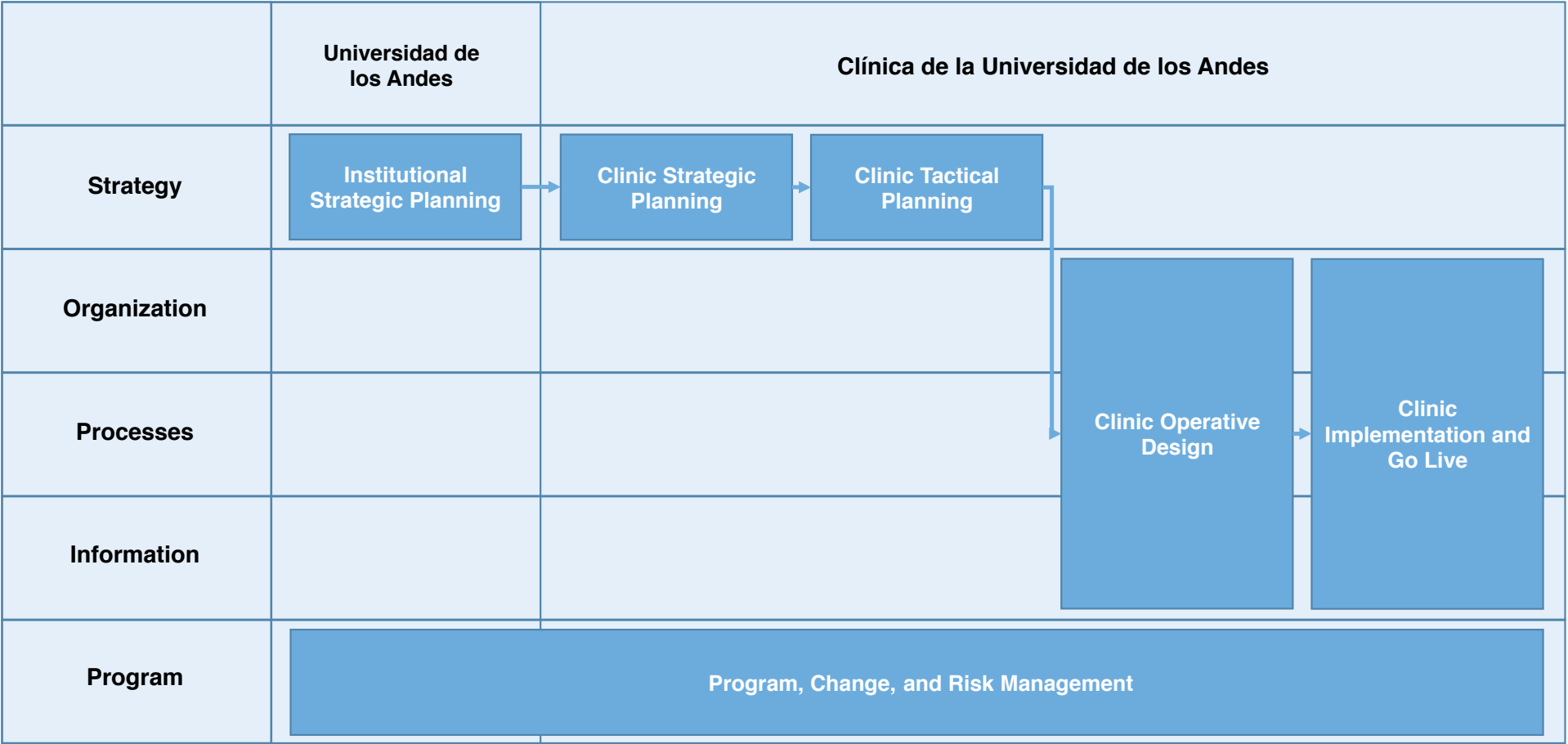
quantitative and qualitative demand of medical services. From this perspective, the ISAPREs play a very important social role, which has been refined through the efforts, entrepreneurship, and motivation generated by healthy competition. There are currently 13 ISAPREs, of which seven are open contestants. Source: ISAPREs of Chile ([www.isapre.cl](http://www.isapre.cl)).

## Methods

The practice and business development of CUAndes included:

- (1) **The Institutional Strategic Planning** process of UAndes that revisited its mission, vision, and principles, and determined the strategic intent and the roadmap for the following five years of the university. This process confirmed that UAndes needed to establish its own clinic, CUAndes.
- (2) **The Clinic Strategic Planning** phase that, in addition to the mission and vision of the CUAndes, defined the required organizational capabilities, the business model in terms of strategy and positioning, the service portfolio both for clinical and academic services, the operative model, and an updated business case.
- (3) **The Clinic Tactical Planning** phase that sized the required clinical and infrastructure capabilities, defined the information technology model and plan, and the financial plan in terms of CAPEX and OPEX.
- (4) **The Clinic Operative Design** phase which defined the clinical and support processes, and detailed the organizational structure and management, the physical and technological infrastructures, the key performance indicators (KPIs), and the implementation plans.
- (5) **The Clinic Implementation Plan and Go Live** phase where, in order to ensure the readiness of the clinic, a "mock" Go Live was implemented for several weeks. Infrastructure, technology, processes, and systems were tested by the clinic organization using contracted actors that played patients, visitors, etc.

[G-1221-02]



In addition, there was a "Comprehensive" Program Management Office that encompassed all the development tasks, including those related to practice/business and physical construction.

## Final Situation: Business and Operating Model

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### Strategy

The Clinic Strategic Planning program determined the mission and vision of the CUAndes.

**Mission:** Clínica Universidad de los Andes seeks to provide the patients and their families with health care that respects their dignity, safeguards their privacy, and contributes to their physical and spiritual well-being. For this purpose, it applies the best clinical practices, encourages interdisciplinary work, and stimulates research within the framework of the Christian conception of the individual. Inspired by the spirit of Opus Dei, it helps train health professionals by appreciating good work and the desire to serve others.

**Vision:** Clínica Universidad de los Andes seeks to perform a clinical practice of excellence, with a treatment that is warm and respectful of the dignity of the patient and their family. It aims to be recognized as a prestigious teacher training and research center, one that promotes teamwork as well as the professional and personal growth of its members, in close collaboration with other national and foreign institutions. The recognition and trust of many people will allow it to have the means to benefit low-income people through its services.

### Organization

Throughout the development of the program, the organization was continuously reviewed and, through waves as it approached Go Live, extended to complete clinical, commercial, operational, administrative, and other functions.

CUAndes is now fully integrated with UAndes and operates through the following structure: a Board that is chaired by the Dean of UAndes, a Council that is chaired by the CEO of CUAndes, and an Ethical Committee that is chaired by a prestigious medical doctor.

**Processes**

CUAndes defined and implemented a modern process model to consider the process requirements to achieve the accreditation of the Joint Commission on Accreditation of Healthcare Organizations of the United States (JCAHO). This model is supported by world-class information technology. Note: JCAHO certification is planned for when CUAndes has been operating for a number of years.

**Information**

Key systems include Enterprise Resources Management (ERP), the Hospital Information System (HIS), and the Laboratory Information System (LIS). CUAndes, in line with UAndes, adopted and implemented SAP.



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Transformation Results

Value Realization	In 2013, CUAndes carried out a multistep program to go live in 2014 with a first phase scope of services and infrastructure (35,000 square meters).
Conclusions	<p>(1) To become more relevant in the education, research, and practice of medicine, UAndes established its own clinic, CUAndes.</p> <p>(2) UAndes recognized the importance of having a structured program sponsored by the senior organization of UAndes and led by a CEO specifically appointed for the CUAndes program, executed by an almost full-time team, supported by proven models and methods and by best practices in program management, change management, and risk management.</p>
Key Factors (*) (1300) (1400)	<p><b>1. Massive Importance: HIGH</b> – Very important strategic (broad expansion to a different and complementary activity) and financial decision (huge investment, requiring both philanthropic and financial funds).</p> <p><b>2. "The Strategy" Alignment: HIGH</b> – The Project of developing a university clinic was already a part of the foundation plans of UAndes by 1989, and the initiative was reconfirmed as a key component of the Institutional Strategic Planning that was executed during 2006.</p> <p><b>3. Right Moment: HIGH</b> – The defined CUAndes program objective was to facilitate the development of undergraduate and graduate activities in various healthcare career paths and to strengthen the UAndes' network of clinical fields, while providing a facility for the ongoing training and specialization of its professionals.</p> <p><b>4. Enthusiastic Driver: HIGH</b> – From its earliest stages, the CUAndes program was actively sponsored by the senior organization of UAndes, primarily the Senior Counsel and the Dean, and was enthusiastically led by the CEO specifically appointed for the program.</p>

(\*) Please, for a description of the Key Factors, refer to Chapter 1300: Business Transformation Key Factors.

**5. "Prima Donna" Program: HIGH** – At the time, this was the main focus of the expansion of UAndes activity.

**6. Full Stakeholders: HIGH** – All sponsors and areas of UAndes, as well as in government at different levels; doctor and nurse communities; health insurers; vendors of construction materials, equipment, and applications; consultants, etc., were adequately involved.

**7. Design for Sustainability: HIGH** – CUAndes defined and implemented a modern process model to consider the process requirements necessary to achieve the accreditation of the Joint Commission on Accreditation of Healthcare Organizations of the United States (JCAHO). This model is supported by world-class information technology.

**8. Technology Step-Change: HIGH** – CUAndes was designed, built, and implemented applying best clinic technologies, including building infrastructure, medical, laboratory, and clinic equipment, hospital and laboratory information systems, etc., thus allowing higher quality and efficiency standards.

**9. Segmentation Everywhere: HIGH** – Segmentation was broadly applied to define the clinic positioning and portfolio.

**10. Career Lifter: HIGH** – The program allowed most of its participants to develop a holistic view of the clinic in terms of strategy, organization, processes, technology, information, etc., and thus it was an important career opportunity for all involved, both the legacy UAndes people that participated throughout and the recruited CUAndes personnel that were subsequently integrated into the project team.

## Complementary Analysis

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### Questions

*Some questions to further explore this case include:*

*(1) What if UAndes had not executed this program?*

*(2) What other program structure might have been feasible, and why?*

*(3) Going forward, what other market differentiators could be applied by CUAndes, and why?*

*(4) Could this education, research, and practice expansion be applied to other Schools within UAndes, and why?*

*(5) Is the CUAndes/UAndes integration model a good example of best practice, and why?*

*(6) Are there better ramp-up approaches to the Go Live of a Clinic?*

### Digital Extrapolation

*What differences might we see in this transformation case if the Digital Business best practices and tools available today were applied to the project?*

1. A very relevant change driver in Health organizations is the patient experience, which becomes more relevant and requires more attention every day. Theoretically, if carried out today, this change driver could also have been part of the Clinic New Business Strategies and Architectures Implementation.

2. To cope with the patient experience request, Health organizations are focusing on some key areas that go well beyond the Electronic Medical Records (EMR):

(1) The pursuit of integration of clinical and administrative information, the use of clinical data for ePrescription and clinical decision support, as in

multidrug interactions, are some of the trends that have pushed top hospitals toward HIMSS (rather than just JCI) certification.

(2) The use of Diagnostic Related Groups (DRG), in its numerous forms, has also allowed hospitals to promote better use of guidelines, protocols, and medical evidence.

(3) Using DRGs, predictive analytics has been successfully used in the timely prediction of length of stays.

(4) ePrescribing to reduce the number of medicine prescription and delivery errors.

(5) Integration/interoperability with other players, e.g., exchanging clinical data (such as laboratory data) to integrate critical information and make hospital processes better and faster. Theoretically, these key areas could have also been part of the Clinic New Business Strategies and Architectures Implementation.

3. To adequately manage all of these needs, robust information technology architecture must be aligned with the local/regional/national efforts towards an eHealth Strategy. Theoretically, this architecture could also have been part of the Clinic New Business Strategies and Architectures Implementation.

4. In addition, the eHealth Strategy has itself been widely proposed by the World Health Organization via a resolution signed by 220 countries in 2013. This is also supported by a National eHealth Strategy Toolkit. Theoretically, this National eHealth Strategy Toolkit could also have been explored as part of the Clinic New Business Strategies and Architectures Implementations.

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# 1222: YPF

## Company's Introductory Words

PILA (Programa Integrado de Logística y Abastecimiento) was a major initiative for YPF to support the development of its strategic unconventional (shale and tight oil and gas) business.

PILA encompassed the development of the necessary capabilities to achieve an integrated supply chain, including unconventional, applying all the relevant best practices in line with YPF's Vision 2020.

PILA included: integrated planning, logistics model, and transportation visibility, supported by a Program Management Office.

The massive importance of supply chain for the strategic unconventional business, plus an end-to-end supply chain perspective –involving all stakeholders through an enthusiastic sponsorship and leadership– plus a strong program, change, and risk management, were the main factors that made PILA successful.

PILA left a lot of good learnings and all of them are being reutilized in the new supply chain initiatives that YPF has identified and is developing, which will allow YPF to increase benefits.

**YPF**

**Case Authors** Pablo Pereira and Mario Angelastro

**Company and Transformation Profile**

<b>Company Name</b>	<b>YPF</b>
<b>Transformation Type</b>	<i>Supply Chain Transformation</i>
<b>Management Theme</b>	<i>How did YPF, in less than 18 months, define, implement, and start operating a supply chain transformation that would immediately generate cost savings and quality gains?</i>
<b>Program Name</b>	PILA – Programa Integrado de Logística y Abastecimiento
<b>Company Profile</b>	<p>YPF is the largest oil and gas company in Argentina, with market shares of 43 percent in the production of oil &amp; gas and 56 percent in the production of gasoline. YPF employs 72,000 people in a combination of direct and indirect ways.</p> <p>In the Upstream area, YPF has 92 productive blocks and 48 exploratory blocks, located in basins across all Argentina.</p> <p>YPF is positioned as a leader in Latin America in the production of Unconventional resources (shale and tight oil and gas), thanks to the development of Vaca Muerta, a reserve of shale gas that is ranked second in the world, and shale oil that is ranked fourth.</p> <p>In the Downstream area, YPF produces across three industrial facilities, located at La Plata (Buenos Aires province), Luján de Cuyo (Mendoza province), and Plaza Huincul (Neuquen province).</p>

YPF generates fuels, petrochemicals, and lubricants, providing an integral product offering, with a strong commercial presence that includes retail, agro, industrial, and GLP.

YPF has developed a logistics network of 1,500 trucks and 1,500 gas stations.

YPF's revenues in 2015 exceeded US\$12 billion and its assets as of December 2015 were US\$27.9 billion.

## Initial Situation: Business and Operating Model

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### **Strategy**

YPF holds approximately 45 percent of the acreage (working interest) in Vaca Muerta, a world-class asset of Unconventional resources (shale and tight oil and gas), geographically overlapping with a major Conventional Business Unit of Argentina (Neuquén).

Vaca Muerta's development is key to Argentina: 309 teracubic feet of gas (equivalent to 16 billion of equivalent barrels) in oil and gas resources, with estimated additional 50 percent production by 2019 through an additional US\$40 billion investment.

One of the most critical challenges YPF has faced is achieving an agile, flexible, and lean supply chain at a basin level, which has been operating in 2016 with 456 shale wells, growing from 34 shale wells in Q1 2016.

When YPF began this business transformation of its Unconventional business, it did so without a fixed vision or strategy related to its logistics model. There was also a lack of a roadmap for the logistics network infrastructure investments, including contracts, management, and information technology.

### **Organization**

YPF had a Procurement and Logistics organization providing services to Conventional and Unconventional operations, as they geographically overlap.

Nevertheless, the rapid growth of Unconventional generated an ad hoc organizational structure in the supply chain, focused on the service delivery to the assets. There were differing opinions about the optimal organization structure in the supply chain, including reporting dependencies, centralized or decentralized approach, etc.

This situation was characterized by:

- A need for a single resource with ultimate responsibility for the end-to-end management of the Upstream logistics, with an integrated logistics service view (strategic planning, project management, demand-supply balance, service level, cost level, etc.).



- A need to create logistics functions: strategic planning, project management (PMO), and quality (service level).
- A need for a committee with responsibility for supply chain tactical planning governance, which could efficiently balance the supply chain demand and capabilities.
- A number of heterogeneous logistics functions across the Neuquen Conventional and Unconventional business units.
- Centralization of the control tower secondary logistics, with plans to extend this to other categories managed by internal clients.

### **Processes and Information**

The focus for shale operations is having agile, repetitive, and flexible operations as to develop a large well construction count with just-in-time fulfillment of materials and services. This is required as these wells have lower profitability (higher capex per well and overall and rapid production decline).

Found opportunities to adapt processes and information to the desired shale model:

- Highly integrated planning processes to improve the balance between demand and capabilities. This could improve supply chain planning (with market, vendors, demand, transportation, warehousing, etc.) to improve the logistics performance, that at the time was generating high stock levels that were collapsing the network.
- Fit for purpose logistics network for water and proppant, to optimize water truck fleet size and reduce proppant stock levels and handling issues.
- Fit for purpose warehousing strategies and inventory management policies, to improve inventory visibility, traceability, and availability.
- Homogeneous contracts to standardize the dynamics of the working model.

## Initial Situation: Opportunities

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*What were the opportunities that YPF had in the supply chain evolution and the integration of its Logistics and Procurement?*

### **Strategy**

- Position YPF as the main actor in the new national energy self-fulfillment paradigm.
- Operate a logistics model, at basin level, that would develop a competitive advantage for YPF (scaling efficiencies and revenues) and serve to attract new investors to Vaca Muerta.
- Extrapolate, as far as adequate to the Conventional operations, the flexibility improvements identified as fundamental for the Unconventional operations.

### **Organization**

- Generate an organizational model that would allow the empowerment of logistics as an integral service, in an efficient and modular way, achieving accountability and balancing efficiency with agility.
- In this way, guarantee the key functions with the participation of all the involved actors, avoiding duplicity among Management and overlapping among the Business Units, while responding to the dynamic differences among the internal clients and the management differences among the material and service categories.

### **Processes and Information**

- For demand planning, generate a precise and traceable baseline plan.
- Maximize equivalences and substitutions of materials.
- Project long-term demand and generate vendor alliances and frame contracts.
- More precisely strategize supply and demand during the annual planning process.
- Systematically optimize the supply chain (stock levels, service levels, cost levels, etc.).
- Allow a flexible, modular, and scalable logistics network, with optimal capabilities and routes.
- Have a logistics control tower, scalable with the level of activity and with end-to-end visibility.

## Transformation Business Drivers [\(A120\)](#) [\(A130\)](#)

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*How did YPF very rapidly take advantage of the aforementioned opportunities in the supply chain evolution and integration of its Logistics and Procurement?*

### Options

The capex reduction strategy required optimization of the logistics network. Thus, the identification of opportunities for improvement was immediately related to the redesign of processes, organization, and technology.

Opportunities identified as offering very short-term payback were presented to a Committee at Vice Presidency-level for immediate review and approval before execution.

### Decision Process

The entire decision process was developed at Project Committee level with the participation of project Managers and the involved Vice Presidents.

All decisions were made during the Project Committee meetings.

### Conclusion

YPF decided to execute a program with the objective of developing the necessary capabilities to achieve an integrated supply chain, applying all the relevant best practices in line with YPF's Vision 2020.

The scope of PILA was structured in three areas: (1) Integrated Planning, (2) Logistics Model, and (3) Transportation Visibility, supported by a Program Management Office.

### Conditions

The main Conditions were the complexity of the initial situation and the many stakeholders involved into the overall supply chain.

Transformation Program [\(A140\)](#) [\(A160\)](#) [\(A170\)](#) [\(A180\)](#) [\(A190\)](#)

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Actions	The implementation was structured in two phases. The first phase was already concluded and comprised three main initiatives: (1) Integrated Planning, (2) Logistics Model, and (3) Transportation Visibility.
Governance	<p>The Project Governance was structured as a "classic" Project Committee, with the difference that it was really a C-Suite Project Committee, where all decisions were made and executed immediately.</p> <p>This allowed an accelerated implementation of improvement opportunities, which brought immediate benefits to the operation.</p>
<a href="#">Latin American Characteristics</a>	There were no relevant characteristics specific to Latin America.
Methods	Multiple sophisticated methods and techniques were applied throughout the first phase of the program.

[G-1222-01]

Supply Chain Integrated Planning



- Planning Standards Definition
- Supply Chain Strategic Planning
- Supply Chain Operative Planning

Control Tower Visibility



- Control Tower Scalable Operative Model
- Optimized Fleet
- Transportation Monitoring System

New Logistics Network and Organization Design



- Logistics Network Optimization
- Projects and Initiatives Listing
- Logistics Organizational Structure

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For additional details, please refer to Appendix 1 of this Relevant Case: Detailed Description of Actions, Results, and Benefits.

## Final Situation: Business and Operating Model

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### **Strategy**

YPF is on its way to achieving an integrated supply chain, applying all relevant best practices in line with YPF's Vision 2020.

### **Organization**

YPF reached:

(1) An end-to-end supply chain organization for the west regional area.

(2) An internal logistics and procurement cultural change.

YPF expects to achieve:

(3) An end-to-end supply chain organization for the remaining regional areas.

(4) A competitive advantage through its logistics and procurement model.

(5) The development of local content and technological innovation.

For additional details, please refer to Appendix 1 of this Relevant Case: Detailed Description of Actions, Results, and Benefits.

### **Processes**

YPF is currently implementing:

(1) Integrated supply planning processes.

(2) A modular, flexible, and scalable supply chain.

(3) Alliances and collaborative operating models with vendors.

(4) Sustainable development of unconventional resources.

When fully implemented, the three main activities will include the following processes in scope:

**Integrated Planning:** Planning standards for Neuquen and Unconventional. Governance process for well types. Integrated supply chain planning process. Demand consolidation forms. Supply chain mathematical model. Supply chain strategic planning process. Enersight planning solution analysis.

**Logistics Model:** Layout for logistics network for Neuquen and Unconventional. Infrastructure project list Neuquen and Unconventional. Acquisition and contracting initiative list Neuquen and Unconventional. Cost measurement and assignment model. Internal transfer price model. Service level procedures. Logistics organizational structure.

**Transportation Visibility Control** tower operative model for Neuquen and Unconventional. Truck monitoring tools analysis. Transportation management application identification. Optimal fleet dimensioning model. Water measurement and balancing system identification. Sustain agents monitoring and balancing system identification.

For additional details, please refer to Appendix 1 of this Relevant Case: Detailed Description of Actions, Results, and Benefits.

## Information

YPF reached the integrated visibility of Unconventional planning, procurement and logistics execution.

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## Transformation Results

### Value Realization

Based on the projections available at the moment of the benefits identification, during the period of 2015 to 2019, PILA is expected to generate relevant economic benefits and has started this generation with 204 million AR\$ during 2015.

These benefits: (a) included cost reductions only, and (b) excluded the reductions related to the investments in the required initiatives to implement them.

To these benefits could be added the further benefits derived from: (a) broader compliance with the due dates (NPT reduction), (b) reduction in purchase amounts, (c) better usage of the capital invested in the logistics infrastructure.

All initiatives included quick win actions to accelerate benefits, demonstrate feasibility, and motivate stakeholders.

Following PILA, new initiatives have been identified and are being developed that will allow YPF to capture and increase further expected benefits.

### Conclusions

(1) Validity of an integrated supply chain strategy and model for a Company as complex as YPF.

(2) Importance of a structured program led at the C-Suite level, executed by an almost full-time team, supported by proven models and methods and by strict program management, change management, and risk management.

### [Key Factors \(\\*\)](#) [\(1300\)](#) [\(1400\)](#)

**1. Massive Importance: HIGH** – The future of YPF will be driven by its shale and tight business. Given its particularities related to operationally efficient execution, shale business requires industrialization, which must be supported by standardized and repeatable upstream processes. In this instance, a high quality and efficient shale supply chain is of great relevance.

**2. "The Strategy" Alignment: HIGH** – The Supply Chain Transformation program was and remains fully aligned with the Shale Strategy of YPF.

(\*) Please, for a description of the Key Factors, refer to Chapter 1300: Business Transformation Key Factors.



**3. Right Moment: HIGH** – Independently of oil price variations, the moment for YPF to get ready for shale oil business standards is now, and supply chain quality and efficiency are key drivers to help the company be prepared to accelerate towards becoming a massive shale oil business.

**4. Enthusiastic Driver: HIGH** – The CEO and Upstream Vice President were, respectively, the enthusiastic sponsor and leader for the Supply Chain Transformation, dedicating quality time to the project and making all relevant decisions along the way.

**5. "Prima Donna" Program: HIGH** – The Supply Chain Transformation was the Company's primary supply chain initiative.

**6. Full Stakeholders: HIGH** – The Supply Chain Transformation program encompassed the end-to-end business transformation of the oil wells, from their segmenting and standardization, to the standardization of their materials and the subsequent standardization of the oil wells supply chain, including in particular all necessary transportation. This required the involvement of Operations, Engineering, Procurement, Transportation, Finance, IT, etc., not to mention multiple vendors.

**7. Design for Sustainability: HIGH** – Governance processes were included for all of the major changes that were incorporated, making sure that a clear owner was appointed and that all the required changes over time were identified, evaluated and, if necessary, processed.

**8. Technology Step Change: MEDIUM** – Relevant analytics methods through simple analytics tools such as Excel were applied to design the oil wells standardization, including that of their materials and supply chain.

**9. Segmentation Everywhere: HIGH** – Segmentation was crucial in developing a method to allow the weighting and analysis of 24 different oil wells types.

**10. Career Lifter: MEDIUM** – The majority of the program participants were allowed a holistic view of YPF upstream businesses across components and processes.

## Complementary Analysis

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<b>Additional Questions</b>	<i>Some questions to further explore this case include: (1) What might have happened if YPF had not executed this transformation?</i>
<b><u>Digital Extrapolation</u></b>	<i>What differences might we see in this transformation case if the Digital Business best practices and tools available today were applied to the project?</i>  Some opportunities related to digital concepts and tools include the following: (1) The utilization of logistics visualization portals, allowing real-time management and control of all the logistics events that occur in the field, (2) The development of analytic tools, allowing more efficient materials planning to be transferred to the field.

## Appendixes

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1	Detailed Description of Actions, Results, and Benefits
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[G-1222-02]



## Results of Supply Chain Integrated Planning

### Planning Standards Definition

- Defined and optimized the relevant type wells for the activity of PA and PE **QUICK WIN**
- Defined a process that statistically assures the governance of the defined type wells and of the list of materials for their maintenance and interventions

In a standardized way, YPF can plan the materials consumption necessary for the wells development, maintenance and intervention, optimizing the stocks and the supply chain, reducing the possibility of NPTs and generating traceability in relation to the activity planned in chronograms

### Supply Chain Strategic Planning

- Developed a process for the supply chain strategic plan (5 years horizon) **QUICK WIN**
- Defined the valued demand, according to the SP 2015-2019, with alliances for ~25 MUS\$
- Verified the optimization potential through the Enersight solution

To achieve an efficient supply chain, YPF can visualize the long term material demand and thus define and agree strategic alliances (for ~25 MUSS\$ for Neuquén and Non Conventional during 2015-2019), stock policies, and logistic network and vendor capabilities

### Supply Chain Operative Planning

- Developed a process for the supply chain operative plan **QUICK WIN**
- Developed a tool to consolidate and rationalize the demand of Upstream materials **QUICK WIN**
- Developed a mathematical model to evaluate the feasibility of the supply chain, considering the planned activity to generate plans in a systemic way **QUICK WIN**

YPF can systematically obtain a better demand predictability and agree an integrated supply chain plan, maximizing the service level, optimizing the procurement and reducing the Neuquén and Non Conventional stocks by 2,9% (3,2 MUS\$ of carrying cost in 2015)



[G-1222-03]



## Results of Control Tower Visibility

### Control Tower Scalable Operative Model

- Defined an operative model for the logistics control tower, that includes processes, indicators, systems and an organizational structure **QUICK WIN**
- Defined the inclusion of 16 contracts in the logistics control tower for Neuquén and Non Conventional

YPF can manage the logistic for all the loads, executing more control on carriers, optimizing the fleet and minimizing the non productive times through monitoring, obtaining a benefit of 5 MUS\$ during 2015

### Optimized Fleet

- Developed an analytic method and tool that allows the fleet dimensioning for each load category, from the planned transportation demand **QUICK WIN**

To comply with the business needs, YPF can determine the transportation demand for each load category through a drilling and termination time chart, allowing the analysis of demand peaks and thus the contracting of the optimized fleet

### Transportation Monitoring System

- Determined the requirements for a monitoring solution and recommended tools for this purpose **QUICK WIN**
- Executed a pilot test of the tool and vendor selected by YPF

YPF can view all the fleet through a single system, allowing more control through real time alarms and proactive follow up, thus reducing the non productive times and the waiting times in the main bottle necks

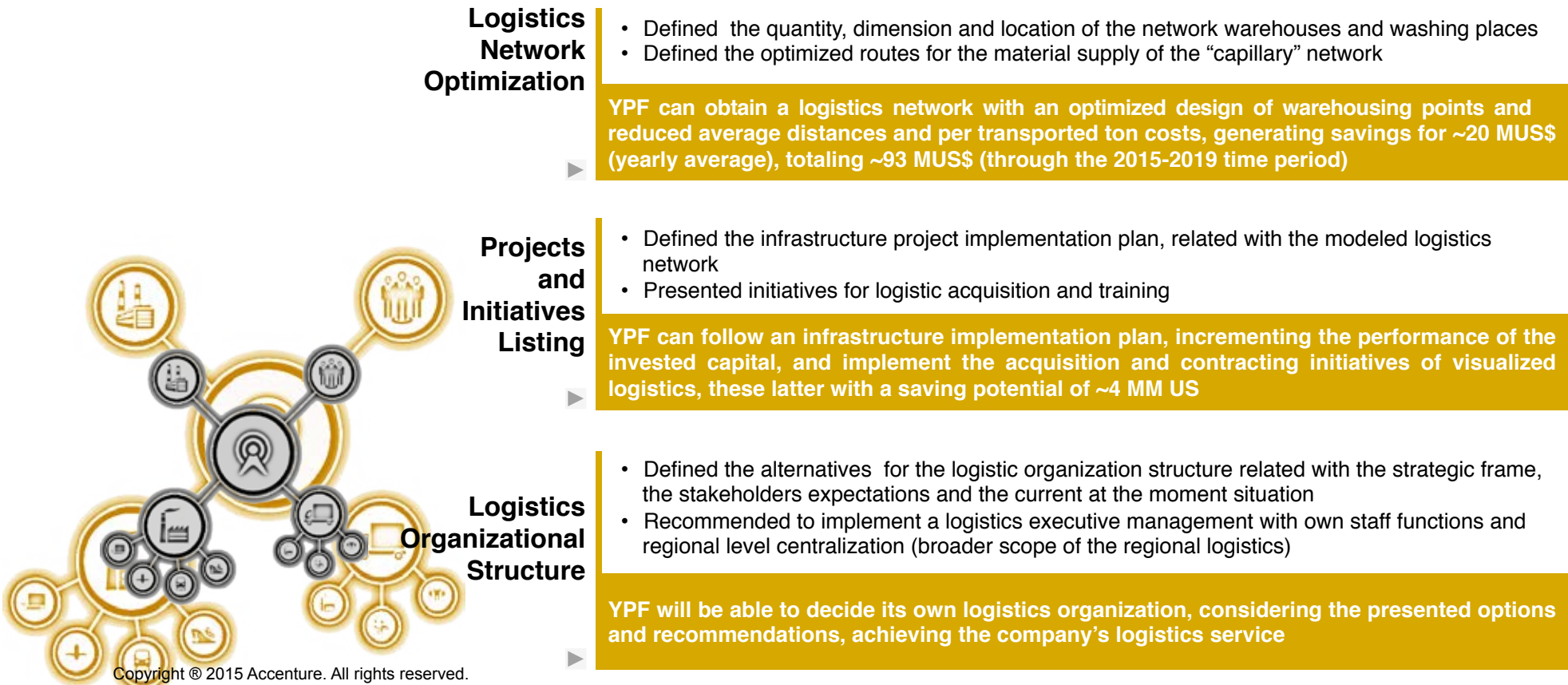


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[G-1222-04]



## Results of New Logistics Network and Organization Design



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# 1223: SABMiller Latin America

## Company's Introductory Words

Flash was a strategic initiative defined by C-Level at SABMiller Latin America to drive more insight-based decision making across the value chain with a focus on revenue generation and cost saving opportunities.

The Program was based on a multi-year capability journey vision for Information Management that has brought to business a standard enterprise information model underpinned by good data, robust technology, and practical governance processes.

In addition to the full alignment of Flash with SABMiller Latin America's strategy, some other reasons for its success were the driving sponsorship and leadership of the Latin America CEO and C-Level and an intensive involvement of Senior Representatives of each country through their participation in Steering Groups that defined the new analytics model.

Importantly, a top-down / bottom-up approach to capabilities has allowed consistent benchmarking at a regional level whilst enabling ad hoc reporting and analytics capabilities at the business unit level. Over time, this reduces the number of competing legacy solutions.

The roadmap looking out to the future is very exciting as the foundational work put in upfront now makes industrialization of complex and valuable analytics feasible. Hard work but worth it...

### **Matthew Wyatt**

(former) SABMiller Latin America  
Business Transformation Vice President

**Case Authors** Juan Morita and Mario Angelastro

Company and Transformation Profile

Company Name	SABMiller Latin America
Transformation Type	Implementation of Latin American Analytics Solution and Capability
Management Theme	Why and how did the Company decide to invest time and money in a Latin American (Standard/Common) Business Intelligence Solution and Capability in the then-current market conditions?
Transformation Name	Project Flash
Company Profile	<p><b>About SABMiller:</b> SABMiller is in the beer and soft drinks business, bringing refreshment and sociability to millions of people all over the world. The Company does business in a way that improves livelihoods and helps build communities. It is passionate about brewing and has a long and proud tradition of craftsmanship, making superb beer from high quality natural ingredients. The Company expertly brews more than 200 local beers, and its specialists have carefully selected and nurtured a range of special regional and global brands.</p> <p>SABMiller is a FTSE-20 company, with shares trading on the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange (reflecting its heritage as a South African company). It has approximately 69,000 employees in more than 80 countries, from Australia to Zambia, Colombia to the Czech Republic, and South Africa to the USA. Every minute of every day, more than 140,000 bottles of SABMiller beer are sold around the world. In the year ending</p>

March 31, 2015, it sold 324 million hectoliters of soft drinks, lager, and other alcoholic beverages, generating group net producer revenue of US\$26.3 billion and EBITA of US\$6.4 billion.

In October 2016 SABMiller was acquired by AB Inbev to form the largest FMCG company globally on an EBITDA basis.

**About SABMiller Latin America:** The Company's primary brewing and beverage operations cover six countries across South and Central America (Colombia, Ecuador, El Salvador, Honduras, Panama, and Peru). In each of these countries, it is the number one brewer by market share. It has a brewery in Argentina that exports to Chile and Paraguay. It also produces soft drinks across the region, delivering beverage products directly to over 1 million points of sales. In the year ending March 31, 2015, SABMiller Latin America sold 64 million hectoliters of soft drinks, lager, and other alcoholic beverages, generating group net producer revenue of US\$5.8 billion equating to more than 30% of total group revenues.

Source: [www.sabmiller.com](http://www.sabmiller.com)



Initial Situation: Business and Operating Model

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**Strategy**

**In Relation to Growth:** To continue generating growth under the then-current Latin American market conditions, SABMiller Latin America needed to identify and capitalize on new revenue generating and cost saving opportunities.

**Organization**

**In Relation to KPIs:** Across the business, more than 250 FTEs were involved in Latin America reporting, mainly in data preparation, manipulation, and report generation, with all processes/functions involved: Sales, Manufacturing, Finance, and the rest of the processes/functions.

As a consequence of the quantity and diversity of resources required to develop the KPIs, resource and quality were not being optimized or standardized.

**Processes and Information**

**In Relation to KPIs:** More than 1,300 different metrics measured, with only 8 percent of these harmonized across Latin America, report and analysis often delivered to executives with data up to 60 days old.

**In Relation to Applied Technology:** There were 17 independent reporting processes and no regional reporting tool.

## Initial Situation: Opportunities

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*What were the opportunities SABMiller Latin America identified in the implementation of a Standard/Common Business Intelligence solution and capability?*

### **Strategy**

SABMiller Latin America wished to utilize its Latin American (Standard/Common) Business Intelligence solution and capability as a means to facilitate world-class management through insight-based decision making and thus support continuous outperformance across the operations.

### **Organization**

The company continued to dedicate significant effort and cost to generate its fundamental KPIs, despite having already implemented a world-class ERP.

### **Processes and Information**

**In Relation to KPIs:** SABMiller Latin America wanted an enterprise-wide KPI model to measure the value chain on an end-to-end basis improving relevance, harmonization, and timeliness of insight to the business.

**In Relation to Applied Technology:** Prior to Project Flash, SABMiller Latin America had a Business Intelligence landscape that was very fragmented, and it was almost impossible to get a regional view of the KPIs or data without manually merging reports (excluding Finance in HFM).

The Company lacked an Enterprise Data Warehouse that, with sufficient granularity and all required data, could be used as the base to develop BI/Analytics whilst data quality and KPI definitions were disparate across territories.

## Transformation Business Drivers [\(A120\)](#) [\(A130\)](#)

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*How did SABMiller Latin America take advantage of the aforementioned opportunities in the implementation of this new Business Intelligence solution and capability?*

### Options

The options for SABMiller were simple:

- (a) To continue generating its business intelligence as it was currently doing.
- (b) To set-out on a journey to design and build a BI, Data & Analytics operating model underpinned by a robust & credible Center of Expertise able to facilitate insight-driven decision making whilst enabling benchmarking, best practice sharing, and accelerated uplift in metrics between operating units.

### Decision Process

SABMiller Latin America developed a business case based not only on cost reduction, derived from the effort reduction on information management, but also on better decisions, derived from better and more accelerated information and benchmarking, and the potential to establish the base for carrying out predictive analytics.

### Conclusion

SABMiller Latin America decided to implement the BI, Data & Analytics Operating Model in a phased, multi-year program, building the data, process, system, and organizational constructs in a logically sequenced way allowing for a robust and integrated solution to be delivered to the business.

The expected benefits were:

- (1) Estimated 13 percent improvement in KPI execution (based on a P&G case study).
- (2) 35-50% FTEs saved (based on Hackett study) via centralization into a CoE.
- (3) Build a platform & capability for future analytics.
- (4) Drive significant improvement in EBIDTA margin applying advanced analytics.

**Conditions**

The new Latin American Standard/Common Business Intelligence Solution needed to be:

- (1) User-friendly and intuitive.
- (2) Capable of providing a "single version of the truth".
- (3) Collaborative with better benchmarking.
- (4) Supported by a regional data warehouse as the foundation for analytics.
- (5) Supported by a team of capable people.
- (6) Scalable and able to serve as a global accelerator.
- (7) Underpinned by superior program governance and management to enable successful integration of the project team with business people from Latin America, covering all functional areas including Procurement, Technical, Marketing, Sales, Supply, Distribution, Finance, IS, HR, Strategy, Corporate Affairs, and Shared Services. The program participants would then need to collaborate to evaluate, decide, design, and implement the steps needed to complete this ambitious business transformation.

## Transformation Program [\(A140\)](#) [\(A160\)](#) [\(A170\)](#) [\(A180\)](#) [\(A190\)](#)

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### Actions

Sponsored by the SABMiller Latin America CEO (Karl Lippert) & the CIO (Jorge Mazzini), the program was led by the SABMiller Latin America VP Business Transformation (Matt Wyatt) and by Accenture. This collaboration led to the design and implementation of a regional CoE (led by Miguel Portugal) and creation of a holistic information model that looked beyond existing functional silos and highlighted all the key measures across the value chain for its customers and consumers.

### Governance

To achieve and sustain a consistent enterprise information model, 12 KPI Steering Groups were formed with senior representatives from each country and relevant functions to that end-to-end process.

The Steering Groups prioritized and defined more than 440 executive-level KPIs, which formed the basis for their Business Intelligence design.

The Steering Groups still continue to align and govern SABMiller Latin America's KPIs.

### [Latin American Characteristics](#)

Particularly in Northern South America and Central America, multinational companies may be fragmented in multiple countries, with relatively different sales channels and distribution networks, sourcing and/or manufacturing capabilities, financial regulations, etc., that may lead to low levels of regional standardization in organization, processes, information, technology, etc.

### Methods

SABMiller Latin America supported its Vision to build its Information Management (Data Management, Business Intelligence, and Analytics) capability by utilizing as a framework the SAS Analytics Maturity Curve, complemented by 2 data foundational layers.

Project Flash has provided a solid foundation for analytics in the following ways:

(0.1) Master data management: The data "stakeholders".

(0.2) Data management: The data events.

- (1) Standard reports: What happened?
- (2) Ad hoc reports: How many, how often, and where?
- (3) Dashboards: Where exactly is the problem?

The company then sought to quickly learn and scale what was working, utilizing the organic approach of starting small with its current employees and focusing on identified priorities with the support of experts where required. It did so in the following ways:

- (4) Statistical analysis: Why is this happening?
- (5) Forecasts: What if these trends continue?
- (6) Predictive modeling: What will happen next?
- (7) Optimization: What is the best possible outcome?

## Final Situation: Business and Operating Model

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### Strategy

**In Relation to Growth:** The initial priority area was commercial so as to fully leverage transformational investments such as B2B, Customer Interaction Center, and retail execution excellence.

**In Relation to KPIs:** The program focused initially on an enterprise executive dashboard, quickly followed by data collection automation of disaggregated sales and distribution data, which permit near-real time reporting in a standard way to all major stakeholders in the business.

### Organization

**In Relation to KPIs:** SABMiller Latin America has stated that "Business Intelligence is more than a system, it's a capability".

Given this, the Company established a **Latin America Business Intelligence Centre of Excellence (CoE)** within the Regional Business Services center focused on data, reports, and analytics, with the purpose of:

- Supporting the Latin American country Company Presidents with questions relating to KPIs and overall business performance.
- Serving as an ambassador for the use of analytics in each country.
- Identifying and shaping new analytics opportunities with the respective Business Unit sponsors and the CoE analytics team.
- Assisting the decision makers with validation of analytics hypotheses, and interpreting the conclusions, thus achieving: (1) Business performance management improvement with dashboards and reports; (2) Decisions supported by analytics; (3) Data harmonization and quality governance.

This CoE would be supported by **Global IS Business Intelligence Delivery Centre** focused on regional information model changes and implementations, such as:

- (1) Intrusive changes to the current Business Intelligence platform.
- (2) Implementation of new Business Intelligence functionality and analytics tools.

It would be part of the new service "incubator" under VP Business Transformation based in Bogota.

The new Business Intelligence organization generates benefits by centralizing key parts of the Business Intelligence capabilities, including:

- (1) Driving data & KPI consistency as well as improved functionality as all new analysis, reports, and dashboards built for one country could be immediately deployed to all countries.
- (2) Specialized analytics skills that can be centrally developed to support decision makers.
- (3) Strengthening the "brains trust" by a factor of seven by creating an analytics community to better answer business questions (with a combination of the CoE and implant business analysts available to Management to test and/or prove business hypotheses based on historical data and analytics algorithms as well as developing new capabilities and insight to the business and through to customers).
- (4) Synergies through economies of scale, software license fees, and consulting cost savings.
- (5) Enabler for a leaner organization through consolidation and efficiency in reporting.

It is important to mention that, to optimize value and speed, the main development methods used were DevOps and Agile.

## Processes and Information

**In Relation to KPIs:** More than 440 executive-level KPIs formed the basis for the Business Intelligence design, from largest to smallest: (1) Procurement; (2) Technical; (3) Marketing; (4) Sales; (5) Supply; (6) Distribution; (7) Finance; (8) IS; (9) HR; (10) Strategy; (11) Corporate Affairs, and (12) Shared Service Center.

**In Relation to Applied Technology:** The new Business Intelligence architecture consolidates data and tools while applying global standards:

- (1) Technology aligned with global technical council standards.



- (2) Global Template KPI definitions and terminology adopted where available.
- (3) Aligned with Global ExCom KPI definitions and formulas.
- (4) Global ExCom Dashboard hosted on Enterprise Data Warehouse – SAP BW on HANA with NLS Archive; this is the base to develop analytics as it contains sufficient granularity and all required data.

The next phase was to decommission the legacy Business Intelligence solutions by developing Flash to deliver not only executive dashboards but also operational BI and a "data labs" environment where the local operations could prototype ad-hoc and unstructured analyses and reports.

## Transformation Results

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### Value Realizations

**General Achievements:** Flash was implemented over a period of 18 months.

- (1) Flash incorporated seven countries, three ERPs, and additional internal and external data sources in one single release.
- (2) Flash was designed to easily add geographies and functionalities due to standard and scalable baseline criteria. To the contrary, the majority of Business Intelligence designs are country-specific, and functional areas are normally built independently and not integrated across functions.
- (3) Flash dashboards are comprehensive and ad hoc reporting is even more so. However, the number of pre-built reports is below average with an onus on allowing data discovery and enabling more advanced analytics capabilities.
- (4) Flash allows the development of flexible reporting and visualization.
- (5) Flash is hosted on Enterprise Data Warehouse, which is a solid base to develop analytics as it contains sufficient granularity and all required data.
- (6) Flash was deployed in just 18 months, which is considered "best in class", and 24 months would be "average" for Business Intelligence implementations of similar complexity that start from scratch.
- (7) Flash has 10-second response times with an average of two pre-calculation layers (other companies using older technologies typically work with 30-second response times and more pre-calculations).

**Specific Achievements: "From 45 days to 5 seconds to make calculations and have information."**

- (8) Flash has been very useful to determine how the service organization should better support the business needs and organization.

(9) Sales, Distribution, and Finance executives achieved both high level overview of KPIs, displayed on dashboards in a user-friendly and intuitive way with full drill-down/drill-across capabilities. Flash allows benchmarking at all levels among countries, functions, products, etc.

(10) Middle and Back-Office executives achieved a consistent format and cadence for reviewing and comparing KPIs from across the various functions of the business, the data granularity and amount of data capture automation being lower in this part of the scope.

(11) Executives achieved a convenient and effective way to keep their fingers on the pulse of key trading and operational metrics, in order to react quickly should problems or opportunities arise. For example, near-real time metrics are “pumped” into the customer interaction center (CIC) to enable world-class visual management on the floor of telesales and allow the “invoice factory” the visibility it requires to fix order issues before they become revenue leakage issues.

(13) Flash works as a “tip of the iceberg” for a continuous hands-on assessment of the quality of data and information. The more data is used the better it becomes.

**Global Reach:** Given the positive results of the project, SABMiller took the strategic decision to select Flash as the enterprise data & information model and set of tools for global Business Intelligence and Analytics. The Center of Expertise remains a benchmark within the company in terms of regional capability.

## The Journey

The Flash program has already delivered very important results. Significant evidence of this is that today for meetings at the Top Management/Steering Committee level, all of the required information is generated and visualized through Flash.

Nevertheless, the Company considers the Flash program to be a journey of at least five major steps:

- (1) Data standardization and reconciliation.
- (2) Enterprise Information Model and standard KPI definitions.
- (3) Executive Dashboard development.

[BACK](#)

## Conclusions

(4) Ad hoc Reporting, Data Labs & Operational reporting.

(5) Analytics development, pilot, and implementation.

## [Key Factors \(\\*\)](#)

[\(1300\)](#) [\(1400\)](#)

(1) Validation of the concept that "Business intelligence is more than a system, it's a capability" and of the approach for a Latin American Standard/Common Business Intelligence Solution.

(2) Considering that the adoption of a program such as Flash is normally top-down, it is crucial to institute a structured program sponsored by the CEO, led by C-Level, executed by a dedicated full-time team, supported by proven models and methods and by a strict program management, change management, and risk management.

**1. Strategic Importance: HIGH** – One hundred percent of Latin American businesses (all countries, all businesses, all processes).

**2. "The Strategy" Alignment: HIGH** – To continue generating growth under the Latin America market conditions, SABMiller Latin America must identify and capitalize on new revenue generating and cost saving opportunities.

**3. Right Moment: HIGH** – Given that SAB Miller was seeking to continue generating growth, that it had recently implemented its regional transactional and operational processes and applications, and that it was able to avail of applicable state-of-the-art technology for business intelligence, this was the right moment for the Company to implement the Latin American (Standard/Common) Business Intelligence solution and capability.

**4. Enthusiastic Driver: HIGH** – Latin American CEOs were the C-Level executives who enthusiastically sponsored and lead this Growth Strategy Business Transformation supported by the Analytics Solution and Capability.

**5. "Prima Donna" Program: HIGH** – A major business program, sponsored directly by the Latin America CEO.

**6. Full Stakeholders: HIGH** – In addition to Latin America CEO sponsorship and Business and Technology Leadership, to derive and sustain the most value

(\*) Please, for a description of the Key Factors, refer to Chapter 1300: Business Transformation Key Factors.

from Project Flash, SABMiller Latin America established 12 KPI Steering Groups with senior representatives from each country. The Steering Groups prioritized and defined 443 executive-level KPIs which formed the basis for their Business Intelligence design. The Steering Groups continue to align and govern SABMiller Latin America's KPIs.

**7. Design for Sustainability: HIGH** – SABMiller Latin America stated that "Business intelligence is more than a system, it's a capability... and is the base for Analytics." Given this, to assure sustainability, the Company established a Latin America Business Intelligence Centre of Excellence (CoE) that would be supported by the Global IS Business Intelligence Delivery Centre.

**8. Technology Step Change: HIGH** – Enabled by the SAP BW on HANA, Project Flash allowed **"From 45 days to 5 seconds to make calculations and have information."**

**9. Segmentation Everywhere: HIGH** – Analytics is the price to be paid to enable full-scale segmentation.

**10. Career Lifter: HIGH** – The program participants were allowed a holistic view of SABMiller Latin America across geographies, entities, and processes.

### Additional Questions

*Some additional questions to elaborate:*

*(1) What risks may SABMiller Latin America have taken while executing this transformation?*

*(2) What might have happened if SABMiller Latin America had not executed this transformation?*

### Digital Extrapolation

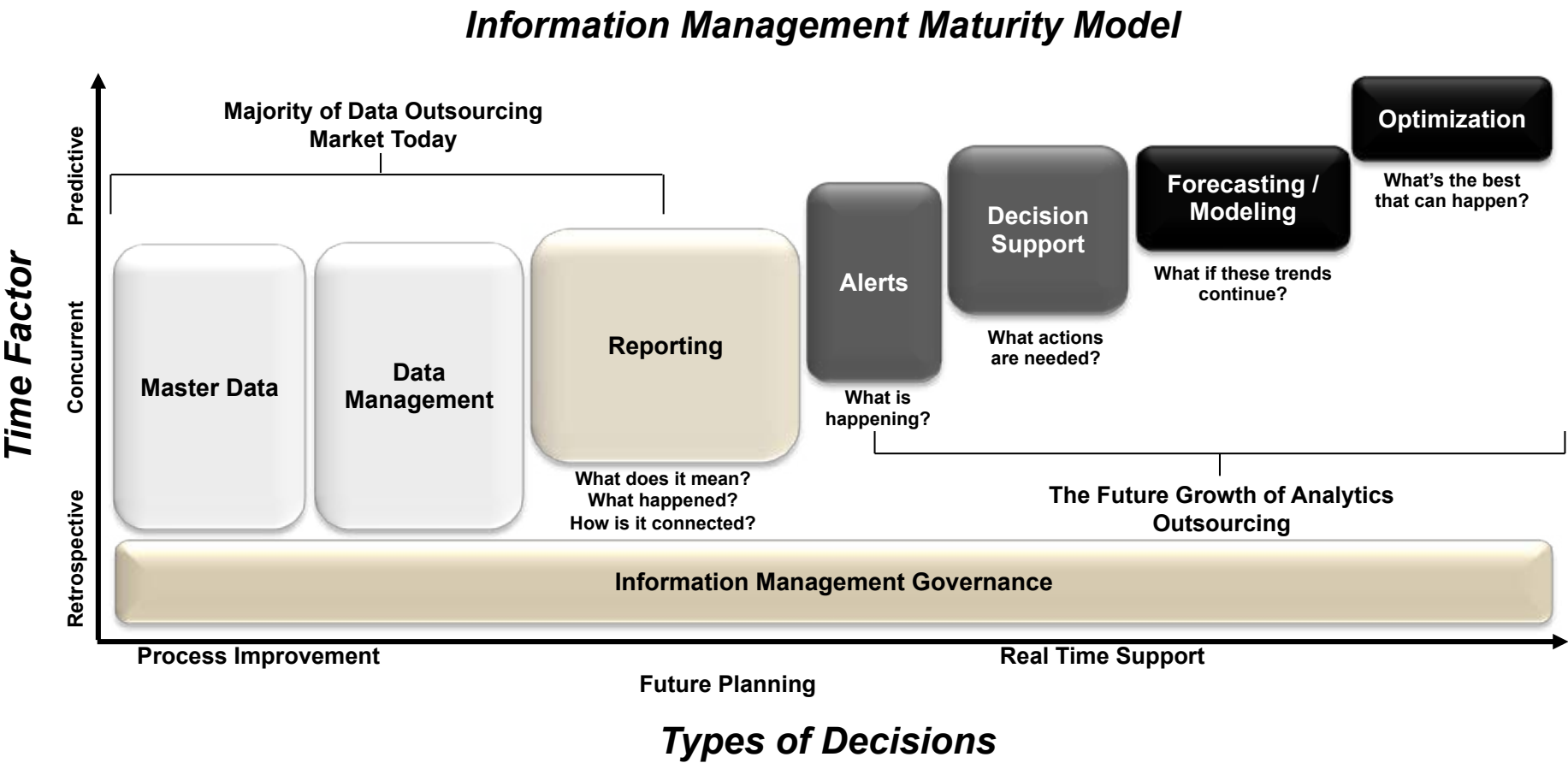
*What differences might we see in this transformation case if the Digital Business best practices and tools available today were applied to the project?*

Not applicable. Project Flash is part of Digital Business per se, utilizing state-of-the-art concepts and technology for analytics.

Evolution

The Vision	The Latin American Business Transformation organization defined a Capability Journey Vision not only for functions but transversally for Information Management. The execution of this Vision, supported by a strong Business Motivation, ensured Project Flash was relevant to the business and got sufficient traction to be successful.
The Framework and Scope	The Company has established an Information Management Maturity Model, that identifies the key components of Information Management.

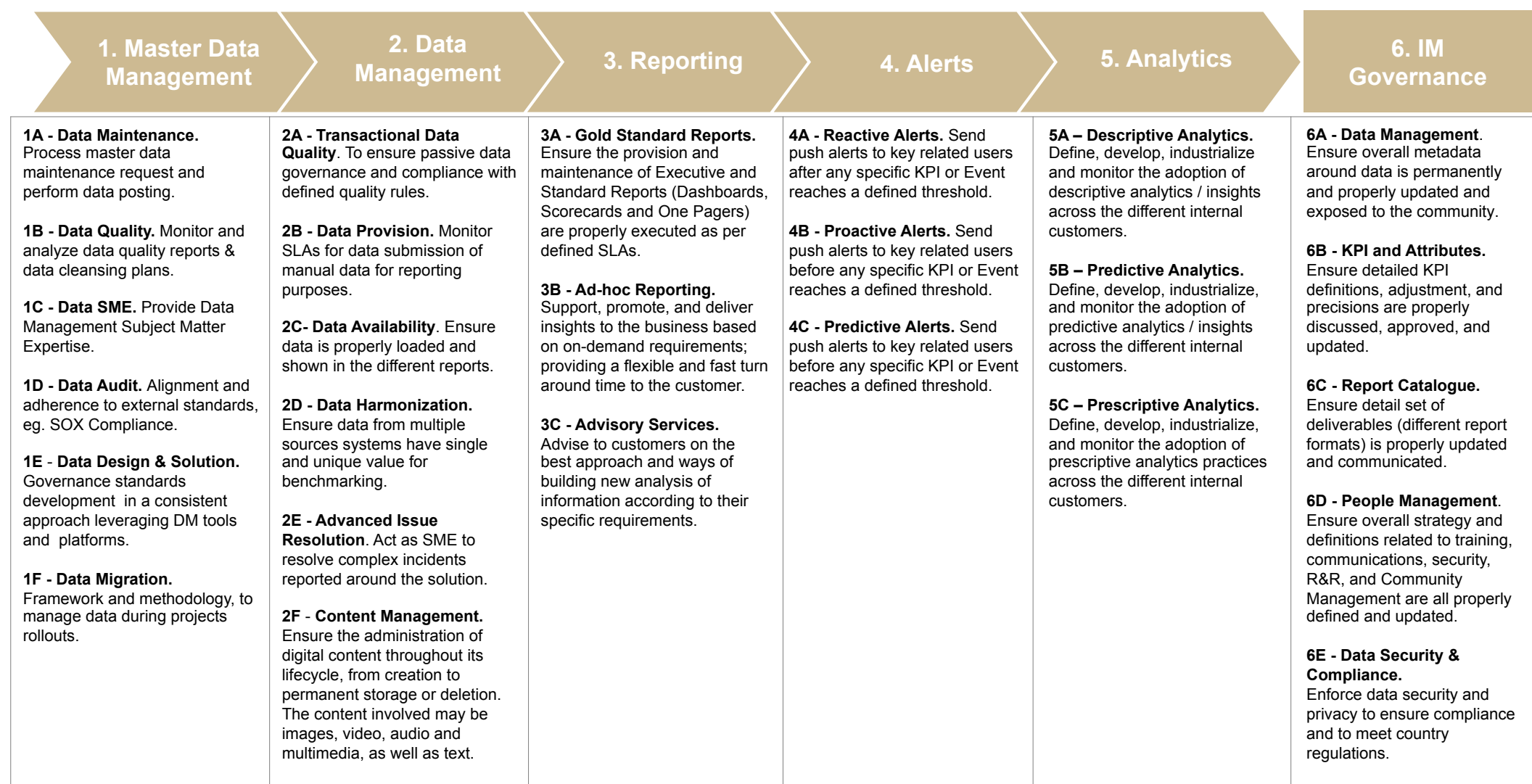
[G-1223-01]



This Information Management Maturity Model is complemented by the Information Management Capability Staircase that describes the components of Information Management.

[G-1223-02]

### Information Management Capability Staircase

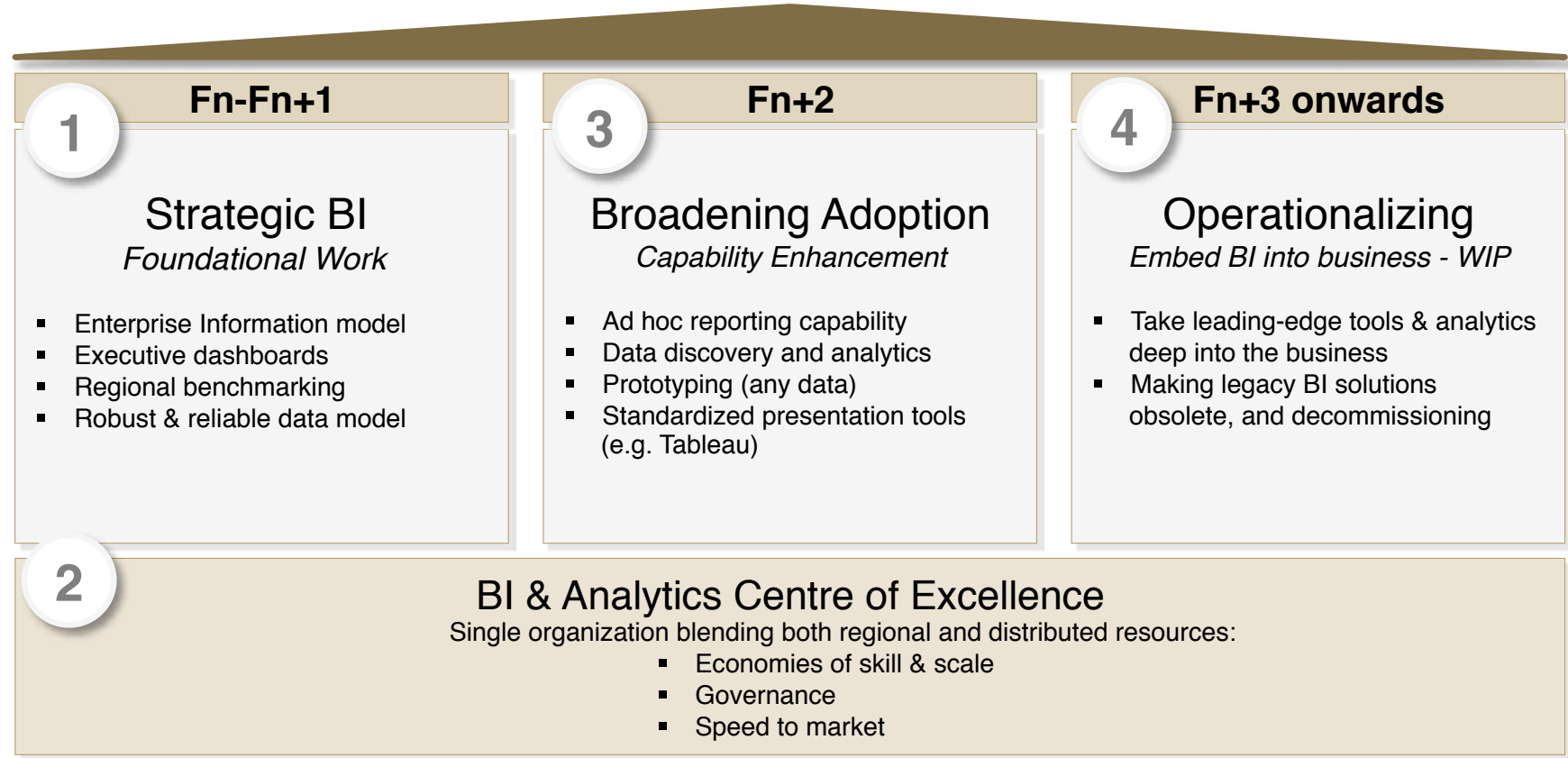


The Journey

Within the Information Management Capability Plan, SABMiller Latin America established different waves of initiatives, from fiscal year 2013 to fiscal year 2016, to complete the foundational work (Strategic BI), to enhance the capability (Broadening Adoption) and to fully embed Information Management into business (Operationalizing), encompassing both the Standard Solution and a Flexible Solution. SABMiller Latin America is now dedicated to consistently pursue this Journey.

[G-1223-03]

“Generate True Advantage by Facilitating Better Decision Making”





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# 1224: Brazil Financial Industry

**Case Authors** Jimmy Lui and Mario Angelastro

## Industry and Transformation Profile

Industry	Financial Services – Brazil
Transformation Type	<i>Open Innovation</i>
Management Theme	<i>Why is the Brazilian Financial Industry developing Open Innovation programs? Why has Open Innovation become so important for this industry? Why now?</i>

## Global Transformation Business Drivers

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<b>The Business Trend</b>	Enterprises today are embracing new ways of doing business to reimagine and reinvent themselves in an increasingly technology-driven world. They are becoming Digital Businesses, using new technology to provide customers with better products and services, more relevant information, and personalized and seamless experiences.
<b>The Business Necessity</b>	They are also developing new technology and leveraging the advancements of others to disrupt existing markets and penetrate new ones. This trend toward digitalization has raised customer expectations across every industry, with enterprises increasingly influenced by and interconnected with innovations outside their traditional industry.
<b>The Partnering Approach</b>	Companies are seeking many different partners to create innovative solutions and together position themselves at the forefront of this new market.
<b><u>The Open Innovation Option</u></b>	<p>Many companies are participating in what is known as an Open Innovation model. An Open Innovation model is one in which organizations utilize external technology, solutions, knowledge capital, and resources early in their innovation processes.</p> <p>In many cases, organizations will partner with a range of players in a global ecosystem to jointly develop new platforms and applications, enhance core offerings, or expand into new markets.</p> <p>This concept allows enterprises to look beyond their four walls to bring in ideas more quickly and frequently in order to enhance their operations—and also save time and money.</p> <p>Rather than using their own budget in research and development, enterprises can leverage the investments of venture capitalists and integrate a technology solution in an accelerated time frame.</p> <p>Note: The term "Open Innovation" was first coined in 2003 by Henry Chesbrough, an organizational theorist from the Haas School of Business at Berkeley, and has been</p>

evangelized ever since. The idea itself has been practiced for much longer and has proven to be successful time and time again.

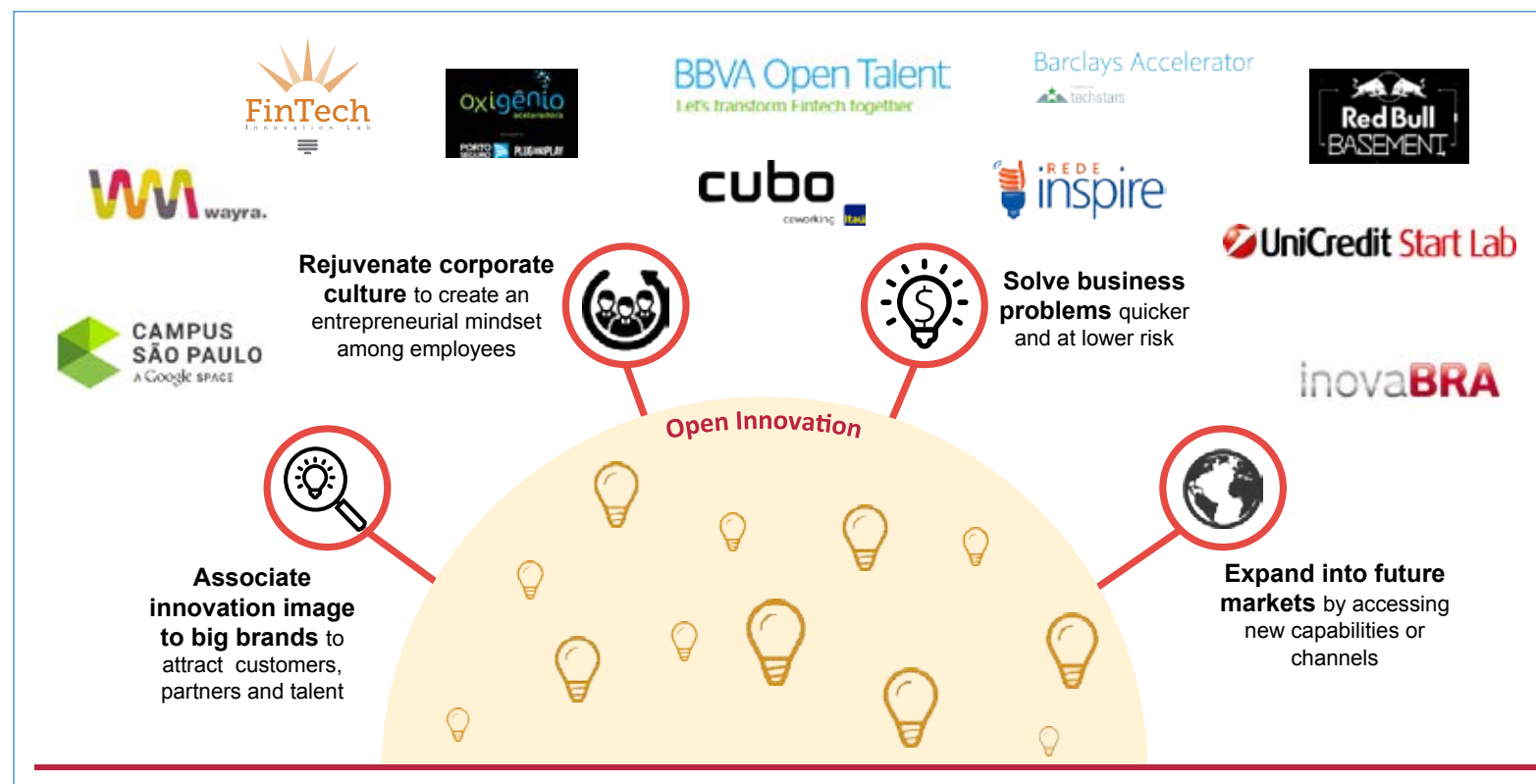
For more information about Open Innovation, please refer to Chapter 2400: Open Innovation.

### Brazilian Financial Industry Open Innovation Context and Cases

For several years now, the Brazilian Financial Industry has been developing a relevant set of Open Innovation initiatives that support the four main objectives of an Open Innovation model:

- (a) Associate innovation image with big brands.
- (b) Rejuvenate corporate culture.
- (c) Solve business problems.
- (d) Expand into future markets.

[G-1224-01]

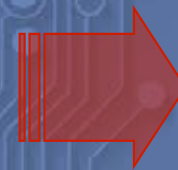


[G-1224-02]

**inovaBRA is an Open innovation program from Bradesco that seeks to attract Brazilian startups with innovative ideas applicable to the financial industry**



- ✓ **Open Innovation** program
- ✓ **Applicable or adaptable solutions** to the **Financial market**
- ✓ **Disruptive Ideas**
- ✓ **Innovations in Business Models, Products, Services and Technology**



**Real demands** of Bradesco's business units.  
**Purchase of solution** in case of success



Opportunity to the **test** solution with **real data** and **clients**



**Access to leaders** of business unities to **shape the solution** to a major financial institution

Source: inovaBRA website

For more information about inovaBRA, please refer to <http://www.inovabra.com.br>

[G-1224-03]



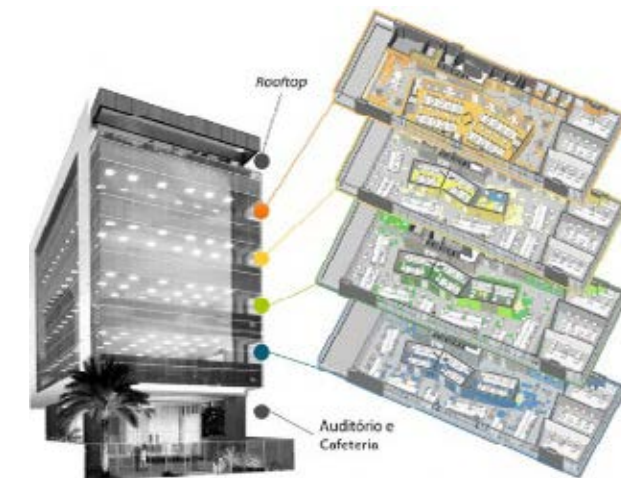
Cubo is a co-working space with the objective of connecting ideas and people willing to transform business, technology and lives for the better



- Ambition: digital entrepreneurship **center of gravity** in Brazil
- **Collaborative space** that promotes connections among entrepreneurs, investors and companies
- Organization of **workshops, hackathons** and other events
- **+ 40** resident startups



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# 1225: Unilever Latin America

## Company's Introductory Words

Harmonia program was a major business transformation for our Company in Latin America.

Along its multi-year phased completion, Harmonia allowed Unilever to standardize and integrate our operating model (processes, organization, IT infrastructure and applications, KPIs, etc.) across 19 Countries and 3 Businesses and, through better concepts and tools applicable at a Latin America scale, improve service quality, operational efficiency, and information visibility, among others.

Very key for the success were a complete alignment with Unilever's global strategy, an enthusiastic sponsorship and leadership of the global, regional, and local C-Level, and an extensive program, change, and risk management with absolutely all the Stakeholders (our Shareholders, People, Clients, Vendors, Partners, and the Authorities and Communities).

Valuable lessons learned were innumerable and some of them were reapplied to the evolution of this program to new more extensive scopes, encompassing first the Americas and then the world.

**Adrian Litmanovich**

Unilever Latin America  
Chief Financial Officer

**Case Authors**                      Hemmerson Carvalho, Marcelo Duerto, and Mario Angelastro

**Company and Transformation Profile**

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<b>Company Name</b>	<b>Unilever Latin America</b>
<b>Transformation Type</b>	<i>Regional Integration – Nineteen countries and three businesses (Home and Personal Care, Foods, and Ice Cream)</i>
<b>Management Theme</b>	<i>Why and how did Unilever Latin America decide to undertake the regional standardization and integration of its operating model across countries and business units? How did the company decide the integration program's level of centralization and simultaneous execution?</i>
<b>Program Name</b>	Harmonia Program
<b>Company Profile</b>	<p>Unilever Latin America (ULLA) was a branch of Unilever that operated in Latin America across nineteen countries with three business units:</p> <p>(a) Home and Personal Care (with leading brands such as Drive, Omo, Rinso, Axe, Dove, Lux, Rexona, Sedal, etc.),</p> <p>(b) Foods (with leading brands such as Cica, Hellmann's, Knorr, Lipton, Malloa, etc.), and</p> <p>(c) Ice Cream (with leading brands such as Bresler, Magnum, etc.).</p>



The major businesses were those servicing Brazil, Mexico, River Plate (Argentina, Paraguay, and Uruguay), and Chile. ULLA's revenues in Latin America exceeded US\$7.5 billion per year.

ULLA had both global competitors such as Colgate, L'Oréal, and P&G in Home and Personal Care, and Nestle in Foods and Ice Cream, and also many local competitors for each business unit in each country or group of countries within Latin America.



## Initial Situation: Business and Operating Model

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### **Strategy**

In the 1980s and 1990s, ULLA went through a process of expansion through acquisitions and/or development of companies in each of the 19 countries and three business units in which the Company operated.

Until the beginning of the 2000s, ULLA had kept a certain degree of autonomy for each of the countries in terms of products, brands, sourcing, production, commercialization, organization, processes, technology, etc.

Nevertheless, marketing was already a process and area that was integrating through Regional Innovation Centers, specialized by product categories.

### **Organization**

The ULLA organization had the following levels:

(a) regions that consolidated a few countries (e.g., Argentina, Paraguay, and Uruguay, in this case grouped together under the name River Plate),

(b) specific countries (e.g., Chile), and

(c) Latin America (as a consolidated region).

For the most part, each region or country in Latin America had a Chairman to whom the General Directors of each of the three business units of that region or country reported. The General Directors supervised the region or country functions such as Finance and Administration, HR, Customer Management, Supply Chain, and Brand Management Directors (note: in some countries some of these functions were not present).

### **Processes and Information**

In general, the processes and systems were different across the three business units and the 19 countries of ULLA.

## Initial Situation: Opportunities

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*What were the opportunities that ULLA had in the regional integration of its 19 countries and three businesses in Latin America?*

### **Strategy**

After a period of intensive geographic expansion by acquisition and/or development of companies, ULLA found itself unlikely to have regional Strategic Sourcing, regional Shared Services, regional IT, and access to world-class processes, resources, and technologies for key business areas.

Additionally, ULLA had IT divisions in each of the regions and/or countries, and in some cases even for each of the business units of each region or country, with distinct people, applications, infrastructure, vendors, methods, etc., for each of these divisions.

It was high time for ULLA to start integrating across countries and business units.

### **Organization**

ULLA had the opportunity to structure the organization with integrated functions such as back office across countries and country clusters.

### **Processes and Information**

In addition, ULLA also had the opportunity to standardize processes and information, and in some situations integrate them, e.g., into a Finance Shared Service Center, with uniform data and technology.

## Transformation Business Drivers [\(A120\)](#) [\(A130\)](#)

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*How could ULLA take advantage of the aforementioned opportunities in the regional integration of its 19 countries and three businesses in Latin America?*

### Options

ULLA had multiple options in terms of the level of standardization (e.g., per business and/or per country or fully integrated) and integration (e.g., back office and/or front office) of its organization, processes, and information model.

ULLA also had several options in terms of the level of centralization and simultaneity of the program implementation.

### Decision Process

ULLA went through a very structured phase of planning and analysis that allowed the company to determine:

- (1) the best option in terms of standardization and integration of its organization, processes, and information model;
- (2) the best option for the implementation program.

For these analyses and decisions, ULLA considered multiple factors such as organizational and operational feasibility; technical complexity; program, change, and risk management requirements; economic and financial business case; etc.

### Conclusion

ULLA decided to:

- (1) Standardize its processes and systems, and
- (2) Develop capabilities at a Latin American level of:
  - (a) Strategic Sourcing,
  - (b) Shared Services (for General Ledger, Accounts Payable, Accounts Receivable,

Cost Accounting, Credit and Collection, Fixed Assets, Common Coding, Travel and Expenses, HR, Treasury Management, Business Reporting, etc.), and

(c) IT Services (Information, Applications, Infrastructure).

Thus, ULLA would gain access to world-class processes, resources, and technologies for key areas such as Enterprise Resource Management, Supply Chain Management, Customer Relationship Management, Sales and Operations Planning, Business Intelligence, etc.

All this was decided with the objective of achieving additional efficiency and effectiveness in its operating model in an integrated way across Latin America's 19 countries and three business units.

## Conditions

Manage the transformation risk, particularly to:

- (1) Avoid disruptions in the business, as a consequence of relevant changes in the organization affecting approximately 15,000 people and 450 processes and systems, all them occurring in a short time frame.
- (2) Avoid generating multiple versions of processes and systems as part of the new solution for all countries and business units.
- (3) Avoid unnecessary modifications to new applications (SAP, Manugistics, Siebel, Cognos, etc.).
- (4) Avoid results lower than those defined and approved in the business case, including lower revenue growth, lower cost reductions, and higher program investments and expenses, both temporarily or permanently.
- (5) Given that ULLA was growing steadily and was leading or at least placing second in market share in almost all categories and countries in which the company operated despite being impacted by multiple crises (for example, Plan Real in Brazil in 1998, the 2001 debt default in Argentina, and the 2002 coup d'état trial in Venezuela), it was generating enough value to convince ULLA's management

to approve this huge operating model integration among operating counties/  
regions and business units.

(6) Achieve superior governance and program management to enable a cohesive multicountry and multidisciplinary team (with, at its peak, more than 400 people) spanning all ULLA areas and Accenture practices, for a period exceeding five years, moving around each operating country.

## Transformation Program [\(A140\)](#) [\(A160\)](#) [\(A170\)](#) [\(A180\)](#) [\(A190\)](#)

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### Actions

**The program** was developed from 2001 to 2006, with Go Live by phases in 19 countries and 275 locations. The program started with Argentina Home and Personal Care, then moving on to Argentina's other business units and River Plate as a "pilot implementation". After reviewing and adjusting the complete operating model in all its dimensions, such as processes, organization, systems, etc., the program expanded as an "enhanced pilot" rollout to all the business units of Chile and Brazil. Finally, it was extended as an "acquisition model" rollout to all business units of Mexico, Central America, and the Caribbean. In the end, the integration was re-implemented at River Plate as a "retrofit", utilizing the enhanced pilot model implemented across the rest of Latin America.

**The program was co-led by Unilever and Accenture**, during which:

- (1) A common process and system model for all functions in all the business units and countries of ULLA was designed based on SAP (Finance and Administration, Customer Management, and Supply Chain Management), Manugistics (Sales and Operations Planning), Siebel (Customer Relationship Management), Cognos (Data Warehouse), etc., with minimal differences by country and/or business unit, and was implemented in phases in each country and/or business unit.
- (2) A centralized IT infrastructure, concentrated on two mirrored data centers, one in Trunbull (United States) and the other in Chestergate (United Kingdom), was designed and implemented.
- (3) Shared Service Centers for Finance and Administration were designed and implemented, based in Santiago de Chile (for Spanish-speaking countries) and Sao Paulo, Brazil (for business units of Brazil), that afterwards extended their scope of processes and functions.
- (4) The application management of implemented systems was outsourced to Accenture, mostly based in Sao Paulo with some activities in Buenos Aires.

(5) A business intelligence facility (the Regional Information Office (RIO)) for all of ULLA was established in Sao Paulo.

Program management, change management (for ULLA, clients, vendors, and other stakeholders), and risk management were particularly important, both at the overall Latin America level and at each country or regional level, with high reutilization of model components, program methodology, program assigned resources, program governance, program expertise and lessons learned, etc.

### **Governance**

The program enjoyed intensive Top Management sponsorship and leadership, including by the ULLA Chairman and his direct reports, the CIO, and each country or region Chairman and his direct reports. It had intensive participation of all the involved functions (e.g., Finance and Administration, Human Resources, Customer Management, Supply Chain, etc.) including full-time key resources, such as the Program Director.

### **Latin American Characteristics**

#### **Company Structure:**

- (a) Being a multinational arm of Unilever, ULLA was seeking a world-class model, but still needed to retain broad local decision making authority within the model.
- (b) Owing to intensive expansion through acquisitions in multiple geographies, ULLA had an opportunity to improve performance through regional standardization and integration.

#### **Company Context:**

- (a) Given the retail market with multiple formats in different categories and countries, and with many of them supported by small single-shop businesses, sales and distribution complexities at ULLA were high.

- (b) As markets were quite unpredictable, particularly in Argentina in 2002, ULLA had to devise a flexible model and roadmap for its implementation.
- (c) Given the difference in market dynamics among countries, ULLA had to focus on both demand generation and supply and enterprise (efficiency) management.
- (d) Since part of the initiatives were related to shared services, supported by favorable labor arbitrage and other approaches that increased people efficiency, ULLA had to develop sound programs to adequately manage personnel movements related to different skills and locations.
- (e) Even though the Latin American countries in which ULLA operated were fairly to highly complex in doing and changing business, ULLA embraced a profound transformation in all dimensions of the operating model, much of it supported by state-of-the art telecommunications and IT.

**Key Event:**

Just a few days before the launch of the Harmonia Program for the Argentina pilot, which was based in Buenos Aires for the Latin American multicountry ULLA-Accenture team, the Argentinean President (Mr. De la Rúa) resigned and, after a number of stressful days and interim Presidents, a new President (Mr. Duhalde) was nominated by Congress.

These events brought turmoil to the country, especially once the new administration decided to start renegotiating its international and national public debts, which led to a huge default.

In light of this situation, Unilever's top management in Latin America and River Plate carefully analyzed the circumstances and chose to continue with the Harmonia roadmap as it had been originally planned, with the Argentina Home and Personal Care Go Live taking place nine months later, as originally scheduled.

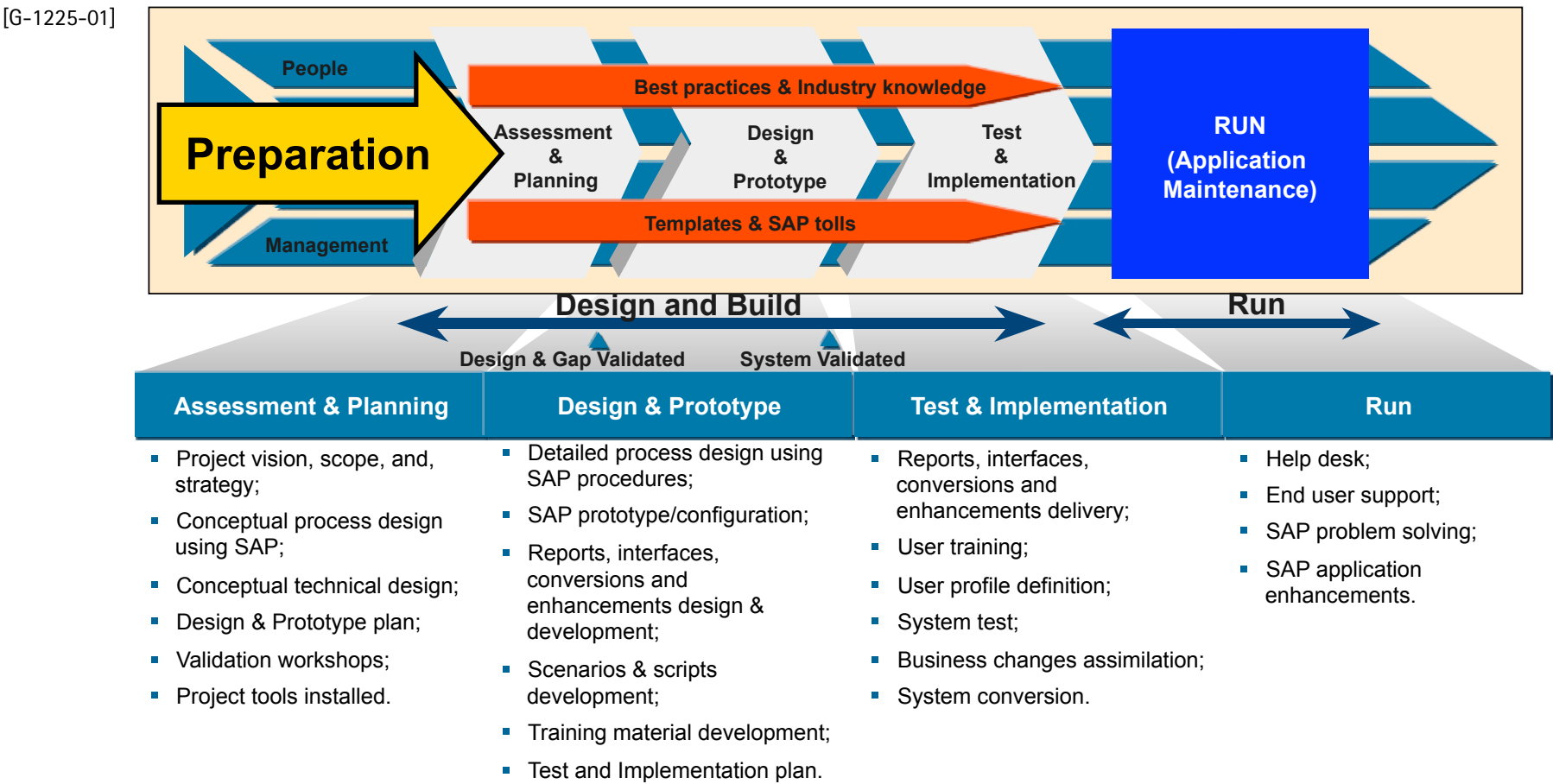


Methods

Sophisticated methods, techniques, and tools were used for the:

- (a) Design and implementation of processes and systems with a single model for 19 countries and three business units.
- (b) Design and implementation of the regional data support center.
- (c) Design and implementation of the Shared Service Centers, both for back-office functions (such as General Ledger, Accounts Payable, etc.) and for some quasi-front-office functions (such as Credit and Collection).
- (d) Design and implementation of outsourced regional application management.

In particular, for people, processes, and systems, the following methodology was applied for design, build, and run.



## Final Situation: Business and Operating Model

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### **Strategy**

ULLA transitioned its business units and countries to common processes and systems across Latin America, and with organizations and facilities centralized in four large regions.

### **Organization**

ULLA's organization was structured into four large regions (Southern Cone, Brazil, Middle America, and Mexico), with Chairmen and VPs at ULLA and regional levels. Nearly all have uniform business units, except for Brazil.

Additionally, ULLA's organization established a Shared Services Center for Finance and Administration, based in Santiago de Chile (for Spanish-speaking countries) and Sao Paulo (for business units of Brazil), that afterwards was partially outsourced to Accenture and other companies.

### **Processes and Information**

ULLA's processes and systems had a common structure for all business units and countries across Latin America, with significant simplification across the board. For example, the number of processes was reduced 91 percent from 1,035 to 90, and information systems were reduced 96 percent from 27 to 1. Data warehouses were reduced 91 percent from 11 to 1, and reports were reduced 88 percent from 3,647 to 439.

## Transformation Results

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### **Value Realization**

ULLA realized both the expected economic and quality benefits. As a consequence, the Harmonia Program model continued to evolve through two additional waves that integrated Unilever North America (at the end of the 2000s) and finally all of Unilever (between 2012 and 2015).

### **Conclusions**

- (a) Validity of a common process and system model for all the business units and countries across Latin America.
- (b) Validity of an operating model with shared service centers, global data centers, outsourced application management and information office, all of them applied at Latin America level.
- (c) Validity of world-class software tools, such as SAP, Manugistics, Siebel, Cognos, and others, applied at Latin America level.
- (d) Relevance of a structured business transformation program, led by top management, executed by a dedicated team, supported by proven models, methods, techniques, and tools and by strict and comprehensive program management, change management, and risk management.

Some relevant program lessons learned were:

- (a) Assign the best people to the program.
- (b) Keep people motivated along the extensive program timeline.
- (c) Focus on process commonalities rather than differences.
- (d) Adopt new business processes and information systems rather than adapting old ones.
- (e) Manage scope creep.

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### [Key Factors \(\\*\)](#) [\(1300\)](#) [\(1400\)](#)

- (f) Consider the program a business transformation and not an IT transformation.
- (g) Communicate and train, communicate and train...
- (h) Determine the regional rules for the maintenance and evolution of the common processes and systems (the "condominium" in ULLA's language).

**1. Massive Importance: HIGH** – 100 percent of Latin American business (all countries, businesses and processes).

**2. "The Strategy" Alignment: HIGH** – Global "One Unilever" strategy for global/regional business, integration.

**3. Right Moment: HIGH** – Throughout the 1980s and 1990s, ULLA went through intensive expansion by acquisitions and/or development of companies in each of the 19 countries and three business units where the Company operated in Latin America. At the beginning of the 2000s, ULLA had completed most of this process and it was the right moment to accelerate the integration of the business units and countries across Latin America.

**4. Enthusiastic Driver: HIGH** – Latin America CIO and Latin America Program Director, both with deep business orientation, plus all Directors and Senior Managers.

**5. "Prima Donna" Program: HIGH** – The only relevant business program sponsored directly by the Latin America Region Chairman and Country/Region Chairmen.

**6. Full Stakeholders: HIGH** – Involved all of Unilever's related areas such as process, responsible and individual people, clients, vendors, partners (such as financial services and technology providers), government (through tax authorities), unions, and local communities (if impacted by Unilever's new business strategy and model).

(\*) Please, for a description of the Key Factors, refer to Chapter 1300: Business Transformation Key Factors.

**7. Design for Sustainability: HIGH** – The application management was defined, designed, and implemented as part of the program, including release strategy, maintenance team, etc.

**8. Technology Step Change: HIGH** – Full application change consolidating all standardized processes through SAP, Siebel, Manugistics, and Cognos. Full infrastructure change, consolidating into two regional data centers: one in Trunbull (United States) and another in Chestergate (United Kingdom).

**9. Segmentation Everywhere: HIGH** – Particularly in the definition of customer clusters and their related service levels.

**10. Career Lifter: HIGH** – Important career opportunity for the whole Program Team.

## Complementary Analysis

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### Questions

*Some questions to further explore this case include:*

*(1) What might have happened to ULLA if the Company did not execute this regional integration business transformation at the time it was executed or until today?*

*(2) What other options of standardized and integrated models and of standardization and integration programs could ULLA have adopted?*

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# 1226: Techint

## Company's Introductory Words

SAP Global Program involved all the businesses and countries where Tenaris was operating and was a key ingredient to make feasible the company's IPO.

The implementation of a single model for process, organization, and technology for full Administration, Finance, and Procurement was a major achievement that, through a common business language, centralized IT, globally defined roles, and centralized activities brought additional operational quality and efficiency to all these areas.

Key for the success were the intensive sponsorship and leadership of the top management and the integrated involvement of all related business areas and other stakeholders.

Since the conclusion of the SAP Global Program, the company has continued to evolve by incorporating new technologies, including digital ones, and new business practices.

### **Guillermo Romani**

IT Director

Techint – Tenaris

**Case Authors** Roland Fiedler, Claudio Goldman, and Mario Angelastro

Company and Transformation Profile

Company Name	Techint – Tenaris
Transformation Type	Global Integration – Finance, Administration, and Procurement across all countries
Management Theme	<p>Why and how did the Company decide to undertake the global standardization and integration of its operating model across countries and business units?</p> <p>How did the Company decide the integration program's level of centralization and simultaneous execution?</p>
Program Name	SAP Global Program
Company Profile	<p><b>Techint Group:</b> The Technit Group comprises Tenaris, Ternium, Techint Engineering &amp; Construction, Tenova, Tecpetrol, and Humanitas. These companies act globally, serving as global or regional leaders in their fields, with deep roots in the countries in which they operate, each with its own aims and strategies but all sharing a core philosophy of long-term presence and commitment to local development, quality, and technology.</p> <p><b>Tenaris:</b> Offers advanced product technology and integrated supply chain management services on a global scale to customers such as the world's major oil &amp; gas companies, as well as major engineering and industrial companies.</p> <p>Tenaris has manufacturing facilities in Argentina, Brazil, Canada, Colombia, Ecuador, Indonesia, Italy, Japan, Mexico, Romania, Saudi Arabia, and the United States. It has a proprietary global service and a worldwide distribution network.</p>



The Company's annual production capacity of seamless pipes is 3.8 million tons. The company also has annual capacity of 2.6 million tons of welded pipes, and employs 27,200 people worldwide.

Tenaris is the world leader in premium connections and is at the forefront in the development of the tubular technologies required not only to operate in the most demanding oil & gas fields, but also in high performance mechanical and structural applications.

It is a public company, incorporated in Luxembourg, with its shares listed in Milan, Buenos Aires, and Mexico, and its American Depositary Securities listed on the New York Stock Exchange. It adheres to international standards of corporate governance, financial transparency, and information disclosure.

Tenaris' 2014 revenues were US\$10.3 billion.

Source: [www.techint.com](http://www.techint.com)

Initial Situation: Business and Operating Model

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<b>Strategy</b>	Tenaris' companies operated as separate entities with different operating models, business processes, information systems, data structures, and technology infrastructure.
<b>Organization</b>	Tenaris' organization comprised all of the Tenaris companies that were operating as separated entities.
<b>Processes and Information</b>	<p>Tenaris' processes, standards, and procedures differed from company to company.</p> <p>The company's processes and applications were insufficiently integrated and automated, and they required duplicate controls and reconciliations.</p> <p>The information system had frequent problems related to accuracy and timeliness.</p> <p>Tenaris' similar purpose data structures differed from company to company.</p>

### Initial Situation: Opportunities

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*What opportunities did Tenaris have in the global integration of Finance, Administration, and Procurement across all countries?*

**Strategy**

Tenaris had an important opportunity in three areas: (1) efficiency; (2) standardization, and (3) consolidation.

**Organization**

The primary opportunity was the standardization and consolidation of its organization, allowing the creation of a Shared Services Center.

**Processes and Information**

The primary opportunity was the standardization and consolidation of its processes and information, including applications and infrastructure, which also supported the creation of a Shared Services Center.

## Transformation Business Drivers [\(A120\)](#) [\(A130\)](#)

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*How did Tenaris take advantage of the aforementioned opportunities in the regional integration of Finance, Administration, and Procurement across all countries?*

### Options

Tenaris had multiple options in terms of the level of standardization and consolidation of its organization, processes, and information model, and the level of centralization and synchronicity of the implementation program.

### Decision Process

Tenaris went through a very structured phase of planning and analysis to determine the best option for the implementation program, considering multiple factors such as organizational and operational feasibility; technical complexity; program, change, and risk management requirements; economic and financial business case; etc.

### Conclusion

Tenaris decided to design and implement a single model (processes, data, systems, and organization) for the areas of Administration, Finance, and Procurement of all of its component companies. This model needed to be:

- (1) Scalable – Capable of adapting to the changes in the business requirements (such as new companies, changes in the business units, etc.).
- (2) Broad – Capable of supporting the requirements of the companies that comprise Tenaris, and of providing a consolidated business vision for management purposes.
- (3) Efficient – Capable of generating cost reduction, eliminating non-value-added activities, and generating quality results on time.
- (4) Controllable and manageable – Providing indicators to monitor the service levels and efficiency.

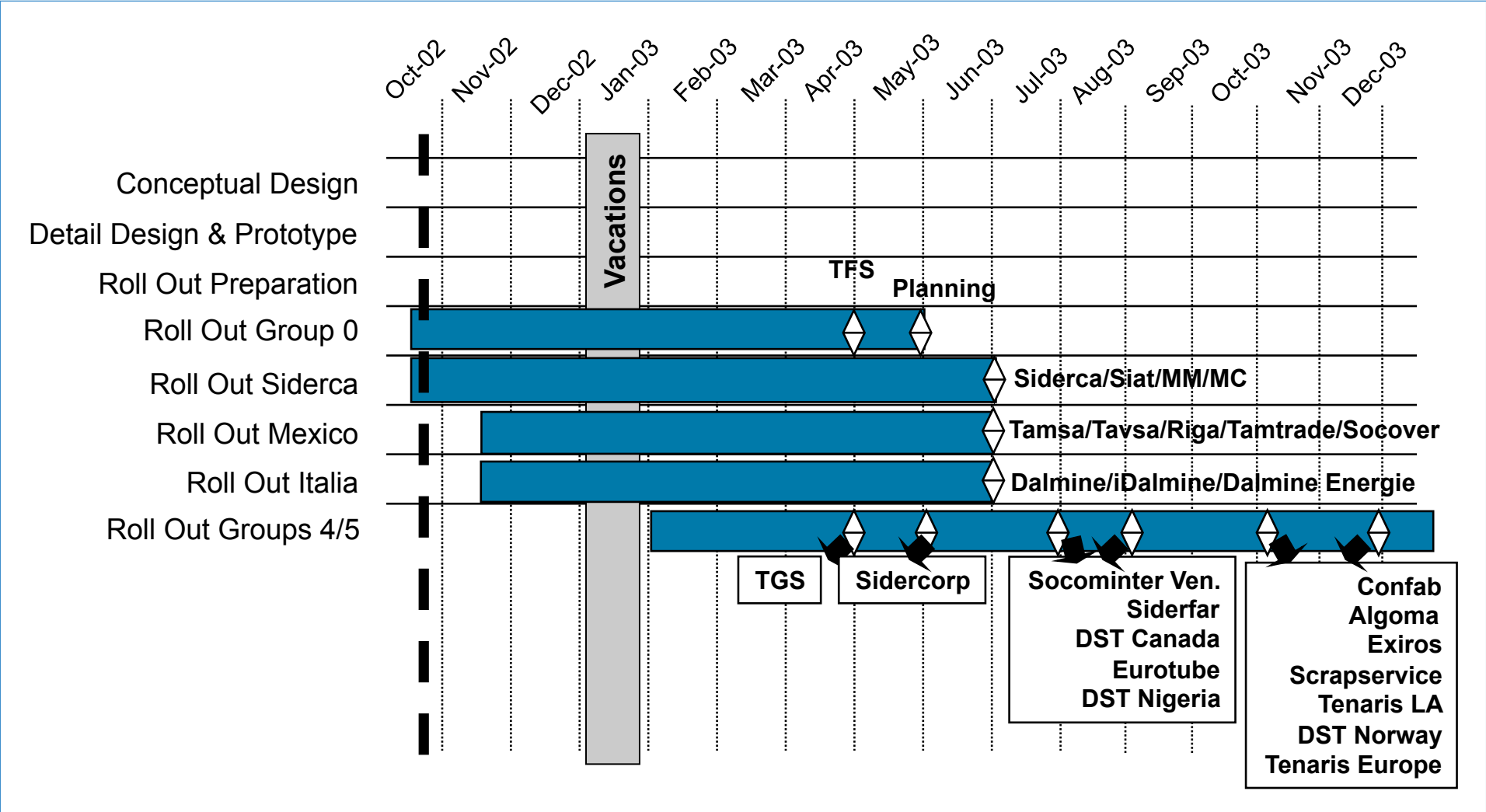
**Conditions**

One of the most relevant conditions was how to determine the best implementation program, considering multiple factors, such as organizational and operational feasibility; technical complexity; program, change, and risk management requirements; economic and financial business case, etc.

Transformation Program [\(A140\)](#) [\(A160\)](#) [\(A170\)](#) [\(A180\)](#) [\(A190\)](#)

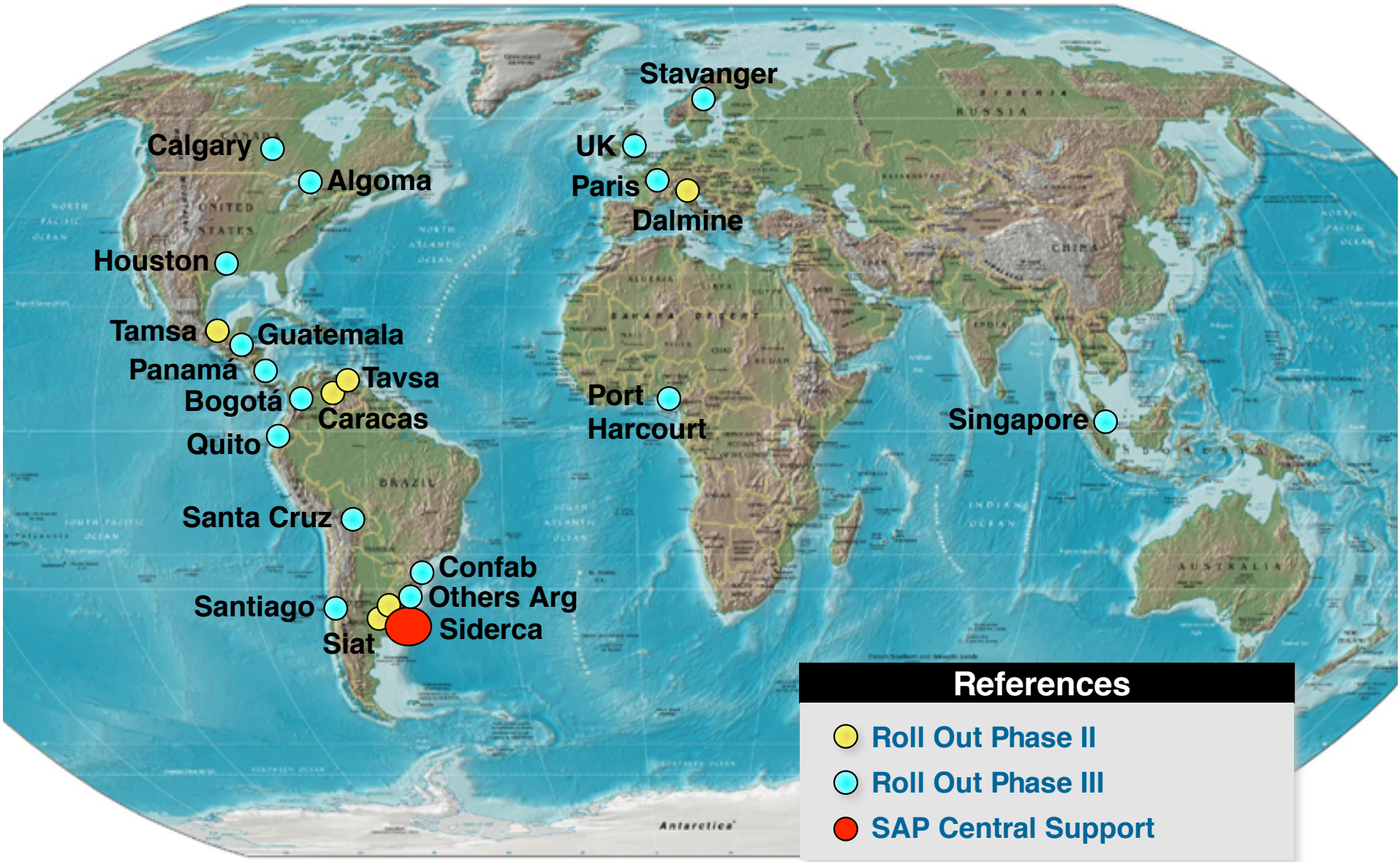
**Actions** The implementation was structured in phases, all of which were supported through the Argentina Central SAP Center.

[G-1226-01]





[G-1226-02]



**Governance**

The program was structured with:

- (a) Intensive C-Level sponsorship, particularly the Corporate CFO and his direct reports, including the Corporate CIO and the companies CFOs.
- (b) The close leadership for every process work stream design and build by a Business Director with their Key Users supported by Application Leads and Consulting Leads, thus achieving strong expertise in business, application, and transformation.
- (c) The close leadership of every company rollout by the company CFO, supported by the company CIO and a Consulting Lead.

Most of the roles described in (b) and (c) were full-time.

**Latin American  
Characteristics**

The countries in which Tenaris operated had at the time of this program and now continue to have material differences in terms of:

- (1) Economic and financial regulations and dynamics;
- (2) Legal, accounting, and tax regulations;
- (3) Sales channels and supply chain networks, etc.;

that required to be adequately harmonized throughout the transformation program, to ensure the standardization and consolidation of the company's organization, processes, and information models.

**Methods**

Sophisticated methods, techniques, and tools were used to:

- (a) Design and implement processes and systems with a single model.
- (b) Design and implement the regional data center support.
- (c) Design and implement regional Shared Service Centers, both for back-office functions (such as General Ledger, Accounts Payable, etc.) and for some quasi-front-office functions (such as Credit and Collection).
- (d) Design and implement outsourced regional application management.



## Final Situation: Business and Operating Model

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### **Strategy**

Tenaris' companies now operate as integrated entities with the same operating models, business processes, information systems, data structures, and technology infrastructure.

### **Organization**

Tenaris achieved:

- (1) Centralized activities.
- (2) Common business language across its companies.
- (3) Globally defined roles and training.
- (4) Centralized IT support.

### **Processes**

Tenaris achieved: standard business processes and master data, including the chart of accounts and the list of cost centers, with the necessary flexibility to support the management and legal requirements of each country.

Tenaris structured five main processes:

- (1) Requisition to Payment.
- (2) Invoicing to Cash.
- (3) Treasury and Finance.
- (4) Accounting and Costing.
- (5) Planning and Reporting.

**Information**

Tenaris achieved:

- (1) Centralized support for SAP configuration.
- (2) A single information repository.
- (3) A centralized data center.

Tenaris based its solution on SAP R/3 modules: MM, FI, CO, AM, TR, PS, SEM (BPS, BCS), BW, CFM (TR/TM), among others.

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## Transformation Results

### Value Realization

Tenaris and all of its companies significantly benefited from its new standardized and integrated operating model and information technology in the following ways:

- (1) Reduction of time required for data maintenance.
- (2) Reduction of time required for data gathering and information processing.
- (3) Reduction of data inconsistencies and/or duplications.
- (4) Increased information reliability and integration.
- (5) Increased flexibility for report generation and information analysis, required for decision making.
- (6) Tasks and processes automation, with the consequential release of time dedicated to those activities.

### Conclusions

- (a) Validation of a common process and system model for all business units and countries.
- (b) Validation of an operating model with Shared Service Centers, global data centers, and global outsourced application management.
- (c) Validation of world-class software tools such as SAP.
- (d) Importance of a structured business transformation program, led by top management, executed by a dedicated team, supported by proven models, methods, techniques, and tools and by strict and comprehensive program management, change management, and risk management.

### Key Factors (\*)

(1300) (1400)

- 1. Massive Importance: HIGH** – This program involved Finance, Administration, and Procurement for all Tenaris' businesses and across all countries.
- 2. "The Strategy" Alignment: HIGH** – It was necessary to ensure that the company would be able to meet the business and corporate requirements of an IPO.

(\*) Please, for a description of the Key Factors, refer to Chapter 1300: Business Transformation Key Factors.

**3. Right Moment: HIGH** – This transformation occurred in parallel with the IPO. The IPO took place in December, 2002 and the first SAP Global Program Go Live took place in July, 2003.

**4. Enthusiastic Driver: HIGH** – Corporate CFO, Corporate CIO, and Business Program Director.

**5. "Prima Donna" Program: HIGH** – This became almost the only relevant program in the Tenaris Finance area. Given its success, it was followed by a similar program for the Commercial area.

**6. Full Stakeholders: HIGH** – This involved all related business areas and impacted vendors, partners (as financial services and technology providers), etc.

**7. Design for Sustainability: HIGH** – The application management was defined, designed, and implemented as part of the program, including release strategy, maintenance team, etc.

**8. Technology Step Change: HIGH** – Tenaris decided to implement the most recent (still beta version) SAP platform, and in this way the company made a significant technological evolution and avoided having to upgrade the solution in the years immediately following. In addition, following the implementation and throughout its subsequent operation, the company has systematically taken advantage of the new digital technologies and has continuously improved its processes and business.

**9. Segmentation Everywhere: HIGH** – The solution included a thorough analysis of requirements, carefully balancing a common solution with specific industry features, such as contribution analysis by work order, business intelligence, which led to very insightful analysis.

**10. Career Lifter: MEDIUM** – Most of the program participants were allowed a holistic view of Tenaris businesses across geographies, entities, and processes.

## Complementary Analysis

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### Additional Questions

*Some questions to further explore this case include:*

*(1) What might have happened to Tenaris if the company had not executed this global integration business transformation, at the time it was executed or since?*

*(2) What other options of standardized and integrated model and of standardization and integration program could have Tenaris adopted?*

### Digital Extrapolation

What could have been different in this transformation case if today available best practices and tools for Digital Business were applied to it?

#### **(a) Program Collaboration**

i. Instant messages with video call for desktops & laptops, tablets, and mobile devices.

(a) Current collaboration tools, such as Skype for Business, allow video calls and conferences in a simple and efficient way.

(b) This type of tools allows better internal communication among program team members and facilitates remote trainings, among many other benefits.

ii. Cloud stored files (still not extensively utilized in the company).

(a) Efficiently share files, without utilizing email.

(b) Jointly editable files.

(c) 7x24 file sharing.

#### **(b) Digital at MRO Warehouses**

(a) Development of a 3D warehouse, with high standards in user interface and user experience (currently being partially applied).

(b) Possibility of operating desktops & laptops and tablets in the warehouse (currently being partially applied).

(c) Utilization of prescriptive analytics for stock level, reorder point, and other replenishment parameters optimization (currently not being applied).

(d) Utilization of RFID, barcodes, etc., to optimize information and resources utilization (currently being partially applied).

(e) Utilization of 3D printers for some specific materials (currently not being applied).

(f) Utilization of predictive analytics for maintenance, to determine the failure probability of critical pieces of equipment and thus optimize the MRO bill of material management (currently not being applied).

### **(c) Digital in Finance and Administration**

(a) Inclusion of management dashboards with high standards in user interface and user experience, supported by various devices (currently being partially applied).

(b) Utilization of predictive analytics for account receivable management to minimize due invoices (currently not being applied).

(c) Management of purchase authorizations through user-friendly and simple authorization workflows and other tools (currently already implemented).

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# 1227: Banco Santander Uruguay

## Company's Introductory Words

The post-merger integration of ABN Amro and Santander in Uruguay was a major program executed in a very short time frame.

Once executed, the 3-phase program allowed Santander Uruguay to manage specific services by customer segment, reinforce electronic channels, achieve financial results balanced with customer experience, have commercial agents focused in sales, and operate with efficient processes.

A strong priority in execution and governance and the availability of processes since Day 1 were some of the success factors that, in addition to having the CEO and C-Level and the entire Santander Uruguay and ABN Amro Uruguay organizations pursuing the initiative as a primary one, made this program a success.

Expertise from previous post-merger integrations was intensively utilized for the ABN Amro and Santander program in Uruguay, and this program lessons learned were integrated to Santander's knowledge base.



**Case Authors** Diego Zorzoli and Mario Angelastro

**Company and Transformation Profile**

<b>Company Name</b>	Banco Santander Uruguay
<b>Transformation Type</b>	<i>Geographic Expansion – Post-Merger Integration</i>
<b>Management Theme</b>	<i>Why did Santander opt for a post-merger integration immediately after approval of the merger by all decision makers?</i>
<b>Transformation Name</b>	Post-Merger Integration Program
<b>Company Profile</b>	<p>In 1985, Santander was positioned as the sixth largest bank in Spain and the 152<sup>nd</sup> largest in the world. At that time the objective of the company was more aligned to increasing profits than to driving growth.</p> <p>Over the period of 1994 to 1998, Santander acquired Banco de Venezuela, Banco Santander Mexicano, Banco Río Argentina, and Banco Geral de Comercio y Noreste Brasil. Santander thus became the single largest bank in Spain and the 45<sup>th</sup> largest in the world.</p> <p>In 1999, Santander merged with Banco Central Hispano in Spain. This was the first large merger in the Europe of the Euro.</p> <p>During the period of 1999 of 2005, Santander acquired multiple banks across Europe (Germany, Italy, Portugal, the United Kingdom, and other countries) and Latin America (Brazil, Chile, and Mexico). Santander became the single largest bank in the Eurozone, the single largest in Ibero-America, and the ninth largest in the world.</p>



By 2007, Santander had grown to become the fourth largest bank in the world, considering a number of businesses in Latin America. One of the most significant examples of this was the integration of ABN Amro to Santander in Uruguay.

## Initial Situation: Business and Operating Model

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In November 2007, ABN Amro's shareholders approved an offer from a consortium of banks (Fortis, RBS, and Santander).

The main driver for the consortium to make the offer was a substantial value creation for all shareholders and a significant benefit for customers and employees.

The acquisition from Santander included ABN Amro in Brazil, Italy, and Uruguay.

In April 2008, Santander Uruguay initiated the integration of ABN Amro in Uruguay in order to capture the planned synergies.

In terms of Assets and Liabilities, following the acquisition of ABN Amro's Business in Uruguay, Santander Uruguay rose from third to first position in Uruguay, reaching 20 percent of market share.

### **Strategy**

Santander Uruguay and ABN Amro Uruguay, as unrelated banks, had specific strategies.

Santander had a global strategy of integrating its acquisitions immediately after legal merger, through a strong corporate operating model implementation, avoiding client and talent attrition due to issues in the integration of processes.

### **Organization**

Santander Uruguay and ABN Amro Uruguay were traditional universal banks, but with complementary focus on different segments and businesses. While Santander Uruguay was more focused on the retail segment and small and medium entities, ABN Amro Uruguay was more oriented to the wholesale and high-income segments.

### **Processes and Information**

Differing operating models and technology platforms between both organizations led to challenges for the integration program, particularly because of the need to achieve the synergies considered in the integration business case.

## Initial Situation: Opportunities

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*What opportunities did Santander Uruguay have to capture synergies through the Integration Program?*

### **Strategy**

The main opportunity was to have an integrated strategy for merged Santander Uruguay, positioned as the top private bank in the local market, with a market share of approximately 20 percent.

In addition, it was necessary to generate a commercial synergy to foster growth in clients and business, monitoring in parallel the potential customer attrition due to the integration program.

As part of its brand strategy, Santander Uruguay had the opportunity to maintain ABN Amro Uruguay's private banking organization (called Van Gogh), to reinforce its positioning in the client's high income segment.

Finally, it was also necessary to maximize and optimize the branches' network, achieving optimal geographic coverage and improving sales effectiveness, with both client bases (Santander Uruguay and ex ABN Amro Uruguay).

### **Organization**

The main opportunity was to transform the organizational structure, according to future operating needs, capturing the synergies resulting from the organizational integration.

### **Processes and Information**

The main opportunity was to integrate the operating and technology models, according to the future operating needs, capturing the synergies resulting from the integration and standardization, e.g., a single process model and a single technology platform for the integrated operations.

In addition, it was necessary to maintain high service quality levels, reducing internal impacts during the integration process with a strong change management process, in order to retain the best talent and reduce operational impacts.

## Transformation Business Drivers [\(A120\)](#) [\(A130\)](#)

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*How did Santander Uruguay take advantage of the aforementioned opportunities of the Integration Program?*

### Options

Santander Uruguay was able to use its own model as the common and integrated ideal, requesting that ABN Amro Uruguay either adopt this, or proceed with a business case based on capturing synergies, seeking the best combination of Santander Uruguay's, ABN Amro Uruguay's, or new-common models, and thus achieving the most effective capture of synergies.

### Decision Process

Throughout the project, Accenture helped Santander Uruguay understand the benefits of choosing from different models or options by rapidly executing complex analysis and effectively communicating the results.

The rationale for adopting components of different models (Santander Uruguay and ABN Amro Uruguay) was to retain the best of each model, with an emphasis on customer service level improvement, maintaining a strong position in the marketplace and providing the best experience for employees.

At the end of the day, the business impact and business case management were the key decision making factors during the post-merger integration process.

### Conclusion

Most of the decisions made by Santander Uruguay were with the objective of selecting the best of both models, considering for some cases key guiding principles to conduct the integration.

An internal example of this process was the To-Be Core System definition, which saw the team select the application most aligned with Santander's corporate roadmap.

On the other hand, some decisions with potential market impact (e.g., those related to customers, regulators, competitors, etc.), were always taken with the mindset of minimizing effect on customers (e.g., Van Gogh private banking brand continuity)

or reinforcing the market positioning of the "new bank" (e.g., the marketing campaign for the launch of the new bank).

## **Conditions**

Santander Uruguay set out to execute the post-merger integration process within a very aggressive timeframe, in an effort to reduce the impact that integration activities would have on "business as usual" because of integration activities. The company also wished to focus on capturing business and operational synergies as soon as possible in order to achieve the business case goals.

### **With Clients:**

#### **Ongoing Business:**

- Retain and increase client base.
- Achieve full client integration while ensuring transparency for clients.

#### **Integration Activities:**

- Adjust products, services, and client attention points.
- Inform clients about integration changes.

### **With Employees:**

#### **Ongoing Business:**

- Retain key talent within the organization.
- Sustain employee morale and productivity.
- Minimize the impact of integration tasks.

#### **Integration Activities:**

- Reassign and train personnel.
- Define map of key positions and retention plan for key employees.

**In Finance and Administration:****Ongoing Business**

- Sustain and improve combined profit.
- Ensure achievement of the planned benefits.

**Integration Activities:**

- Free funds to invest in the post-merger integration.
- Ensure efficiency in the use of financial resources.

**Operations and Technology:****Ongoing Business:**

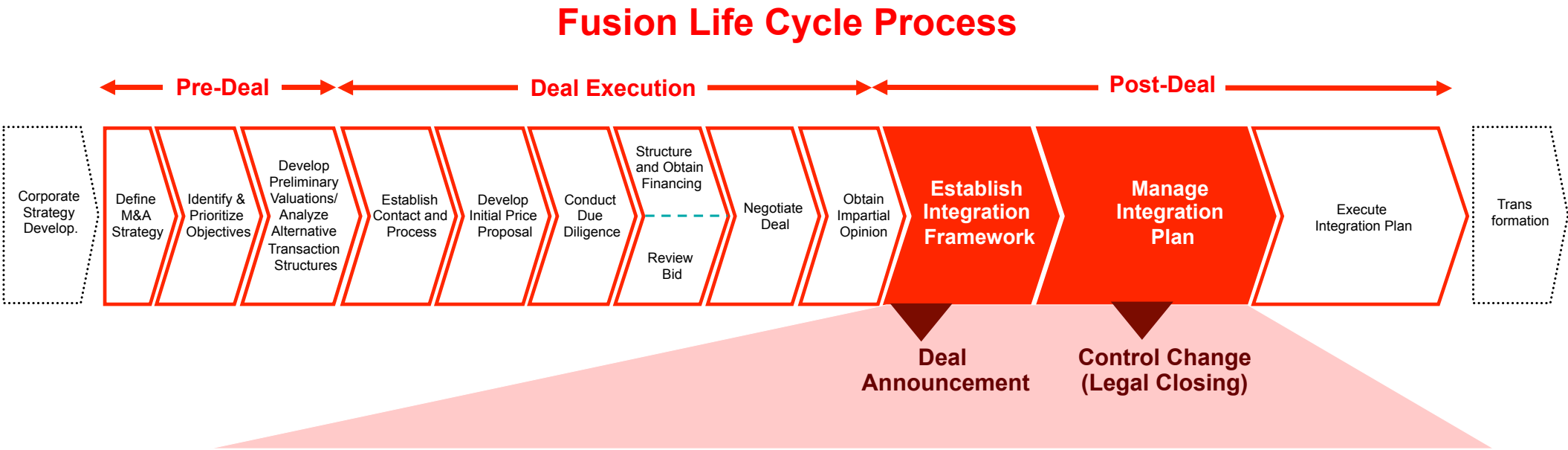
- Rapidly achieve expected target values.
- Comply with rationalization objectives.

**Integration Activities:**

- Minimize transition risks.
- Have the team required to ensure business stability and continuity.

Transformation Program (A140) (A160) (A170) (A180) (A190)

[G-1227-01]



**Actions**

The Project included:

- (1) An Integration Framework phase, with a project definition, organizing and planning objective.
- (2) An Integration Planning phase, with a synergy definition and planning objective.
- (3) An Integration Implementation phase, with a synergy implementation objective.

**Governance**

In order to ensure the soft landing of the convergence, a Program Governance structure was put in place to manage the implementation.

**Executive Committee:**

- Define strategic vision.
- Manage expectations.
- Establish general objectives.
- Assure commitment.

**Integration Committee:**

- Establish and monitor specific objectives.
- Define priorities.
- Assure required funds and resources.
- Assure effective execution.

**Program Management Office:**

- Provide coordination.
- Build and sustain commitment.
- Standardize project frameworks.
- Provide a broad and updated information base.
- Manage the business case.
- Identify and manage risks.

**10 Program Teams:**

- Execute detailed activities according to direction, organization, and plan.



Latin American  
Characteristics

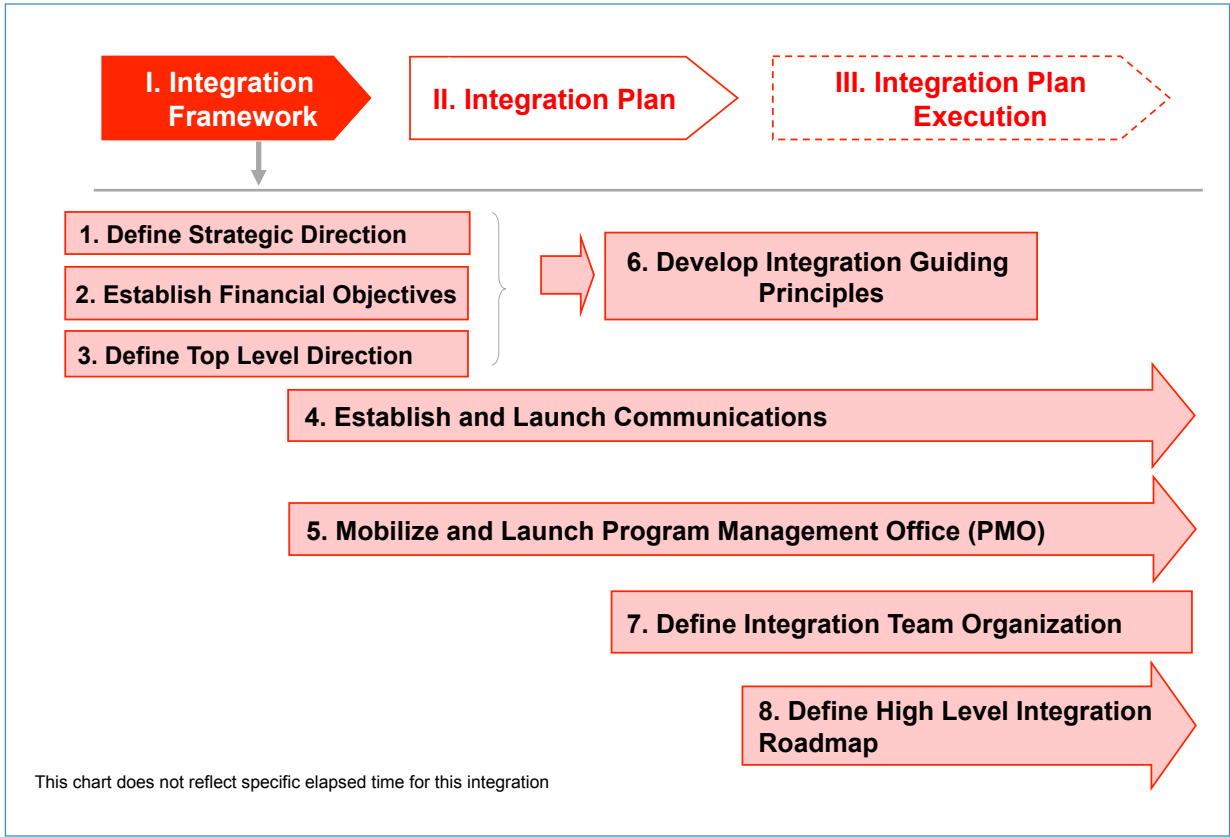
Given the potential volatility of the Uruguayan and Latin American markets, it was crucial to ensure rapid execution of the post-merger integration to manage potential loss of value.

Therefore, it was crucial to follow a structured methodology that encompassed all stakeholders (regulator, headquarter banks, local banks, customers, employees, vendors, competitors, press, etc.) and supported focus and order in execution and results.

Methods

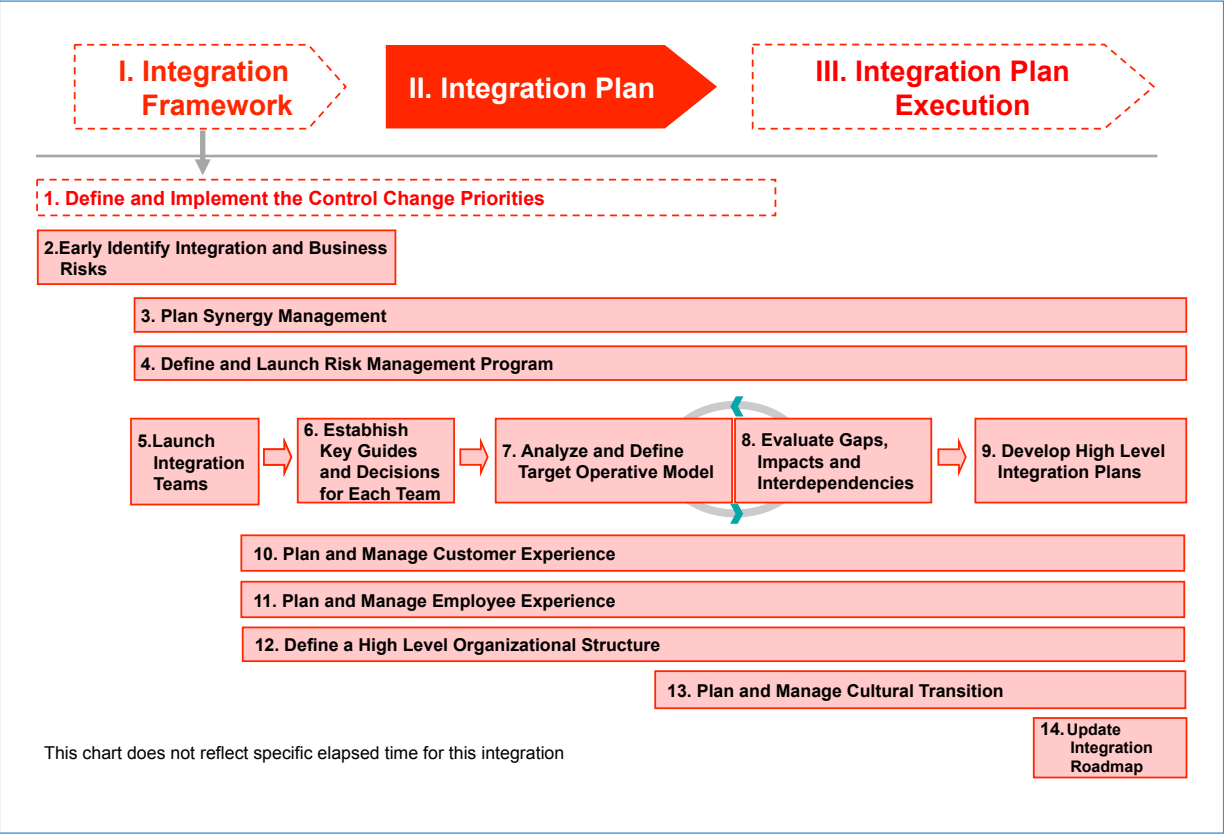
During the Integration Framework Phase (I), the project strategic direction, including its financial objectives and guiding principles, was established; the project organization, including its PMO, was defined; the stakeholders' communication and the team mobilization were executed, and a high level integration roadmap was prepared.

[G-1227-02]



During the Integration Planning Phase (II), a methodology was applied that allowed not merely a broad identification of synergy opportunities (the "divergence moment") but also their pragmatic filtering, categorization, and prioritization (the "convergence moment"), thus reaching a financial evaluation and roadmap definition.

[G-1227-03]



During the Integration Implementation Phase (III), the first 100 days following the merger, the most significant challenges were:

- Ensuring strategic direction for the integration and a clear definition of objectives.
- Management of the Business Case.
- Appointment of Directors and definition of the governance model.
- Definition of integrated objectives.
- Planning of migration.
- Definition of transition approaches (for clients, employees, operations, and technology).
- Management of communications.

## Final Situation: Business and Operating Model

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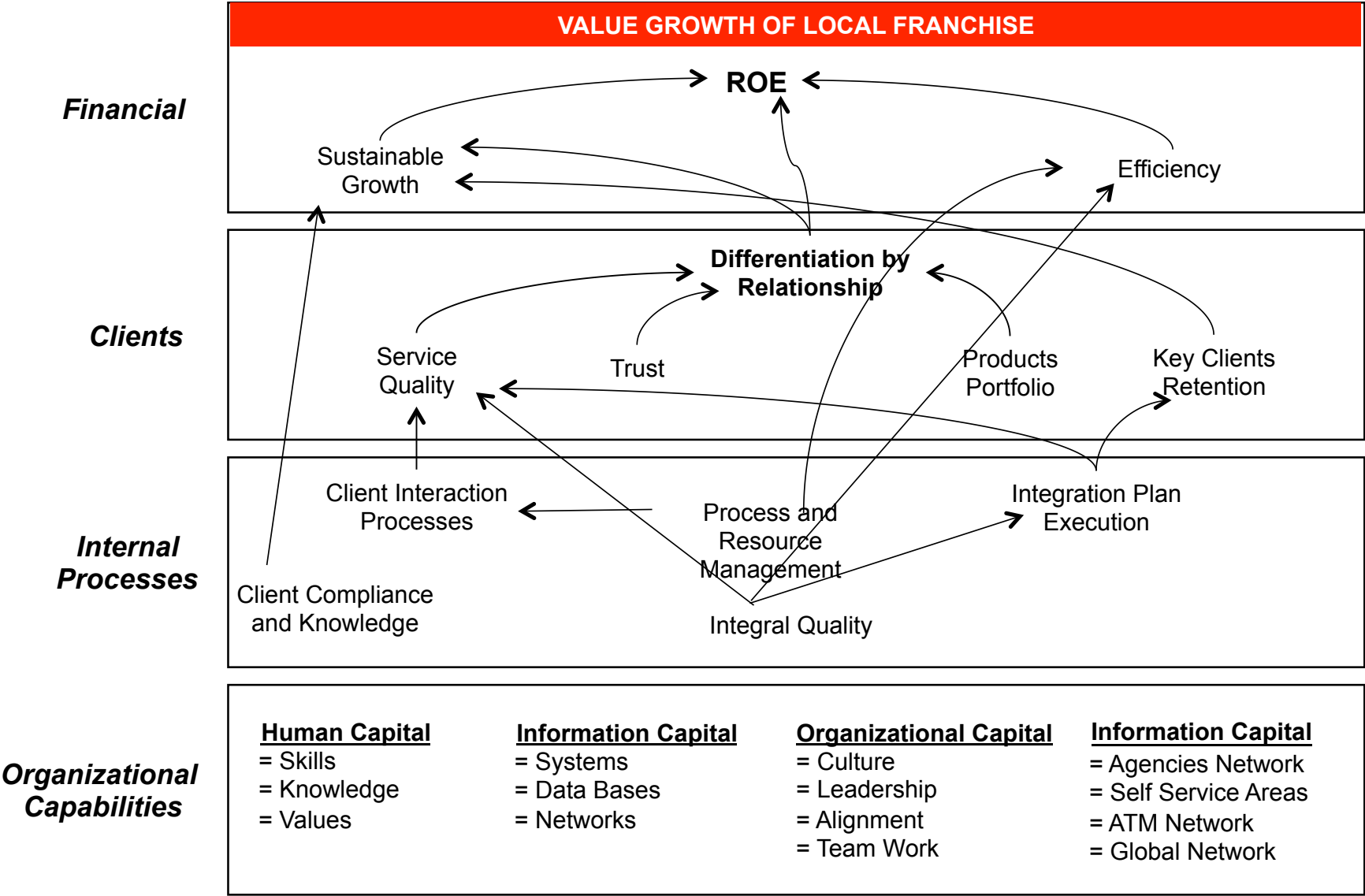
### **Strategy**

- Universal Bank with a servicing model defined by segment.
- Reinforced electronic channels.
- Focus on results (revenues and costs), balanced with customer experience.
- Commercial agents dedicated to sales, and with no operations tasks.
- Priority in funding the commercial business (treasury business).
- Efficient operating processes.

The strategy established by the bank was focused on some pillars in terms of clients, internal processes, and organization capabilities, with direct impact on future return on equity (ROE).

During the project, to define the strategy, the team outlined a strategic map, connecting the business drivers with their impact on the ROE.

[G-1227-04]



**Organization**

The new bank adopted the structure of Santander Uruguay, increasing the speed of decisions and the clarity of organizational roles.

The organization structure was divided into eight main divisions: Commercial, Operations and IT, Finance, Compliance, Risk, Planning and Control, Marketing, and Legal.

The definition took into consideration two assumptions:

- High importance of taking care of people and their jobs in the integrated bank.
- High importance of taking advantage of the opportunities that Santander Uruguay could bring to their professionals, offering an international career through the Financial Group. In fact, one of ABN Amro Uruguay's Directors went on to develop an international career within Santander.

**Processes and Information**

The final process model and information technology platform were very similar to Santander's corporate ones, allowing the new bank to effectively capture the synergies resulting from the deal. A centralized back office, the Altair core system, and standard corporate processes (with local characteristics) were the main pillars of the new operating model after the post-merger integration program.

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## Transformation Results

### Value Realizations

After the integration, the plan was to increase the ROE (return on equity) from 20 percent in 2007 to 25 percent in 2011. One of the levers considered was the improvement of the efficiency ratio from 59 percent in 2007 to 43 percent in 2011.

### Conclusions

The **specific key success factors** were:

- Value generation and not merely integration execution.
- Proactive organization design.
- Expectations management.
- Continuous decision making.
- Change opportunity.
- 70 percent solution and 100 percent execution.
- Effective stakeholder communication.
- Governance and processes from Day 1.

### Key Factors (\*) (1300) (1400)

**1. Massive Importance: HIGH** – The impact was high because the integrated new bank immediately became the largest private bank in the market, with approximately 20 percent of market share. It involved all organizations, processes, and information of both Santander Uruguay and ABN Amro Uruguay, and encompassed the structures related to clients, employees, finance & administration, and operations & technology.

**2. "The Strategy" Alignment: HIGH** – The global strategy of Santander Group was to be the number one player in each country in which the bank had presence, and the local strategy of Santander Uruguay was in full alignment with this. The CEO of Santander Uruguay was fully committed to leading the program to achieve its goals as soon as possible, and the full organization was aligned in this process as well.

(\*) Please, for a description of the Key Factors, refer to Chapter 1300: Business Transformation Key Factors.

**3. Right Moment: HIGH** – The program was launched immediately after the Santander Uruguay - ABN Amro Uruguay merger took place and was key to establishing the new bank in the first place in the market as a private player. As Santander Uruguay was already executing a core system transformation, the Company decided to focus all of its efforts first on the process integration and then on the information technology transformation.

**4. Enthusiastic Driver: HIGH** – Santander Uruguay's CEO was very enthusiastic about the integration and encouraged the C-Level to embrace the changes and opportunities that would result from it. The CEO was the main sponsor for many initiatives, demonstrating enthusiasm about the program to multiple stakeholders (regulators, employees, clients, press, etc.), and was the main supporter of focusing the whole organization on this integration, thus optimizing the bank's position in the marketplace, the experience of its employees, and the results of the value realization.

**5. "Prima Donna" Program: HIGH** – This program immediately became effectively the primary focus within Santander Uruguay - ABN Amro Uruguay, especially considering that Santander Uruguay was in the middle of a core system replacement and the bank decided to freeze this complex program until the integration program was finished.

**6. Full Stakeholders: HIGH** – This involved the entire Santander Uruguay and ABN Amro Uruguay organizations, plus clients, vendors, regulators, and other key partners, as required.

**7. Design for Sustainability: HIGH** – The business case and the business/operating models were defined with consideration for not only the current situation but also industry trends and future perspectives in the Uruguayan market, in order to sustain the bank as a top player throughout the years ahead. The program also considered change management initiatives, in order to increase the morale of the work team and key personnel in the new bank.

**8. Technology Step Change: LOW** – Santander Uruguay was in the middle of a core system change. Considering that situation, every decision related to systems in the new bank needed to be aligned to the regional implementation roadmap.



There was no significant change in technology capabilities, but the main focus was to optimize the merged banks' information technology capabilities, in order to improve customer experience and business results, in parallel with achieving the goal of most effectively capturing synergies.

**9. Segmentation Everywhere: HIGH** – Segmentation was key during the program, both externally and internally. With regards to customer segmentation and its value propositions, the traditional segmentation method used by Santander globally (by income) was applied, but with some local characteristics, such as the private banking model of Van Gogh (where customers were segmented by wealth). Also, segmentation was carried out for the new bank's personnel (people close to retirement, professionals with high potential and high score evaluations, etc.).

**10. Career Lifter: HIGH** – This was an important career opportunity for the entire program team, as they provided the opportunity to:

- (a) Understand both Santander Uruguay's and ABN Amro Uruguay's businesses, including their strategies, organization, processes, and technology.
- (b) Learn about a post-merger integration.
- (c) Become visible to top management.

## Complementary Analysis

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### Additional Questions

*Some questions to further explore this case include:*

*(1) What might have happened to Santander Uruguay if the company had not executed this geographic expansion – post-merger integration business transformation, at the time it was executed or since?*

*(2) What other standardized and integrated model and standardization and integration program models could Santander Uruguay have adopted?*

### Digital Extrapolation

*What differences might we see in this transformation case if the Digital Business best practices and tools available today were applied to the project?*

Considering the new context of Digital Business, the same process could have benefited from the deployment of applied analytics to the commercial segmentation, commercial campaigns, risks models and segments, compliance models, among other areas.

At the same time, there could have been the application of automation, e.g., Robotics Process Automation, not only in the back office but also throughout the bank branches, in order to gain more efficiency and improve the business case results from captured synergies.

Additionally, initiatives could have been established to improve the servicing model efficiency by applying Virtual Assistance within the contact center or the help desks.

Considering the distribution strategy, there could have been a more aggressive focus on digital channels through online banking, mobile, tablets, social media... interacting with traditional channels (branches, call centers, etc.), but with the stronger value proposition that customer experience should be the differentiation in the market and against competitors.

Another topic to be considered in this digital world would have been the potential use of services from the cloud, reducing investments in infrastructure capabilities and improving the economic equation by applying “As a Service” models where the bank would just pay per use.

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## 1300: Business Transformation Key Factors

The approach and methods that supported the completion of the relevant cases (shown in Section 1: Business Transformation) included in the book, and other cases where Accenture participated, have in general followed key best practices applicable to business transformation programs, many of which are summarized and described in Appendix 1: Business Transformation Key Concepts.

**Nevertheless, there were other key factors, generally common across the relevant cases included in the book and other cases in which Accenture participated, that were leveraged to make them "Great Business Transformations".**

These key factors, generally common to Great Business Transformations, can be categorized in 3 groups in relation to the Business Transformations:

Group A. Those that profile the **Identity of the Great Business Transformations**:

1. **Massive Importance:** The Business Transformations had a major impact on the organization, rather than just serving as a positive business case.

For example, at Santander Uruguay (Geographic Expansion - Post-Merger Integration) the impact was high because on the one side, the integrated new bank immediately became the largest private bank in the market, with approximately 20 percent of market share, and on the other side the program involved all organizations, processes, and information of both Santander Uruguay and ABN Amro Uruguay, and encompassed the structures related to clients, employees, finance & administration, and operations & technology.

2. **"The Strategy" Alignment:** The Business Transformations were fully aligned with the business strategy, which was up-to-date, shared with and committed to by the company's key decision makers and program stakeholders.

To illustrate this, at Unilever Latin America, the Harmonia Program (Regional Integration) was perfectly aligned with the global One Unilever Program.

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**3. Right Moment:** The Business Transformations were executed when their results could maximize their value for stakeholders. At the same time, the organization's development could be managed in an adequately safe environment with risks anticipated and mitigated through innovative approaches.

For instance, at SABMiller Latin America, the Flash Project (Digital Transformation: Implementation of Latin America's Analytics Solution and Capabilities) took place almost immediately after the company was finalizing its implementation of transactional and operational systems, leveraging the analytics knowledge and expertise of global SABMiller and consulting firms. Thus, it seized the opportunity to better support local or regional business/commercial decisions with better and much faster information and benchmarking, with the additional value of establishing the baseline for advanced analytics well ahead of its competitors.

Group B. Those that define the **Structure of the Great Business Transformations:**

**4. Enthusiastic Driver:** The Business Transformations had sponsors or leaders, who may or may not have been the actual "intellectual owners" of the initiative, but were nevertheless fully devoted to the program and were responsible for its successful development.

For example, at the Universidad de los Andes in the Clinic Project (New Business Strategies and Architecture Implementation), after the Senior Counsel and the Dean defined and approved the 2006 Institutional Strategic Planning process confirming that it needed to establish its own clinic Clínica Universidad de los Andes (CUAndes) to become more relevant in the education, research, and practice of medicine, the two successive CEOs of CUAndes led the implementation of the complex program with great enthusiasm and full commitment despite a turbulent economic period.

**5. "Prima Donna" Program:** The Business Transformation program became the most and, at times, the only relevant program in the corresponding area of the company, thus being top priority for investments, resources, management attention, etc. It also benefitted from an exceptionally robust program management, change management, and risk management.

To illustrate this, at YPF Argentina, because the future of the company would be driven by its shale business and therefore dependent on an efficient and effective shale supply chain, the PILA Program (Supply Chain Transformation), which included initiatives in Integrated Planning, Logistics Model, and Transportation Visibility for the shale business, became the only relevant program in these areas.

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**6. Full Stakeholders:** The Business Transformations included in their scope all the relevant stakeholders necessary to assure the execution of the program and the realization and sustainability of its outcomes and benefits.

For instance, at Unilever Latin America, the Harmonia Program (Regional Integration) included program, change, and risk management workstreams that involved not only resources from the in-scope functions but also individual people, impacted clients, vendors, partners (such as financial services and technology providers), government (through tax authorities), unions, and local communities (if impacted by Unilever's new business strategy and model).

Group C. Those that characterize the **Features of the Great Business Transformations:**

**7. Design for Sustainability:** The Business Transformations encompassed business and operating models and program roadmaps, not only to be implemented but also to be sustainable and capable of supporting continuous improvement.

For example, at SABMiller Latin America, the Flash Project (Implementation of Latin America's Analytics Solution and Capabilities) considered that "Business intelligence is more than a system, it's a capability". Given this, to ensure sustainability, the company established a Latin America Business Intelligence Center of Excellence (CoE) that will be supported by the Global IS Business Intelligence Delivery Center.

**8. Technology Step Change:** The Business Transformations included a technology component that allowed a technology step change. In today's world the digital technologies that enable Digital Business are a relevant, innovative, and evolving source for technology step change.

To illustrate this, at Techint – Tenaris, for the SAP Global Program (Global Integration), the company decided to implement the most recent (still beta version) of the SAP platform, and by taking this step, the company made an important technological evolution and avoided having to upgrade its solution over the coming years. In addition, after the implementation and through operations, the company systematically took advantage of the new digital technologies and has continued to update its processes and business by applying those technologies through continuous improvement.

**9. Segmentation Everywhere:** The Business Transformations applied segmentation (of clients, vendors, products and services, regions, buyer values, etc.) as much as possible to focus differentiation where relevant and to fully apply standards where feasible.

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For instance, the PILA Program (Supply Chain Transformation) at YPF required a thorough segmentation to allow the weighting, analysis, and standardization of 24 different types of oil wells.

**10. Career Lifter:** The Business Transformations were a platform for the program team members to learn about and become visible in key areas of the business, including business design and business transformation, thus giving them an important opportunity to accelerate their careers.

For example, at Universidad de los Andes, the Clinic Project (New Business Strategies and Architectures Implementation) allowed most of its participants to get a holistic view of the Clinic in terms of strategy, organization, processes, technology, information, etc. Thus, it was an important career opportunity for the whole project team, including the legacy UAndes people who participated and the new CUAndes recruits who were integrated early in the program.

[G-1300-01]



# 1400: Business Transformation Core Capabilities

The key factors that make “Great Business Transformations” possible require the company to have some specific core business and operating model capabilities related to strategy, processes, organization, and IT.

A capability is the combination of a competence (which is the ability to do something well) and capacity (which is the amount of it that can be done).

These requirements can be fulfilled through: (a) fully insourced capabilities, or (b) partially insourced and partially outsourced capabilities.

The last option assumes having one or several partners that can fully or partially complement the aforementioned core business and operating model capabilities.

[G-1400-01]

Key Factor

Required Core Business and Operating Model Capabilities

Strategy	Processes (including KPI definitions)	Organization	IT (including KPI generation)
----------	---------------------------------------	--------------	-------------------------------

Group A. Identity of the Great Business Transformations				
1. <a href="#">Massive Importance</a>	<b>Up-to-Date Strategy:</b> To take the important decision of executing a massively important Business Transformation aligned to a <b>valid</b> strategy.	<b>Program, Change, and Risk Management Processes and Methods:</b> To manage, applying best practices, a massively important Business Transformation.	<b>Program, Change, and Risk Management Offices:</b> To manage, applying best practices, a massively important Business Transformation.	<b>Program, Change, and Risk Management Tools:</b> To effectively and efficiently support the execution of Program, Change, and Risk Management.



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Key Factor

Required Core Business and Operating Model Capabilities

	Strategy	Processes (including KPI definitions)	Organization	IT (including KPI generation)
2. <a href="#">"The Strategy" Alignment</a>		<b>Strategic Planning Processes and Methods:</b> To execute and sustain, applying best practices, strategic planning.	<b>Strategic Planning Governance:</b> To sponsor and lead, applying best practices, strategic planning.	
3. <a href="#">Right Moment</a>	<b>Up-to-Date Strategy:</b> To select the right moment for the Business Transformation.	<b>Feasibility Assessment Processes and Methods:</b> To validate the moment for the Business Transformation, optimizing value realization with risk management.		

Group B. Structure of the Great Business Transformations

4. <a href="#">Enthusiastic Driver</a>			<b>Strategic Planning Governance:</b> To identify and assign, applying best practices, an enthusiastic driver capable of successfully developing the Business Transformation program.	
5. <a href="#">"Prima Donna" Program</a>	<b>Up-to-Date Strategy:</b> To make the decision of placing focus on an area in the Business Transformation that is aligned to a valid strategy.	<b>Program, Change, and Risk Management Processes and Methods:</b> To manage, applying best practices, the sole, most relevant Business Transformation.	<b>Program, Change, and Risk Management Offices:</b> To manage, applying best practices, the sole, most relevant Business Transformation.	<b>Program, Change, and Risk Management Tools:</b> To effectively and efficiently support the execution of Program Management, Change Management, and Risk Management.

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Key Factor

Required Core Business and Operating Model Capabilities

	Strategy	Processes (including KPI definitions)	Organization	IT (including KPI generation)
6. <a href="#">Full Stakeholders</a>			<b>Business Process Organizational Visibility:</b> To identify and engage all relevant stakeholders to be involved in the Business Transformation.	
Group C. Features of the Great Business Transformations				
7. <a href="#">Design for Sustainability</a>	<b>Sustainability Principles:</b> To design the sustainability approach based on sound and shared sustainability criteria.			
8. <a href="#">Technology Step Change</a>				<b>Technology Vision:</b> To include in the Business Transformation the best technology transformation (broadly considering today's digital technologies) to maximize value, quality, and efficiency.
9. <a href="#">Segmentation Everywhere</a>		<b>Segmentation Criteria for Stakeholders, Products and Services, etc.:</b> To optimize processes by focusing differentiation where relevant and fully applying standards where possible.		
10. <a href="#">Career Lifter</a>			<b>Business Transformation HR Specialists:</b> To design the Business Transformation team, taking into account the career implications for its members, seeking to optimize career opportunities for them.	

*"The best way to predict the future is to create it"*  
Peter Drucker

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# Index

## SECTION 2 – DIGITAL BUSINESS

2100: Digital Business Considerations

2200: Digital Business Global Perspective

2300: Digital Strategy

2400: Open Innovation

2500: Digital Business Latin American Perspective

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## 2100: Digital Business Considerations

The "Digital Business Revolution", through business-, data-, and technology-driven Business Transformations, often new business developments, is changing the world at high speed (for definitions, please refer to Book Definitions at the end of Section 0200).

With the "Digital Business Revolution" we left an era when usually business best practices had higher requirements than technology capabilities, and entered an era when frequently technology capabilities have higher potential than business best practices, thus genuine business innovation is now feasible and is creating new opportunities and threats.

In a number of diverse ways, Digital Business has started to rapidly progress in Latin America, where it is inspiring most companies and organizations to redefine or rethink their strategies.

Unlike what happened with the "evolution to integrated ERPs (Enterprise Resource Management solutions)", when being either the pioneer or the follower could have a controllable business impact, in the "Digital Business Revolution", being the pioneer or the follower may have a profound and lasting business impact on the company's ability to achieve a viable and successful massive new Digital Business and protect the current already successful legacy/non-digital business.

This, along with the globalization of technology, knowledge, and talent, is the main reason why, with the "Digital Business Revolution", Latin American companies (both local and global) are being much more proactive than before with the "evolution to integrated ERPs". Therefore the "digital gap" between North American and European countries versus Latin American countries is closing much faster than the "ERP gap" between the same regions, which closed at a much slower rate during the late 1990s and 2000s and early 2010s.

The objective of this Section and its four chapters is to identify the key concepts and characteristics of Digital Business both from a global and Latin American perspective.

2200: Digital Business – Global Perspective

2300: Digital Strategy

2400: Open Innovation

2500: Digital Business – Latin American Perspective

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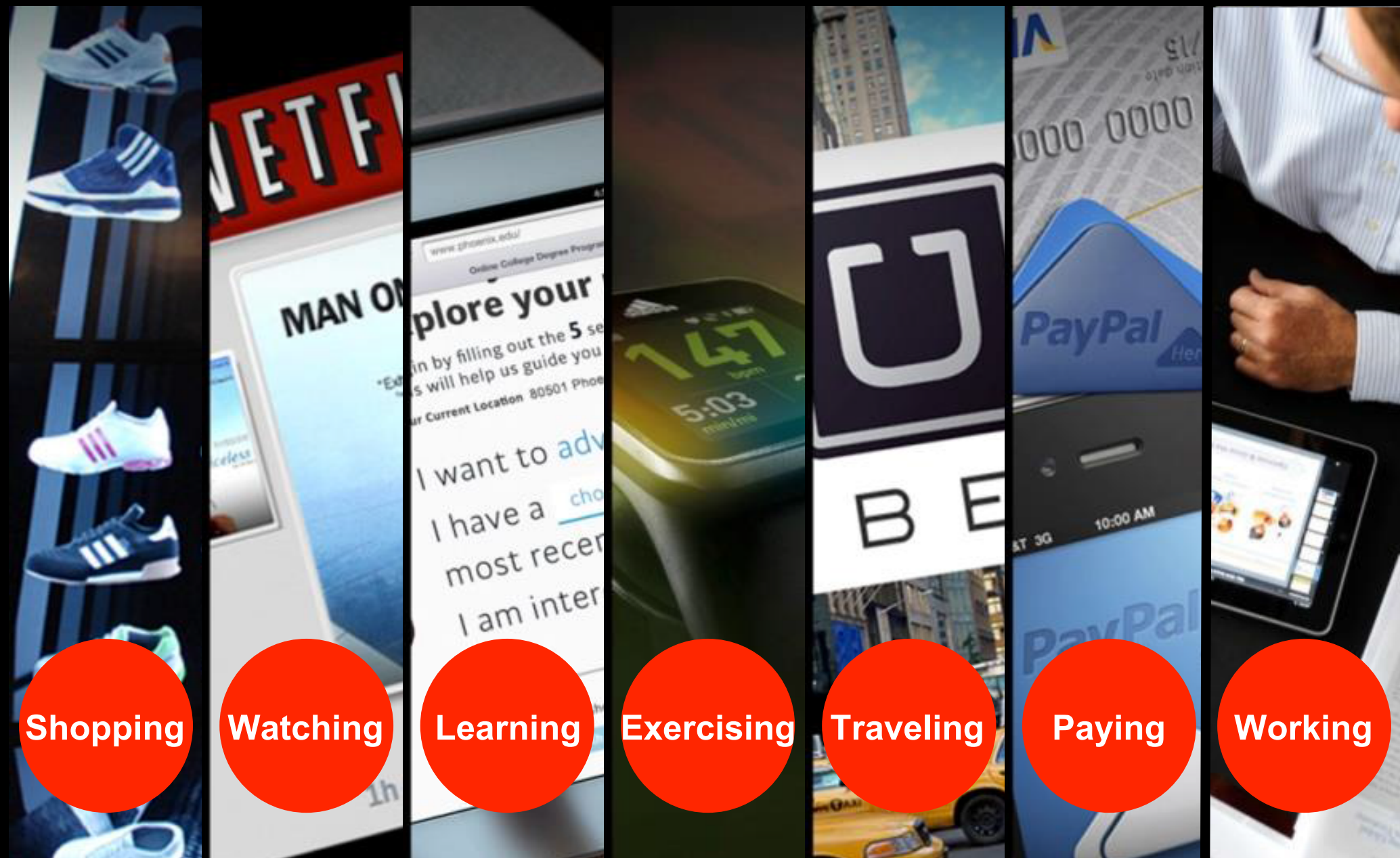
## 2200: Digital Business – Global Perspective

Extracted from: (1) "Digital Strategy Overview". Copyright © 2015 Accenture. All rights reserved. (2) "Digital Density Index – Guiding digital transformation" Copyright © 2015 Accenture. All rights reserved.

This chapter concentrates on answering the following questions:

- What is Digital Business from a business perspective?
- What are the components of Digital Business (interactive, mobile, analytics, social, internet of things, cloud, etc.)?
- How can Digital Business be applied by companies?
  - In existing businesses, e.g., in sales channel digitalization or for business process digitalization.
  - In new businesses, e.g., new digital companies, incubated by entrepreneurs or spin-offs from corporations.
- What are the usual benefits, investments, and risks of Digital Business?
- How can Digital Business progress be measured?

## Digital is important and changing many parts of our lives



# Broadly, digital describes the deep technology-driven transformation that is changing our world at speed



**People's habits, behaviors and expectations** are changing through new devices, platforms and apps



**Value is shifted within and across industries**, transforming the competitive context



**14% of global economic activity** happens online



**Every minute, 1/3 of world population interact** through the internet (2.4 billion people!)

**4 of the 5 top global brands are digital** at the core (Apple, Google, IBM & Microsoft)



**Every minute, +190k mobile apps** are downloaded worldwide



**+50 BILLION  
CONNECTED DEVICES  
ARE EXPECTED BY 2020**



**SOON, THERE WILL  
BE AN APP FOR  
EVERYTHING...**



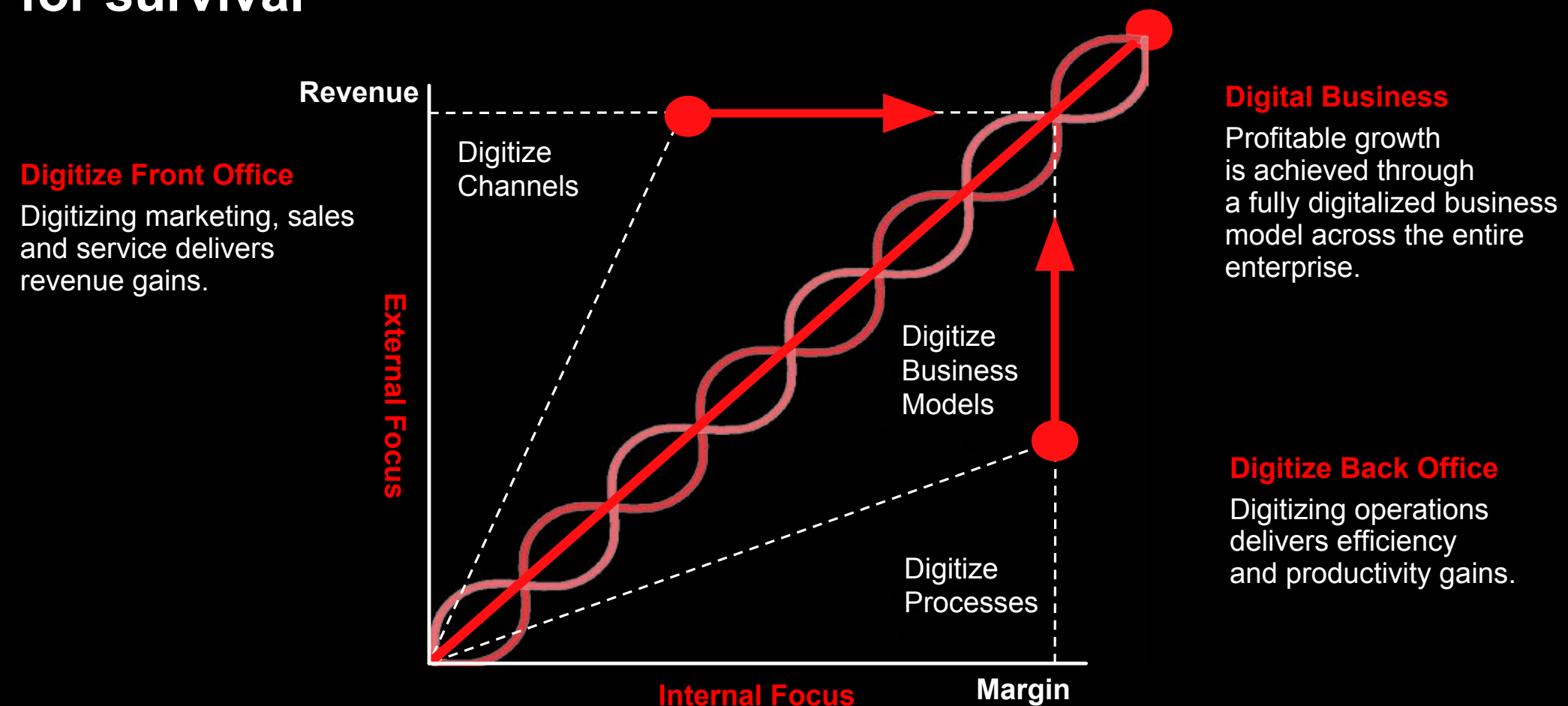
**...AND  
PLATFORMS FOR  
EVERYTHING**



**DATA WILL BE KING  
OF THIS BRAVE NEW  
WORLD**



# Becoming a digital business is more than just digitized marketing or digitized operations – and it will be essential for survival

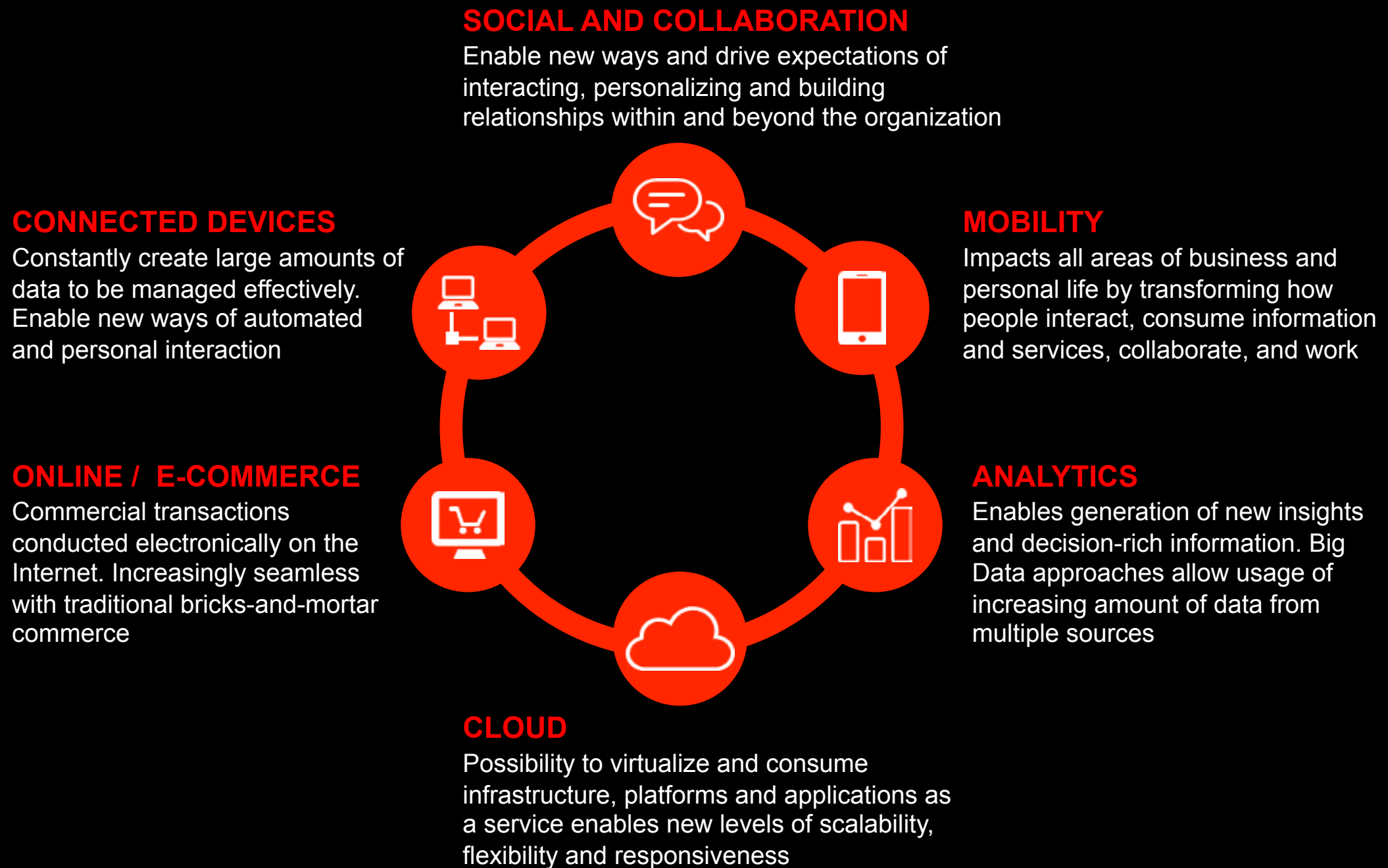


## Digital business defined:

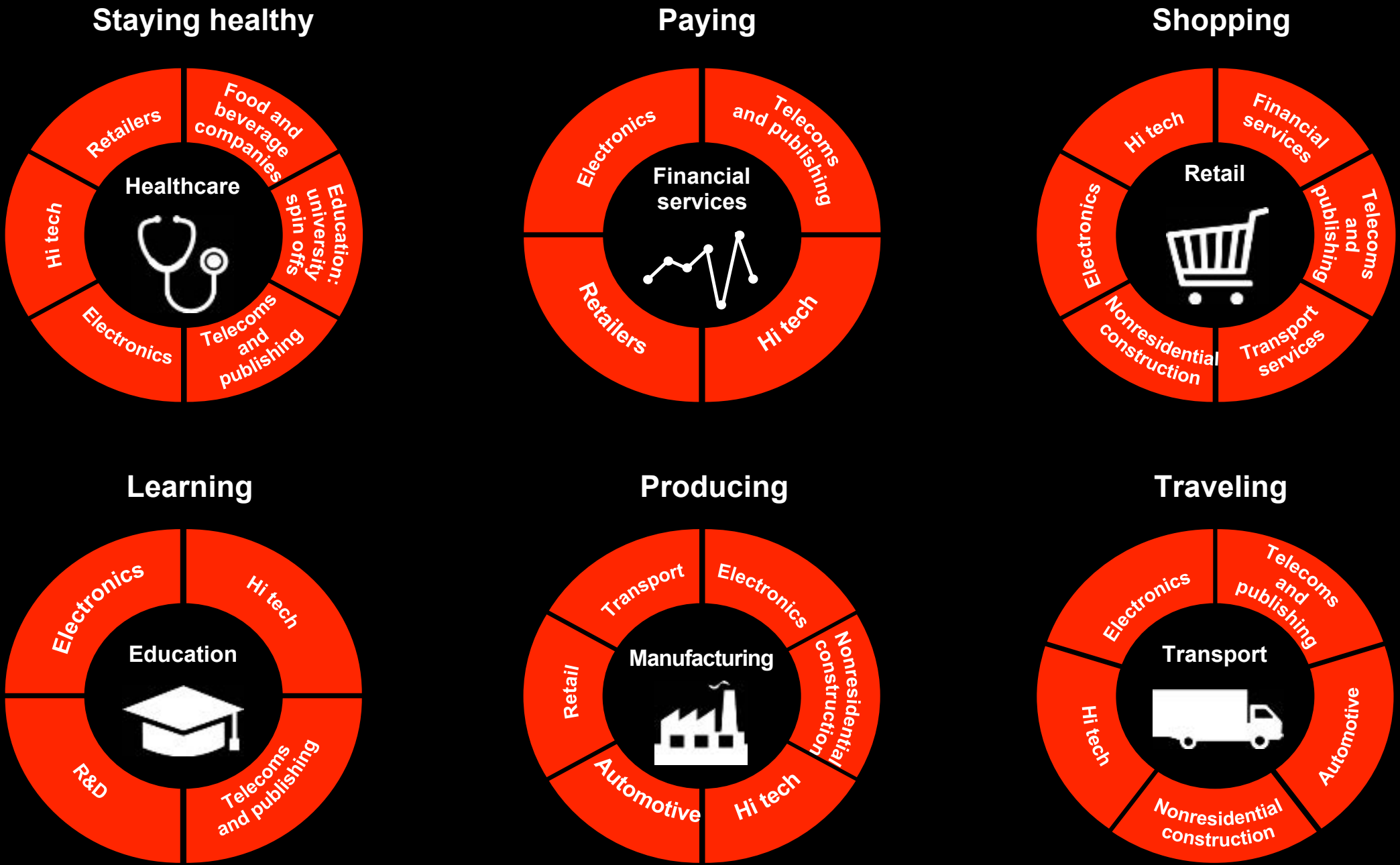
A digital business delivers growth and results by creating unique customer experiences through new combinations of information, business resources and digital technologies that produce innovative outcomes designed to meet the new expectations of the digital world. It executes a unique digital strategy that looks beyond what technology makes possible to what digital business models can make profitable.  
(Accenture, Growth Strategies in a Digital World)













# Key technology trends combined with enabling technologies present dramatic opportunities for new players and real threats in all industries



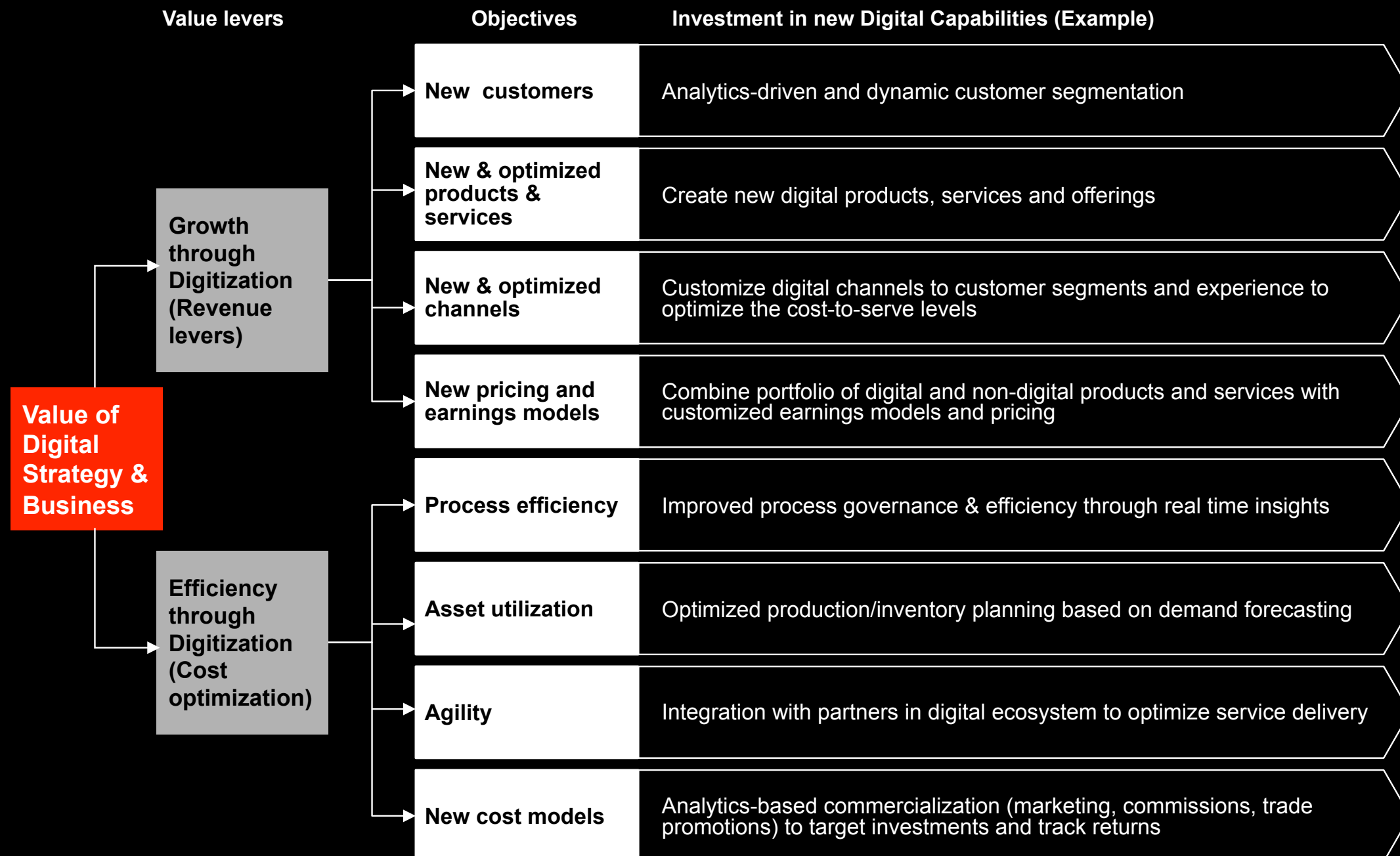
# Technology is blurring traditional barriers across industries



# Established players across industries are being digitally disrupted by new market entrants

Incumbent	Attacker	Why it matters
<b>Banking</b>		<p><b>Up to 30% revenues at risk</b> [Every day Bank]</p> 
<b>Retail</b>		<p><b>Pinterest shoppers spend twice as much</b> [Retail Technology Vision]</p> 
<b>Energy</b>		<p><b>313m smart meters installed globally; 1.1bn by 2020</b> [The Digital Utility]</p> 
<b>Communication</b>		<p><b>WhatsApp eating 50-90% of voice/sms revenues</b> [Future of Communication]</p> 
<b>Health</b>		<p><b>134 digital health companies each raised \$2M+ in 2012</b> [The Digital Doctor is In]</p> 

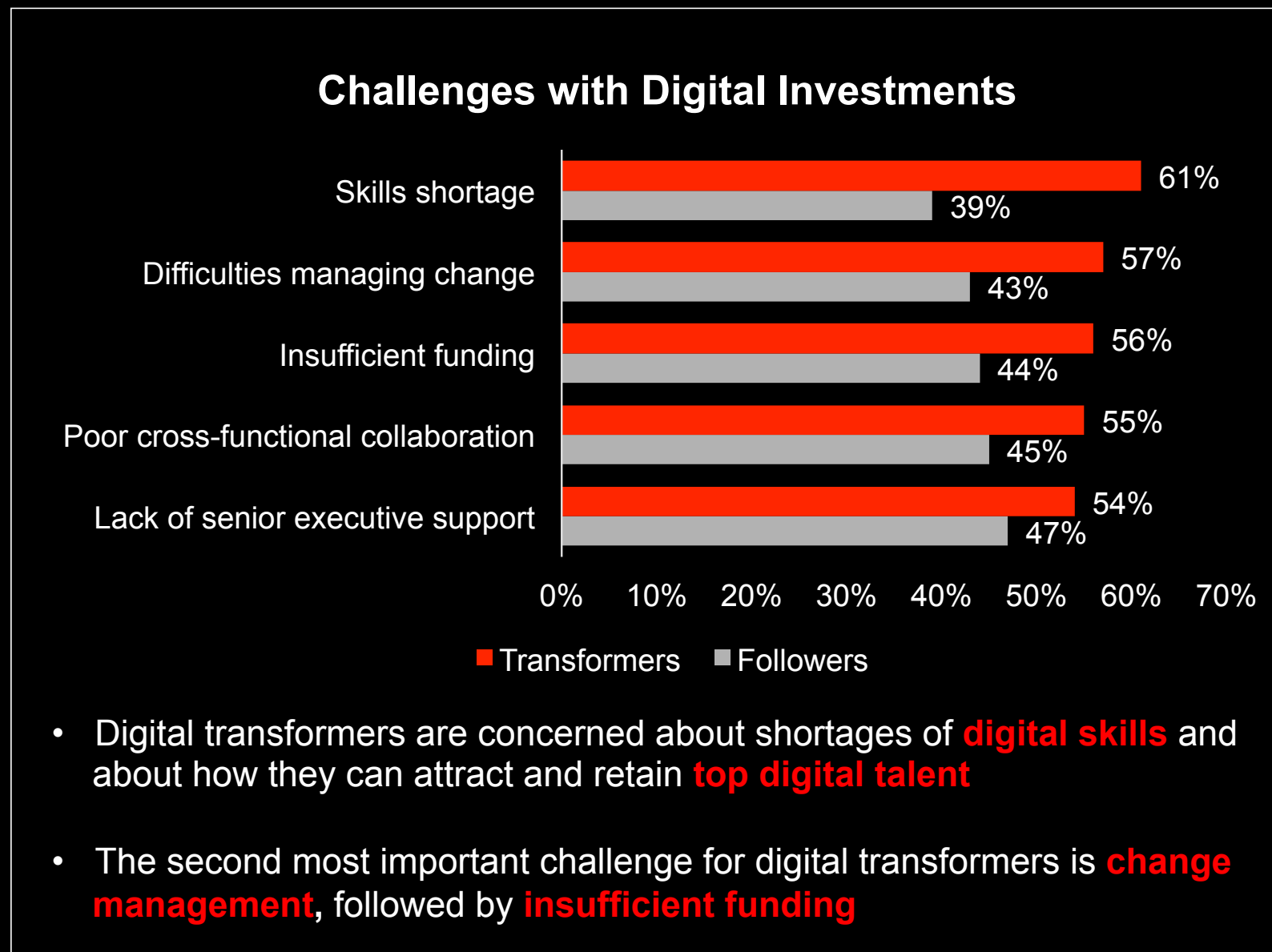
# Understanding the value of a digital strategy and business and the associated levers can be very helpful



Supporting technologies: Analytics, Mobility, Cloud, Virtual networks, Social, Sensors

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## However, many companies are far from being prepared – either to develop digital capabilities or to address the challenges posed by digital



**19%** of business leaders believe they are already a digital business

**59%** plan to become one over the next three years

**55%** do not yet have an enterprise-level digital strategy to support their corporate strategy, and many of those that do have a strategy are uncertain that they have the right one

Source: Accenture, 'Digital Double-Down: How Far Will Leaders Leap Ahead?', 2014.

# Today, CEOs are struggling with four key challenges around the digital opportunity

## Typical C-suite Challenges

## Typical C-suite Questions

What **opportunities and threats** does digital pose to our business? How **digitally effective** are we today compared to our peers?

- Which new competitors, business models, technologies and trends will most impact our company? How prepared are we to handle these?
- Where do we stack up across different digital capabilities? What are the biggest gaps?
- What are our best improvement opportunities? Where should we focus?
- What are our early wins and size of prize?
- My team doesn't understand digital, can you help educate them?

Where is **value going in our industry** and **which markets** should we enter?

- How do we participate (new products/services) in the new ecosystems that have been created/enabled by digital?
- Which new digital partnerships or acquisitions do we need to make?
- Who are the new entrants/ start-ups I should be thinking about?
- How do we integrate the new services?

How should we **organize, measure and reward** differently for digital success? Does my **team really get 'digital'**?

- How do we organize to better create, prototype, commercialize new businesses or to make our existing business more digital?
- Do we need a Chief Digital Officer?
- What are the new decision processes we need to survive digital?
- Should we measure and reward digital initiatives differently? How do we manage risk differently?
- How can my team and I become more digitally savvy?

What should our **digital strategy** be and what is the **business case** for change?

- What should our 12, 24, and 36 month strategy be?
- How do we reinvent our business to stay relevant?
- What is the value of pursuing different digital strategies and techniques?
- What are our key milestones and the roadmap ahead?
- Should we develop, partner or acquire (especially start-ups) the new digital capabilities?

## And functional leaders each have their own digital challenges

### Chief Information Officer

- Does the IT organization have the capabilities to keep up with new business strategy?
- How can IT handle new innovation when we still struggle with the “basics”?
- How will the new digital “stack” work with my legacy systems?
- Privacy, security, speed of change, my own job?

### Chief Operating Officer

- How can I get products and services to the market faster?
- What does continuous strategy setting look like?
- How can I leverage digital to increase our efficiency?
- What new decision processes do I need?
- How should we measure our digital initiatives?

### Chief Human Resources Officer

- What skills do we need and where do we get them?
- How should we organize and manage digital businesses differently?
- Do we need a Chief Digital Officer, who should that be internally?
- How should we recruit for and reward digital initiatives differently?

### Chief Financial Officer

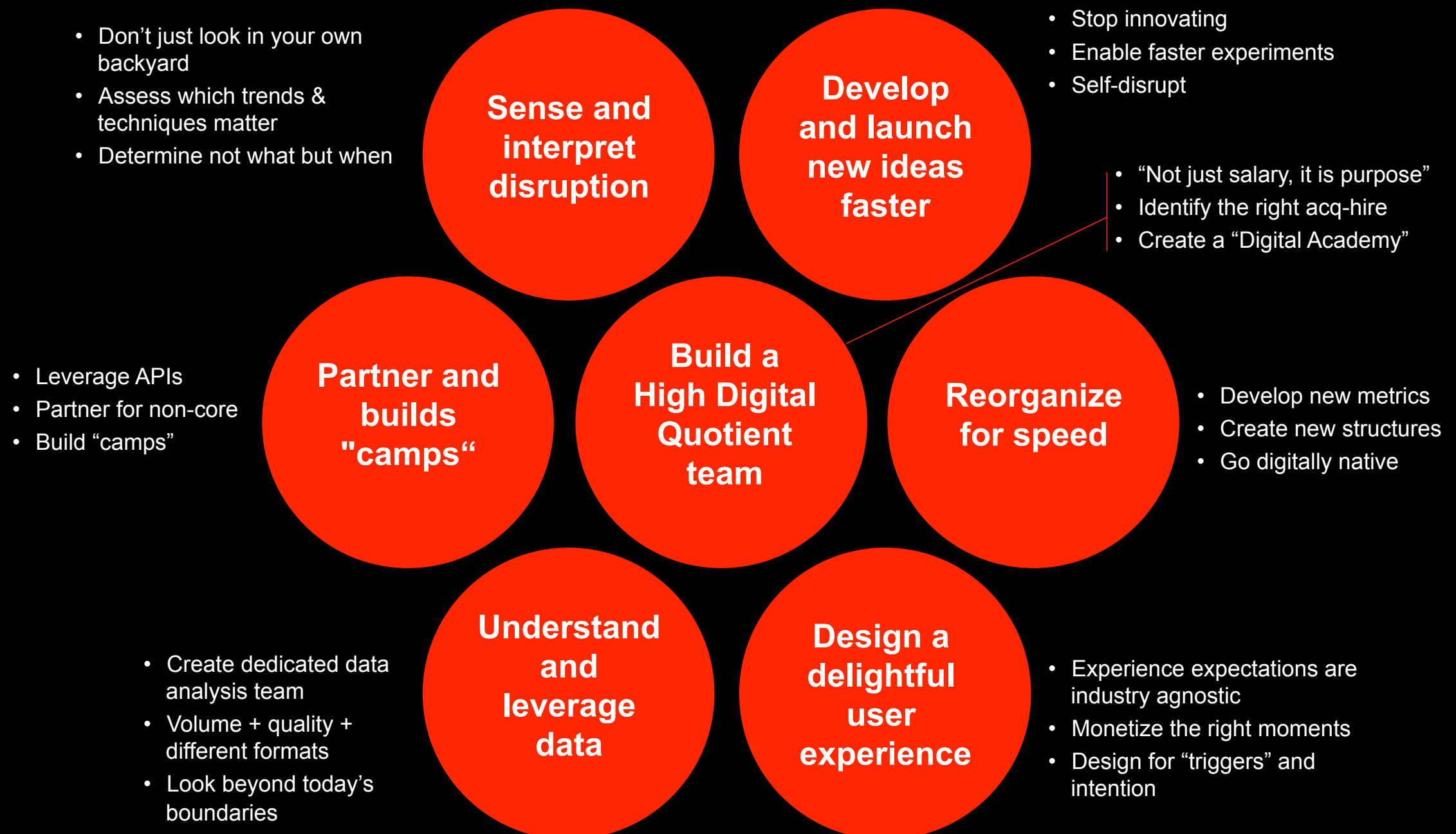
- How can digital help me to improve financial performance?
- What are the new metrics to track our digital performance?
- What is the financial impact of digital on our current products/services?
- How can I better control the business with real-time information?

### Chief Marketing Officer

- How is our consumer’s behavior changing?
- What new digitally enabled products and services should I create?
- Looks like my IT budget might become larger than our CIO’s, how do I manage IT?
- What’s the role of digital channels (e.g., mobile, social)?



# We believe there are 7 “no-regret” digital characteristics required to win in the next few years





# Leaders in government and business need guidance on digital transformation

They know digital is important for future competitiveness and growth of their economies, but often do not know how to help drive digital transformation.

- Where does a market stand in digital?
- How can it be improved?
- Where do we need to invest and focus?
- How do we measure progress toward our goals?



## Quantifying the impact of digital on growth

Accenture research has confirmed the link between increased use of digital technologies and higher productivity that boosts competitiveness and economic growth.

A ten point improvement in an economy's Digital Density could raise GDP growth rates between now and 2020:

- Average annual GDP growth rate +0.25 for advanced economies
- Average annual GDP growth rate +0.5 for emerging economies



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## The Digital Density Index

The Accenture Digital Density Index measures the extent to which digital technologies penetrate businesses and economies.

It's a comprehensive scorecard, based on a scale of 1 to 100, of what matters to digitally-led economic productivity and growth

The higher the score, the broader and deeper the adoption of digital technologies and associated skills, ways of working, and regulations.

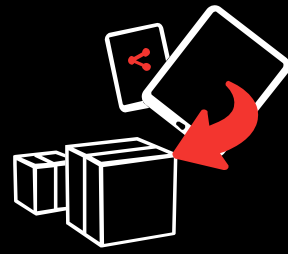


## We measure Digital Density in four broad areas of economic activity



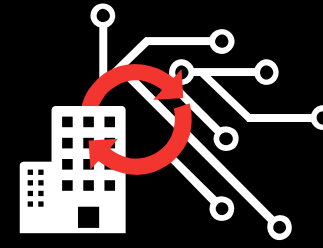
### Making Markets

This is the recognition that existing markets are becoming increasingly digitally facilitated, as well as capturing that new markets are being created through digital means.



### Sourcing Inputs

This is the extent to which the factors of production are sourced and used with digital technology. The second part of sourcing inputs is to capture the degree to which digital changes the lifecycle of sourcing these factors for the business.



### Running Enterprises

Running enterprises relates to the extent to which firms are embracing digital technologies and activities to carry out business functions such as supply chain, strategy, talent, procurement and research and development.



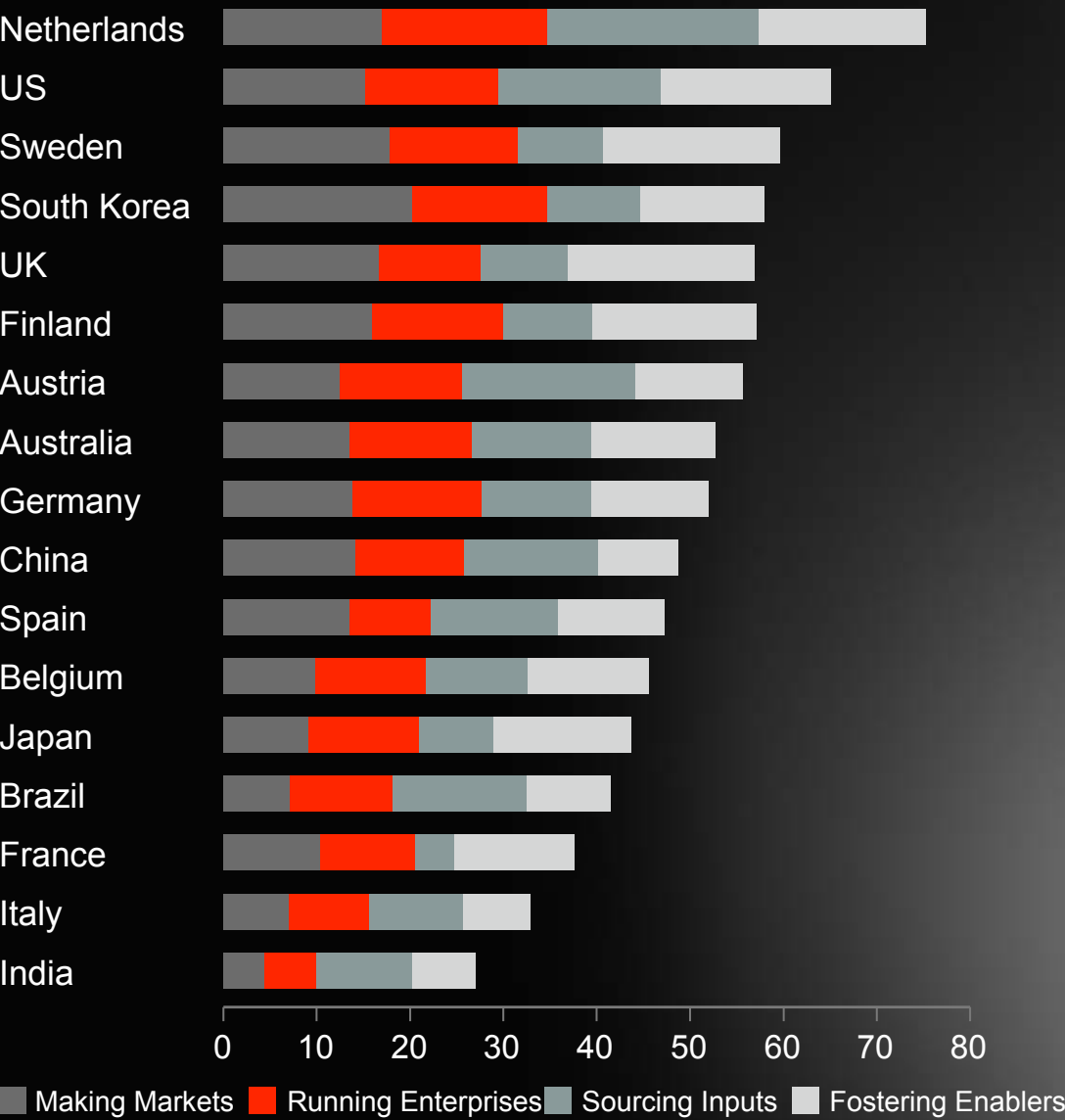
### Fostering Enablers

The impact of digital is in part enabled by the institutional and socio-economic environment.

# How digital is your economy?

We have ranked 17 major economies by their Digital Density scores.

Digital Density Scores (0-100)



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## 2300: Digital Strategy

Extracted from: "Being digital – Fast-forward to the right digital strategy".  
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### How can companies start exploring and seizing digital business opportunities now?

#### Strategies for Speed

**Business leaders are uncertain as to whether they have the right digital strategy.**

It is time to stop assuming that digital is an adjunct to current strategies and plans. Competing in a world shaped by digital technologies requires a fundamentally different approach to how strategies are developed and executed.

Today, business leaders recognize that digital technologies create new threats and opportunities. In the latest Accenture Strategy research among 700 business leaders in the European Union, the United States, China, and Japan, the majority of those interviewed identified large digital players or startups as the greatest competitive threat to profitable growth.

Finding the right competitive response is complex. Digital technologies change everything—from customer expectations to distribution channels and production methods. The scale of change creates a sense of urgency. Investors readily recognize potential, assigning multibillion-dollar valuations to digital pure plays that are little more than a strategy and a few initial customers and capabilities.

Business leaders have aspirations for their organization to become a "digital leader" in their particular industry. And while only 19 percent believe they are already a digital business, 59 percent plan to become digital over the next three years.<sup>1</sup>

These aspirations are not necessarily being translated into actions. The majority of business leaders (55 percent) say they do not yet have an enterprise-level digital strategy to support their corporate strategy—and a high proportion of those that do have a strategy are uncertain that they have the right one. Clearly, historical approaches to digitizing strategies are missing the mark.<sup>2</sup>

This chapter offers pragmatic advice on how to embrace digital to not only compete, but also drive new value to help businesses grow. As business leaders seek to rapidly respond to digital disruption, having the right digital strategy to compete and win is the new imperative.

### Strategies for Success

**Strategy is the discipline of setting a direction, lining up resources, and executing commitments. Digital disrupts business strategy. Possibilities opened up by new technologies reduce the reliability of proven practices and approaches. Business leaders must consider a new strategic approach.**

**1. One Direction, Multiple Speeds and Layers** – In a fast-changing world, the value of clarity has never been higher. Business leaders must meet the dual challenges of operating today while transforming for the future by executing strategies at multiple speeds and across multiple layers. It is not a matter of whether organizations will be digital, but a case of when and how.

**Multi-Speed: Moving Quickly in the Same Direction** – In the past, orchestrating transformation was the norm, requiring everyone to act together. This approach works when organizations drive change from the inside out. Digital drives change from the outside in—and customers do not wait for organizations to be ready. A multi-speed strategy recognizes that each part of the organization needs to move at a different pace, but always in the same direction.

Take the situation facing a multinational insurer. New distribution models offered by organizations such as Walmart and IKEA challenge the current business.<sup>3</sup> New “customers” in the form of autonomous cars may threaten future premiums by up to 80 percent<sup>4</sup>, while other technologies could create new opportunities for growth—insurance on household robots assisting the elderly, or commercial risk management for distributed manufacturing using 3D printing. Multiple challenges occurring at different rates require strategies that work across different time horizons:

- Optimizing the current business (the current core) to fuel future growth investments: For example, one insurer redesigned operations and customer experiences across digital and physical channels resulting in improved market share.
- Evolving new capabilities (the new): Another insurer built a new analytics-enabled offering focused on preventing customer health issues, instead of paying claims after an incident has occurred.

- Inventing the future ("the new new") business: A range of insurers are proactively engaging with technology companies that drive innovation in robotics and the Internet of Things. They seek future revenues from ensuring that future technology innovations are safe for business and society.

**Multi-Layered: Changing from Experience to Infrastructure** – Working at multiple speeds requires executing across multiple layers. Traditionally, organizations are vertically oriented, aligning resources against specific market geographies or product lines. Digital technology cuts those layers horizontally along customer, enterprise, and infrastructure lines.

Our research shows that nearly two-thirds of businesses have a digital strategy to address the customer experience, while less than one-half have a digital strategy to address the digital enterprise. Meanwhile, 40 percent of business leaders said they have a strategy to address the Internet of Things, which is becoming the future infrastructure for commerce.<sup>5</sup> Examples of organizations successfully addressing opportunities within these layers include:

- Digital customer strategies: Fiat Chrysler is creating new connected services that change the ownership experience. Its Uconnect™ Live Internet-based infotainment and diagnostic services help drivers remain focused on the road.<sup>6</sup>
- Digital enterprise strategies: IT lies at the heart of banking, and one multinational retail bank is using technology platforms to create efficiencies now to enable future growth through new business models. The bank adopted a mindset that sought to emulate the success of Alibaba—which created the world's largest eCommerce platform—and identified a set of platforms that enable it to be part of the future of banking.
- Digital infrastructure strategies: Technology advances blur the boundaries between the digital and physical worlds, transforming production processes and creating an industrial Internet of Things. Siemens is an early adopter with its electronic control systems factory in Amberg in Germany, where products give instructions to the machines producing them.<sup>7</sup>

Maximizing the potential of Digital Business will require strategies that, over time, address all layers of the organization.

**2. Several Horizons, Sequencing Multiple Bets** – There is no one path to becoming a digital leader. Success ebbs and flows with changing customer expectations and technology capabilities. These variables reduce the effectiveness of multi-year investment horizons, leading to strategies based on sequencing multiple bets on the future.



When a telecommunications company faced diminishing returns from its core activities for business customers, it sought new opportunities for revenue growth by focusing on digital. The company took a portfolio approach to these growth “bets” by evolving its core digital product and service portfolio, and by seeking out new market opportunities for new types of digital products and services. In total, the company identified several hundreds of millions of dollars in business growth potential.

Digital leaders establish new governance mechanisms to manage multiple growth bets and their associated risks alongside today’s demands. One way that a large bank is managing growth alongside the traditional business is through the close alignment and cooperation of three key executives with specific roles. The CEO assumes the role of the “banking entrepreneur” and balances risk and business viability with sustainable profitability. A newly appointed Chief Digital Officer (CDO) is the “digital entrepreneur,” who concentrates on anticipating customer needs and setting the overall digital agenda. Finally, the CTO or CIO is the “technology entrepreneur” who is responsible for, among other things, creating the open, scalable, and flexible platforms that support the digital strategy.

Another way to manage growth bets is separating them organizationally and financially from the core business. German automotive manufacturer BMW has set up BMW i Ventures to identify and grow startups in the area of mobility services. In particular, the company is aiming to “improve personal mobility in urban areas.” Investments from BMW i Ventures range from electric vehicle charging solutions to car park sharing apps.<sup>8</sup>

**3. Direct Actions, Experimenting Intelligently** – Executing an effective digital strategy is characterized by short cycles between direction setting and direct actions—the equivalent of a marathon in sprints. Experimentation is central to quickly verifying and refining ideas in the face of changing demands.

Rapid cycles of test and learn strategies have been used for some time now in optimizing product offers in eCommerce. One leading eCommerce store, for example, can automatically create and test more than 4,000 page variations and can optimize the customer response dynamically through rapid, hypotheses-driven experimentation.

Executing through intelligent experimentation is more than trial and error. It requires developing hypotheses, building prototypes to rapidly test the hypotheses, advancing what works and learning from what does not.

## The Strategy Paradox

Leading in turbulent times requires an apparent paradox—having clear goals and ambitions without knowing the totality of action required to achieve them. Here lies the essential challenge for digital strategies: set one direction, work at multiple speeds and layers, and execute through intelligent experimentation. Such a combination is challenging, which may explain why few business leaders believe they have the right strategy for Digital Business today.

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8 Source: BMW website, [http://www.bmw.com/com/en/insights/corporation/bmwi\\_ventures/index.html](http://www.bmw.com/com/en/insights/corporation/bmwi_ventures/index.html)

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## 2400: Open Innovation

Extracted from: "Bridgemakers: Guiding Enterprise Disruption through Open Innovation". Copyright (c) 2015 Accenture. All rights reserved.

### Introduction

Enterprises today are embracing new ways of doing business to reimagine and reinvent themselves in an increasingly technology-driven world. They are becoming "Digital Businesses," using new technology to provide customers with better products and services, more relevant information, and personalized and seamless experiences. They are also developing new technology and leveraging the advancements of others to disrupt existing markets and penetrate new ones.

This trend toward digitalization has raised customer expectations across every industry, with enterprises increasingly influenced by and interconnected with innovations outside their traditional industry. Companies are seeking many different partners to create innovative solutions and together position themselves at the forefront of this new market. In other words, they are participating in Open Innovation.

Open Innovation is a model in which organizations utilize external technology, solutions, knowledge capital, and resources early in their innovation processes. In many cases, organizations will partner with a range of players in a global ecosystem to jointly develop new platforms and applications, enhance core offerings, or expand into new markets. This concept allows enterprises to look beyond their four walls to bring in ideas more quickly and frequently in order to enhance their operations—and also save time and money. Rather than using their own budget in research and development, enterprises can leverage the investments of venture capitalists and integrate a technology solution in an accelerated time frame.

### Open Innovation Today

*The term "Open Innovation" was first coined in 2003 by Henry Chesbrough, an organizational theorist from the Haas School of Business at Berkeley, and has been evangelized ever since.<sup>1</sup> The idea itself has been practiced for much longer and has proven to be successful time and time again. So why has Open Innovation become so important—and why now?*

Accenture sees a convergence of factors that highlight a need for enterprises to make this part of their core strategy. Technology advancements such as increased computing power, access to cloud infrastructure, open source code, and platforms and application programming interface (API) building blocks have

reduced barriers to entry for new companies in many industries. New ventures are moving from ideation to deployment much more rapidly than ever before, causing entire industries to compete with a new league of digital innovators. For example, Airbnb, Inc., a company founded in 2008, was on track to be the world's largest hotelier as of November 2013, forcing the established players in the hospitality industry to rethink their business models.<sup>2</sup> In Asia, Baidu and Ola are changing the ways in which people use taxis, which is having a profound impact on the regulated taxi service industry. And, in four short years, Xiaomi has risen to become the world's third-largest distributor of smartphones, putting many traditional mobile device manufacturers on alert. The change in the competitive landscape requires changes in how large enterprises innovate and compete. Traditional models of costly long-cycle in-house R&D can no longer keep up with the threat posed by thousands of innovative startups.

Through Open Innovation, however, Accenture sees enterprises reclaiming the role of "digital disruptors" because they have the capacity to work with emerging companies, and have the scale and resources to achieve their business transformation objectives that the smaller players lack.<sup>3</sup>

While Open Innovation activities were previously ad hoc and opportunistic, large corporations are moving ahead to incorporate Open Innovation into their business, and are recognizing the value of collaboration as exceeding the threats of sharing information. This fundamental shift in philosophy has led to a systematic and structured effort to include Open Innovation as part of a company's overall business strategy, and an evolution in culture toward co-innovation, open ideation, and sharing of technologies and information externally.

Clearly, there is an imperative for enterprises to embrace Open Innovation, but the model does pose some challenges. Cultural differences, technological risk, security threats, and the inability to scale can hinder organizations from realizing the full potential. Open Innovation is a major undertaking, but there is also the possibility of success and disruption. To fully realize the benefits, Accenture recommends collaborating and innovating with internal bridge makers that act as the gateway to the external innovation ecosystem, as well as with external companies that act as bridge makers. When looking externally, an enterprise may benefit most by working with a bridge maker (such as Accenture) that can make connections between major players in the innovation ecosystem, bring an understanding of both industry-specific and cross-industry trends into the discussion, and follow a methodology to guide an enterprise through the process to build, test, and scale a series of solutions that can transform the business. We call this accelerated approach to Open Innovation performance "guided disruption."

Working with an internal group or external bridge maker, enterprises can adopt the Open Innovation model, collaborate with an extended ecosystem of partners, and more quickly incorporate emerging technologies into their operations to drive Business Transformation while minimizing risk.

## Translating Open Innovation into Guided Disruption

Companies and organizations have long sought IT solutions for back-office efficiency; now they are also looking for a slew of innovative technologies to help meet their digital business goals in front-office functions, such as Marketing and Customer Service. In order to disrupt their industry and maintain leadership, companies and organizations must be able to manage this magnitude of change. This requires IT to bring a partnership mentality to enable all business functions across the enterprise through technology. In many cases, companies and organizations seek Accenture's help to take action on the technology innovations, leading the entire organization through the multi-phase process of guided disruption to convert the innovation into an enterprise-ready solution on a global scale.

## Meet a Bridge Maker

Bridge makers play an important role in the Open Innovation ecosystem by enabling enterprises to more easily practice Open Innovation.

Enterprises need a constant, fresh supply of innovation to drive their businesses forward. Bridge makers connect this demand side with the supply side, which is composed of the universities, R&D centers, startups, and entrepreneurs who develop innovations that meet the needs of the market.

Bridge makers can act as an intermediary to help connect an organization to the appropriate partner, act as a buffer between partners with conflicting cultures, provide support in mitigating risks, and assist in piloting and deploying technologies.

There are many different entities that can act as bridge makers.

Enterprises can develop internal functions that act as the eyes and ears of the external innovation community, and bring a fresh supply of innovation into their organizations. These internal functions have deep insight into the needs of their business and technology, but they may not have a view into the broader innovation landscape across other industries.

Venture capital firms and accelerators can assist in connections and introductions across many industries, and provide insight into trends they are seeing. However, they are limited in their ability to help an organization take action. In fact, venture capitalists are increasingly hiring business development partners in order to meet the high demand of businesses looking for the right startup.

Third-party bridge makers, if qualified, may be uniquely positioned to assist companies throughout the process—from discovery through deployment.

## Bridge Makers Connect Enterprises to the External Innovation Ecosystem

The innovation ecosystem includes startups, universities and other companies—all sources of ideas that can fuel an enterprise's research agenda, identify trends that shape strategy and roadmaps, develop new products and solutions, and explore new markets. In each case, a bridge maker can serve as a critical facilitator between the players.

As the nexus between multiple players in the Open Innovation ecosystem, the real value of a bridge maker comes when they make connections across multiple startups, universities, and large corporations, bringing them all together to create a more powerful solution that can realize greater outcomes for all involved. Roles within an ecosystem are fluid and can change constantly too. In one initiative, an external organization could play the role of a bridge maker, and in the next, the role of a partner or vendor. As enterprises develop their Open Innovation practice, it is important to examine the best way to leverage their internal or external bridge makers to achieve their objectives.

### Startups

Startups are newly established businesses that have developed a core technology, product, or service, and are ripe for rapid growth. They are in a good position to co-innovate with enterprises that want to utilize their technology to enhance existing work, co-innovate to build new solutions, and jointly go to market. An enterprise's Open Innovation engagement with startups will vary on factors such as business model, maturity of startup team, technology features and, most important, their stage of growth.

Early-stage startups are focused on finding the right markets, honing their business model and sales strategy, developing their product further, and testing their products in the industry. In the early stages of the company, frequent course corrections are common. The best startups are learning from and adapting to investors that are funding their evolution. This early experimentation can provide a risky environment for enterprises to engage and partner for definitive business results.

However, by engaging with early-stage startups, there is a good amount of "Art of the Possible" thinking that can be incorporated into how enterprises think about their own transformations. In aggregate, early-stage startups can represent a crystal ball into the future, representing the minds of the best entrepreneurs and investors who are willing to take the risk. As a result, enterprises often work with them on ideation efforts. By continually scanning the market, bridge makers can help enterprises identify the gems, diffuse the risk of working with an early-stage company, and act quickly.



Growth-stage startups are companies that have a mature and established product, a targeted market, and a sales strategy, and are ripe for growth. They are strong candidates for partnership because they provide less risk than early-stage startups because they have already demonstrated success with customers. They are also more likely to be able to support the scale required by a large enterprise, and have developed support functions to address technical issues.

Based on a bridge maker's understanding of technology trends and knowledge of client needs, they can proactively bring the most promising technologies to their enterprise clients. Bridge makers can also help enterprises recognize opportunities to grow beyond traditional go-to-market alliances and join forces with growth-stage startups to co-innovate, share information and technology, and explore new business models together.

## Universities

Similar to early-stage startups, universities provide a looking glass into the future of business, outlining trends and concepts with long-term potential for a corporate setting. Enterprise R&D groups can augment their efforts by working with universities to apply technical and scientific research to solve business challenges, shape their research agendas, and ultimately define future products and services. Schools that specialize in business or law can also provide a new perspective on tackling problems for corporate areas such as Marketing or Sales.

For universities, forming connections with companies offers the opportunity to test their research in real-life applications. Recently, universities have begun developing more programs that are entrepreneurial in spirit and lead to many spin-off startups. MIT Media Labs, according to its website, has spun off more than 140 startups in the past 30 years.<sup>5</sup>

When enterprises work with universities, there can be significant culture differences—university labs tend to conduct conceptual research, while enterprises tend to prefer applied research that has evident business outcomes. While all bridge makers do not have a footing in this area, it can be helpful to work with a bridge maker that does, in order to translate a university's concepts into ideas that are relevant to specific industries. Bridge makers can help the company incorporate these ideas into its future business goals and innovation agenda. They may also guide enterprises through pilot projects and broad, implementable solutions based on the research, potentially bringing other external groups into the mix. These bridge makers can be dedicated internal resources that manage the relationship and pilots, or external bridge makers with strategy capabilities and a vast network of connections (or a combination of both).

## Two or More Large Companies

Enterprises with innovation or R&D centers can join forces to create significant growth for all parties involved by co-innovating toward a common goal, and then developing joint solutions and offerings for market. In many cases, enterprises will pursue research projects with technology vendors. Sharing overall direction, product strategy, customer data, and use cases will create synergy in the relationship and lead to co-innovation on top of core platforms and offerings, in ways that can benefit both parties and potentially lead them into new markets. In order to remain competitive and seize new growth opportunities, companies of all types must identify new partners outside of their realm. For example, Royal Philips N.V. announced a strategic alliance with Salesforce.com to create clinical applications available through an open, cloud-based digital health platform, on top of which Philips built several applications to help care providers deliver better patient-centric solutions and care experiences, as well as improve personalized service for patients.<sup>6</sup> While these two companies are not a traditional match, together they are significantly changing the healthcare industry.

A bridge maker can serve as a valuable connection point in these dynamic scenarios, helping companies of various types develop R&D strategies, recognize opportunities for co-innovation, and reach across industries to form alliances.

## Transforming from Product to Platform

Some enterprises are augmenting their core competencies by using startups to grow their business. Leading examples include the Apple iOS platform, Salesforce.com's AppExchange, and the SAP HANA platform. SAP HANA is an in-memory database and application platform that has established a startup program to create new applications that take HANA to the next level. The program supports the community of startups with forums, a development accelerator, go-to-market support materials, events, and revenue opportunities. This model leverages Open Innovation to strengthen and promote SAP's offering. One startup, Convergence CT, combines SAP HANA technology with its wealth of clinical data and expertise in healthcare to provide healthcare analytics and insights about 1 million cancer patients who underwent radiology and breast cancer procedures.<sup>4</sup>

## Elements of Successful Open Innovation

There is a rich ecosystem of players that can supply new solutions and technology to enhance the



innovative work that large enterprises do internally. To begin practicing Open Innovation and utilize these resources effectively, there are many factors to consider.

### **Build the Foundation**

At the most fundamental level, the organization must foster a culture that supports Open Innovation and backs it up with investment. The larger a company becomes, the more difficult it can be to move quickly through new ideas, and the more important it is to create an environment where this can happen. At an Open Innovation event, a leader from LinkedIn's Marketing Solutions explained that as LinkedIn grew into a much larger company, it became bound by its size and corporate structure. LinkedIn found that pursuing a culture of Open Innovation allowed it to maintain more of a startup mentality, and enabled it to accelerate pilots and innovate more quickly.<sup>7</sup>

The investment is key. This includes leadership sponsorship as well as proper incentives and rewards to help employees become comfortable sharing knowledge and technology with external parties. Many organizations establish a structure to support and incentivize Open Innovation practices, as well as external-facing programs and tools to successfully work with external collaborators. This could range from time allocation for workers to participate in pilots, establishment of R&D labs, or development of tools and technology platforms that can enable collaboration. Once the foundation has been established, an organization has the means to develop a high-level business strategy and successfully discover, develop, and deploy new ideas with other parties.

### **Define Business Goals**

The next step involves understanding the market and assessing how digital disruption in other industries could apply to the enterprise. Those on the outside can help identify what trends are happening in other industries, and how they may impact the enterprise. Based on this knowledge, the company can define high-level business goals and the technology innovations that will drive it. Ideally these goals should span all business functions instead of focusing on a single function or silo in the business; it can take time and investment to get this process right. Once complete, the enterprise will be able to tackle the overall goal in phases, delegating different parts of the organization to manage smaller initiatives from discovery to deployment.

## Discover

In the discovery phase, the enterprise has an opportunity to develop relationships with various parties to make the vision a reality. It is up to the enterprise to identify who the right players should be in a given initiative, and what role they play. They can work with an internal bridge-making group, an external group, or both. It is important that those involved in driving the discovery phase can offer an Open Innovation methodology and framework to guide the exploration. A successful discovery process entails the enterprise learning and modifying its business goals as it learns about the Art of the Possible from the ecosystem. The output of this stage is the identification of partner(s) and technologies, use case formulation, simple business case analysis and strategy, and lining up of internal stakeholders. In many cases, multiple technology innovations and partners are identified that together can create an even more powerful solution.

## Develop

In the development phase, the focus is for the business, alongside internal and external bridge makers, to choose the most promising innovation players from the discovery phase and begin exploring the possibilities. They cycle through several ideas using a rapid or agile development model to find a winning formula. The beauty of practicing Open Innovation is that many solutions can be tried without much internal investment of time or money, and many parties can be involved in the co-innovation process. The goal of this stage is to confirm that the proposed solution addresses the stated problem from both a technology and an end-user perspective, and most important, that the business goals can be achieved. Once this happens, stakeholders look to deploy this early and small implementation toward a broader deployment across the enterprise or their customer base. They assess that the solution, with some support from the organization, has the ability to scale, and find ways to mitigate the risk factors in deploying the solution, including resilience, security, support availability, and trajectory of the startup company.

## Deploy

In this phase, much of the work is done to take the initial success toward a broader deployment of the innovation for the enterprise or its customers. Many organizations breeze through the discovery and development phases, but get stuck on the deployment stage. Deploying a solution at scale involves a new series of factors—from how the technology innovation impacts internal systems and business processes to how it changes brand perception and user expectations. To prepare, enterprises should detail

the work involved to integrate the innovation with the existing technology architecture and business processes, customize it, and roll it out across the enterprise. It is also important to plan for the change management required at all levels of the company to help employees adopt the innovation into daily work processes. This typically includes modifying internal systems, reengineering business processes, redefining roles and job descriptions, and conducting employee training. An effective bridge maker can be helpful in the deploy stage, guiding the enterprise through the pre-planning, change management and process to scale, and deploy a comprehensive solution that supports the defined business goal for the enterprise and customers.

### References

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## 2500: Digital Business Latin American Perspective

### How has Digital Business developed in Latin America?

In multiple ways (focused or extensive, slower or faster, locally or globally, etc.), Digital Business has started to rapidly progress in Latin America, and most companies and organizations are including Digital Business as a part of their current strategies and roadmaps, and through diverse time empirical approaches, are starting to evaluate their Digital Rotation.

#### Exploratory vs. Structural Alternatives

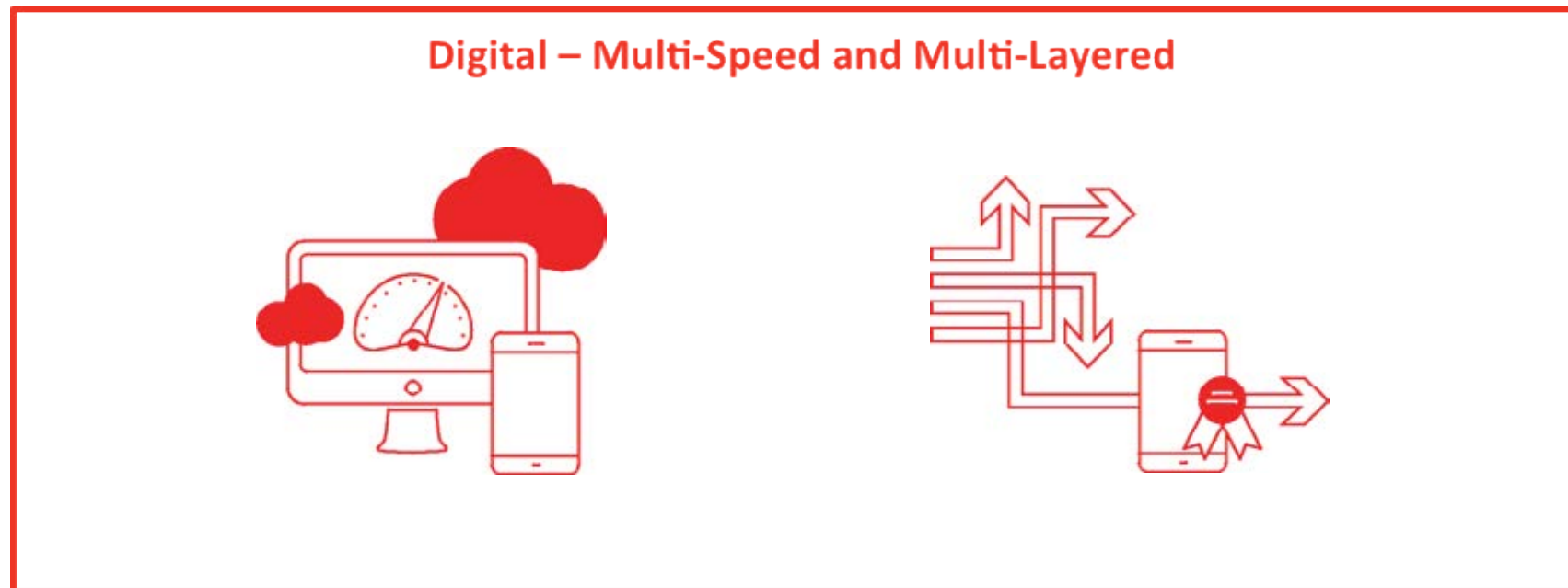
Frequently, most companies and organizations have taken "exploratory" alternatives, where some specific Digital Business needs are identified, designed, implemented, and then continuously improved. At the same time, others have taken alternative approaches that are more "structural", where a business strategy and architecture, encompassing a digital strategy and architecture, are defined before designing and implementing the digital business needs.

The structural approach allows a more extensive and sustainable scope of benefits but requires more initial C-level corporate/multidisciplinary focus.

Some companies and organizations have followed an exploratory alternative at first, thus gaining some rapid/initial live expertise and positioning in Digital Business, both internally and with their stakeholders, and then continue with a structural alternative. However, we recommend that companies decide whether the execution should be through the exploratory, structural, or combined alternatives based on structural strategy and architecture.

This is because, unlike what happened with the "evolution to integrated ERPs (Enterprise Resource Management solutions)", when being either the pioneer or the follower could have a controllable business impact, in the "Digital Business Revolution", being the pioneer or the follower may have a profound and lasting business impact on the company's ability to achieve a viable and successful massive new digital business and protect the current already successful legacy/non-digital business.

[G-2500-01]



### Non-Latin American versus Latin American Differences

The roadmap followed by non-Latin American companies (branches of international/global organizations) and Latin American companies is frequently different, when analyzed in terms of digitizing processes, digitizing channels, and digitizing business scope.

In general, non-Latin American organizations, as they are supported by the Digital Business programs of their headquarters, particularly in digitizing processes, can focus their local efforts on digitizing channels and business, which usually must deal with local business characteristics.

Moreover, Latin American companies generally need to distribute their attention across digitizing processes, channels, and business scope, and many of them initially prioritize digitizing channels, followed by digitizing processes. A few work on digitizing business scope.

The primary focus on digitizing channels allows companies to define and capture new markets ahead of competitors, where digital technology is blurring barriers across industries. Digitizing processes is a close second because it allows companies to optimize operations (including the requirements of the emerging digital business), where digital technology is generating step changes in operational efficiency and quality.

### Data to Make Informed Business Decisions

In order to use data to make informed business decisions, organizations must be able to derive meaning and understanding from the data.

Companies now have unprecedented opportunities to collect and store massive amounts of data. Yet the true value of this data is not realized unless it is used to make informed business decisions. This leads to one of the biggest challenges faced by business and IT today: how to analyze and explore this data efficiently (through its processes and technology) and communicate the results of the data analysis with clarity and precision (through its processes and people).

*"Luck is a matter of preparation  
meeting opportunity"*

Oprah Winfrey

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## SECTION 3 – DIGITAL BUSINESS CONNECTION WITH BUSINESS TRANSFORMATION

**3100: Digital Business Connection with Business Transformation**

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## 3100: Digital Business Connection with Business Transformation

Supported by: (1) "Digital Strategy Overview". Copyright © 2015 Accenture. All rights reserved. (2) "Being digital – Fast-forward to the right digital strategy". Copyright © 2015 Accenture. All rights reserved. Code 12460128.

Creating growth in a digital environment requires a sophisticated understanding of business and technology, customer and innovation-centricity, soundness in strategy and roadmaps, and strength in functional execution.

All this requires companies to adequately manage a mix of Digital Business and Business Transformation capabilities.

### What are the similarities between Traditional and Digital Business Transformations?

The key factors that make Traditional Business Transformations "Great Business Transformations" (please refer to Section 1) are almost fully applicable to Digital Business Transformations.

#### Group A. Identity of the Great Business Transformations

1. **Massive Importance:** The Business Transformations have a major impact on the organization, rather than just serving as a positive business case.

★ *Digital is the deep technology-driven transformation that is changing our world at speed, e.g., people's habits, behaviors, and expectations are changing through new devices, platforms, and apps; value is shifted within and across industries. Becoming a Digital Business is more than just digitizing marketing or operations, and it will be essential for survival. Thus, a Digital Transformation can and will be of Massive Relevance for a company undergoing that transformation.*

2. **"The Strategy" Alignment:** The Business Transformations are fully aligned with the business strategy, which is up-to-date, shared with and committed to by the company's key decision makers and program stakeholders.



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★ *It is time to stop assuming that digital is an adjunct to current strategies and plans. Competing in a world shaped by digital technologies requires a fundamentally different approach to how strategies are developed and executed. Today, business leaders recognize that digital technologies create new threats and opportunities. Thus, a Digital Transformation must be aligned with a strategy that is really "the Strategy", and it must be up-to-date and committed to by the company's key decision makers and program stakeholders, and include an enterprise-level digital strategy to support the corporate strategy.*

**3. Right Moment:** The Business Transformations are executed when their results can maximize their value for stakeholders. At the same time, the organization's development can be managed in an adequately safe environment with risks anticipated and mitigated through innovative approaches.

★ *The scale of digital change creates a sense of urgency. Investors readily recognize the potential, assigning multibillion-dollar valuations to digital pure plays that are little more than a strategy and a few initial customers and capabilities. Business leaders have aspirations for their companies to be a "digital leader" in their particular industry. And while just 19 percent believe that they are already a digital business, 59 percent plan to become one over the next three years. Thus, a Digital Transformation requires the Right Moment, and it seems that for Business Leaders the right moment is now!*

### Group B. Structure of the Great Business Transformations

**4. Enthusiastic Driver:** The Business Transformations have sponsors or leaders, who may or may not be the actual "intellectual owners" of the initiative, but are nevertheless fully devoted to the program and are responsible for its successful development.

★ *CEOs are struggling with key challenges around the Digital opportunity, one of them being "How should we organize, measure, and reward differently for digital success? Does my team really get 'digital'?" The Chief Human Resources Officer (CHRO) faces challenging questions such as "Do we need a Chief Digital Officer? Who should that be internally?" Thus, a Digital Transformation requires enthusiastic drivers that should include the CEO, CIO, COO, CHRO, CFO, Chief Marketing Officer, and eventually –most likely– a Chief Digital Officer, all them part of a senior team of Enthusiastic Drivers.*

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**5. "Prima Donna" Program:** The Business Transformation program becomes the most and, at times, the only relevant program in the corresponding area of the company, thus being top priority for investments, resources, management attention, etc. It also benefits from an exceptionally robust program management, change management, and risk management.

★ *Leading in turbulent times requires an apparent paradox—having clear goals and ambitions without knowing the totality of action required to achieve them. Here lies the essential challenge for digital strategies: set one direction, work at multiple speeds and layers, and execute through intelligent experimentation. Such a combination is challenging, and thus the overall Digital Strategy and all the interconnected pieces of it must be positioned as a Prima Donna Program for the organization to dedicate maximum priority for investments, resources, management attention, etc.*

**6. Full Stakeholders:** The Business Transformations include in their scope all the relevant stakeholders necessary to assure the execution of the program and the realization and sustainability of its outcomes and benefits.

★ *CEOs are struggling with key challenging questions around the Digital opportunity, including "How do we participate (new products/services) in the new ecosystems that have been created/enabled by digital? Which new digital partnerships or acquisitions do we need to make? Who are the new entrants/startups that I should be thinking about? Should we develop, partner, or acquire (especially startups) the new digital capabilities?"*  
*As a conclusion, Digital is related to a broad and new ecosystem, so managing all stakeholders is an essential piece for success.*

### Group C. Features of the Great Business Transformations

**7. Design for Sustainability:** The Business Transformations encompass business and operating models and program roadmaps, not only to be implemented but also to be sustainable and capable of supporting continuous improvement.

★ *This is a relevant change because with the development of Digital Business, technology brings new opportunities and companies are seeking to close the gap between these prospects and the business current models, which as previously mentioned may imply not only digitizing marketing or operations but also generating completely new businesses based on digital technology. Another significant change*

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*in Business Transformation is the evolution from Waterfall Programs in Traditional Business, to Agile Programs in Digital Business. So the concept of sustainability is also changing, from a "sustainability of solutions", which is less dynamic, to a "sustainability of innovation", which is fully dynamic. Thus, the Design for Sustainability of innovation, with all the innovation that it itself may require, is another essential factor for success.*

**8. [Technology Step Change](#):** The Business Transformations include a technology component that allows a technology step change. In today's world the digital technologies that enable Digital Business are a relevant, innovative, and evolving source for technology step change.

★ *Key technology trends combined with enabling technologies such as Mobility, Analytics, Cloud, eCommerce, Connected Devices, and Social & Collaboration, present dramatic opportunities for new players and real threats in all industries. Technology is blurring barriers across industries, and thus is driving broad Technology Step Changes.*

**9. [Segmentation Everywhere](#):** The Business Transformations apply segmentation (of clients, vendors, products and services, regions, buyer values, etc.) as much as possible to focus differentiation where relevant and to fully apply standards where feasible.

★ *Digital Business is about Segmentation Everywhere, as its strategy is directed to a maximum segmentation of stakeholders and events, and is supported by its enabling technologies, including Mobility, Analytics, Cloud, eCommerce, Connected Devices, and Social & Collaboration. All of them contribute to instantly capture and analyze relevant data in massive, detailed, and profound ways.*

**10. [Career Lifter](#):** The Business Transformations are a platform for the program team members to learn about and become visible in key areas of the business, including business design and business transformation, thus giving them an important opportunity to accelerate their careers.

★ *Looking at the market, there is a fabulous list of successful stories such as Amazon, Facebook, Google, WhatsApp, and many others, that without a doubt represented a tremendous Career Lifter for their respective Developers. Looking at organizations where Business Leaders have aspirations for their companies to become "digital leaders" in their particular industry, the Digital Program Team Members face another excellent Career Lifter.*



# A Roadmap: Across a Diverse Latin America



*"The real voyage of discovery consists not in seeking new lands but seeking with new eyes"*

Marcel Proust

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## SECTION 4 – BUSINESS TRANSFORMATION ACROSS LATIN AMERICA

4100: Business Transformation from a Latin American Perspective

4200: Business Transformation Country Analysis

4300: Business Transformation Country Perspective

4400: Business Transformation in Latin America – Conclusions and Recommendations

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## 4100: Business Transformation from a Latin American Perspective

The diversity of countries in Latin America across multiple characteristics, such as investment, market, labor, technology and logistics, specific limitations, suggests that these countries have different "natural" conditions to embrace Business Transformation. Initially, some countries may be well-positioned for profound Transformational Changes while others might be oriented more toward Continuous Improvements.

Selecting the most challenging characteristics per country and ensuring that the Business Transformation includes the key factors relevant to managing those challenging characteristics, allow the pursuit of "Great Business Transformations", regardless of the country or countries where the Business Transformation will take place.

The objective of this section is to identify the characteristics of Latin American countries in relation to the execution of Business Transformations at local, regional, or global companies and organizations, as compared to a reference country, and how to positively manage these characteristics.

This section is structured in three chapters:

4200: Country Analysis

4300: Country Profiles

4400: Conclusions and Recommendations

Note: Additional References. Based on Prof. Emeritus Geert Hofstede's validated research, the Hofstede Centre offers valuable tools to help you visualize cultural differences among countries and their impact. Please refer to <http://geert-hofstede.com>.

For the purposes of the Business Transformations discussed in this book, six Latin American countries were analyzed: Argentina, Brazil, Chile, Colombia, Mexico, and Peru. These were chosen as they are the largest and most stable economies in the region.

Three other countries were analyzed because, according to the World Bank 2015 Ease of Doing Business Index, they are the best positioned countries in their respective regions: New Zealand in Asia Pacific (positioned second worldwide), Denmark in Europe (positioned third worldwide), and the United States in the Americas (positioned seventh worldwide). Singapore (positioned first worldwide) has been excluded from the analysis, given that country's unique geographical, political, and economic characteristics.

Note: The Ease of Doing Business Index ranks economies from 1 to 189. A high ranking (low numerical value) means that the regulatory environment is conducive to business operation. The Index averages the country's percentile rankings on 10 topics covered in the World Bank's Doing Business project. The ranking on each topic is the simple average of the percentile rankings in its component indicators. World Bank, Doing Business project (<http://www.doingbusiness.org/>).

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## 4200: Business Transformation Country Analysis

### Level of Globalization

For reference purposes, the table developed in this chapter includes the analysis of the country's level of globalization (supported by three characteristics found in the 25 companies with the highest annual revenue per country).

### General Profile of Business Transformations in Each Analyzed Country

The aforementioned table also includes the analysis of 12 characteristics, each measured according to how it may influence or contribute to the profile of Business Transformations in each analyzed country.

It is important to note that the conclusions achieved through this analysis are based on the status of each country at the end of year 2015 or averaged through the period 2006-2015, and measured through the values of the aforementioned characteristics.

Given the important political and economic changes recently initiated in some Latin American countries, the conclusions achieved may need to be reviewed and revised every few months, as some of these changes start to impact the characteristics that may influence the transformations.





## Analyzed Countries

Characteristic	Characteristic Measure	Argentina	Brazil	Chile	Colombia	Mexico	Peru	New Zealand	Denmark	USA	Characteristic Impact
								Ease of Doing Business Index: Top Countries in Asia Pacific, Europe, and America			
2. General Profile of Business Transformations in Each Analyzed Country											
Investment											
4. Foreign Direct Investment	Foreign direct investment stock, as a percentage of the gross development product, as of 2014	1.1%	4.1%	8.5%	4.3%	1.9%	3.9%	2.2%	-0.2%	0.8%	Countries with higher FDI generally develop a business environment used to transformational change due to new business implementations, geographic expansions, digital businesses, etc., with the implications in management, labor, technology, etc.
<a href="#">Source: The World Bank. Please refer to Appendix A200.</a>											
5. Countries and Companies' Credit Rating	Country and Top 3 Multinational Branches' credit ratings	Arg: Caa1 1)_Caa1 2)_Caa2 3)_B2	Bra: Ba2 1)_Baa3 2)_Baa2 3)_Baa1	Chi: Aa3 1)_Baa2 2)_A2 3)_BBB	Col: Baa2 1)_C 2)_N/A 3)_N/A	Mex: A3 1)_A3 2)_Ba2 3)_Baa3	Per: A3 1)_Baa2 2)_BBB 3)_Baa2	NZ: Aaa 1)_N/A 2)_N/A 3)_N/A	DM: Aaa 1)_N/A 2)_N/A 3)_N/A	USA: Aaa 1)_N/A 2)_N/A 3)_N/A	Companies with higher credit rating can leverage low financial rates to invest in large-scale business transformations.
<a href="#">Source: Moody's. Please refer to Appendix A200.</a>											

## Analyzed Countries

Characteristic	Characteristic Measure	Argentina	Brazil	Chile	Colombia	Mexico	Peru	New Zealand	Denmark	USA	Characteristic Impact
								Ease of Doing Business Index: Top Countries in Asia Pacific, Europe, and America			
Market											
6. Market Predictability	Number of relevant changes in exchange rates, property, comex and fiscal laws, incentives, and regulations during 2006-2015. Measured through country credit ratings variations, during 2006-2015	1 pos var/4 neg var	3 pos var/0 neg var	1 pos var/0 neg var	3 pos var/0 neg var	3 pos var/0 neg var	3 pos var/0 neg var	0 pos var/1 neg var	0 pos var/0 neg var	0 pos var/0 neg var	Companies operating in highly predictable markets may embrace transformational journeys with deep business change, high investment levels, high investment return, but long investment return period, while companies operating in highly unpredictable markets may embrace more frequent continuous improvement.
<a href="#">Source: Accenture.</a>											
7. Market Growth	Number of inflections in gross development product per capita growth, during 2006-2014	3	3	2	0	2	2	2	3	2	Companies operating in growth markets may focus more on demand generation while companies operating in shrinking markets will focus more on supply and enterprise management.
<a href="#">Source: Accenture.</a>											

## Analyzed Countries

[illegible]

## Analyzed Countries

Characteristic	Characteristic Measure	Argentina	Brazil	Chile	Colombia	Mexico	Peru	New Zealand	Denmark	USA	Characteristic Impact
								Ease of Doing Business Index: Top Countries in Asia Pacific, Europe, and America			
10. Labor Flexibility	Blue collar and white collar dismissal cost average, during 2014-2015	8.50%	4.50%	N/A	6.00%	7.80%	N/A	0.00%	View detail	0.00%	Companies operating in low dismissal cost markets may seek higher labor efficiencies through technology utilization and offshoring than companies operating in high dismissal cost markets.
<a href="#"><i>Source: International Labor Organization. Please refer to Appendix A200.</i></a>											
11. Trade Union Flexibility	Trade union density as a % of paid employment – last data found	35.59%	27.90%	14.60%	28.70%	8.80%	1.80%	20.50%	83.60%	11.30%	Companies operating with markets with high participation of trade unions generally find it difficult to release underperforming employees. This may negatively impact transformational changes. But can generally be managed adequately through continuous improvement.
	For year	2014	2009	2012	1997	2013	2012	2012	2012	2013	
<a href="#"><i>Multiple sources. Please refer to Appendix A200.</i></a>											











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# 4300: Business Transformation Country Perspective

The graphs developed in this chapter summarize the conclusions of each country transformation profile, based on 11 of the 12 characteristics that may influence the transformations. Note: To simplify comparisons, Characteristic 6 – Market Predictability and Characteristic 7 – Market Growth have been excluded.

In these graphs, the average of the values for New Zealand, Denmark, and the Unites States in each of the 11 characteristics is considered as the 100 baseline for each of those 11 characteristics.

Characteristics with values below 50 percent of the 100 baseline are highlighted as characteristics (for management) to focus on.

The following abbreviations for the characteristics are being applied:

Characteristic Name	Graph Characteristic Abbreviation
4. <a href="#">Foreign Direct Investment</a>	FDI
5. <a href="#">Companies' Credit Rating (measured as Countries' Credit Rating)</a>	CCR
6. <a href="#">Market Predictability</a>	Mkt. Predict.
8. <a href="#">Employment Level – Employment to Population Ratio</a>	Employment
8. <a href="#">Employment Level – Unemployment</a>	Unemployment
9. <a href="#">Labor Cost – Low skilled</a>	Min. Wage LS
9. <a href="#">Labor Cost – High skilled</a>	Min. Wage HS
10. <a href="#">Labor Flexibility</a>	Labor Flexib.
11. <a href="#">Trade Union Flexibility</a>	Trade U. Flexib.
12. <a href="#">Doing and Changing Business Simplicity – Ease of Doing Business Index</a>	EODB
13. <a href="#">Communication and IT Availability</a>	Comm. & IT Avail.
14. <a href="#">Transportation Logistics – Logistics Performance Index</a>	LPI
15. <a href="#">Stateliness</a>	Stateliness

Again, it is important to note that the conclusions achieved through this analysis are based on the status of each country at the end of the year 2015 or averaged through the period of 2006-2015, measured through the values of the aforementioned characteristics.

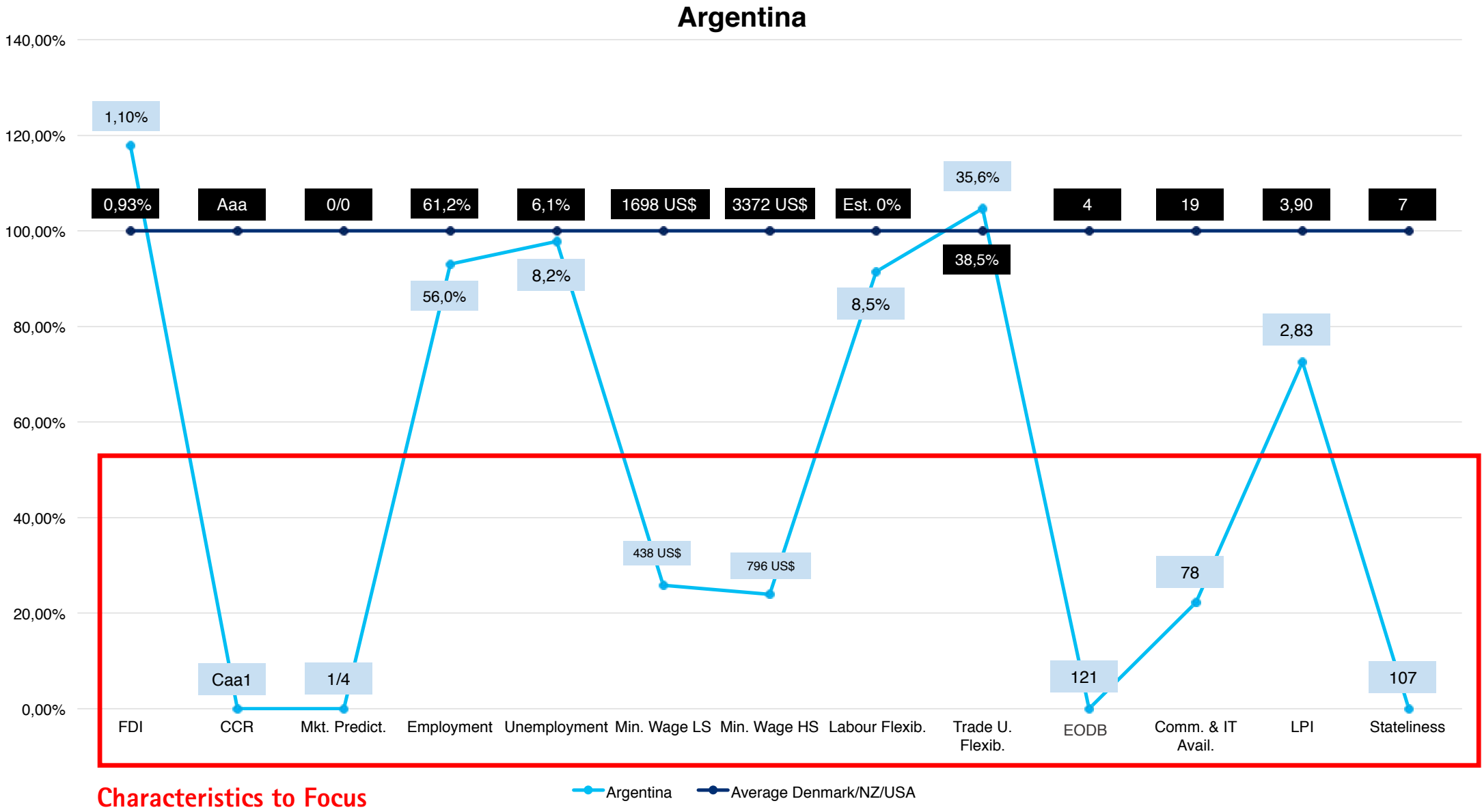
We also reiterate that, given the important political and economic changes recently initiated in some Latin American countries, the conclusions achieved may need to be reviewed and revised in a few months, as some of these changes start to impact the characteristics that may influence the transformations.

Finally, the table below summarizes the 6 graphs in the following six pages.

**Country Characteristic Values Compared to Denmark, New Zealand, and United States**  
**Characteristic Values Considered as the 100 Baseline for Each of the Characteristics**

Country	FDI	CCR (Rating Caa1 = 0%)	Mkt. Predict. (Value 1/4 = 0%)	Employment	Unemployment	Min. Wage LS	Min. Wage HS	Labour Flexib.	Trade U. Flexib.	EODB (Posit. 121 = 0%)	Comm. & IT Avail. (Posit. 95 = 0%)	LPI	Stateliness (Posit. 107 = 0%)
<b>Values in Percentages (%)</b>													
Argentina	118	Caa1	Low = 1/4	93	98	26	24	92	105	0	22	73	0
Brazil	439	Ba2	High = 3/0	108	99	15	20	96	117	4	51	75	31
Chile	911	Aa3	High = 1/0	96	100	22	35	N/A	139	62	67	81	84
Colombia	461	Baa2	High = 3/0	101	96	14	17	94	116	57	20	63	24
Mexico	204	A3	High = 3/0	98	101	6	13	92	148	71	18	78	12
Peru	418	A3	High = 3/0	121	102	13	23	N/A	160	61	0	70	19

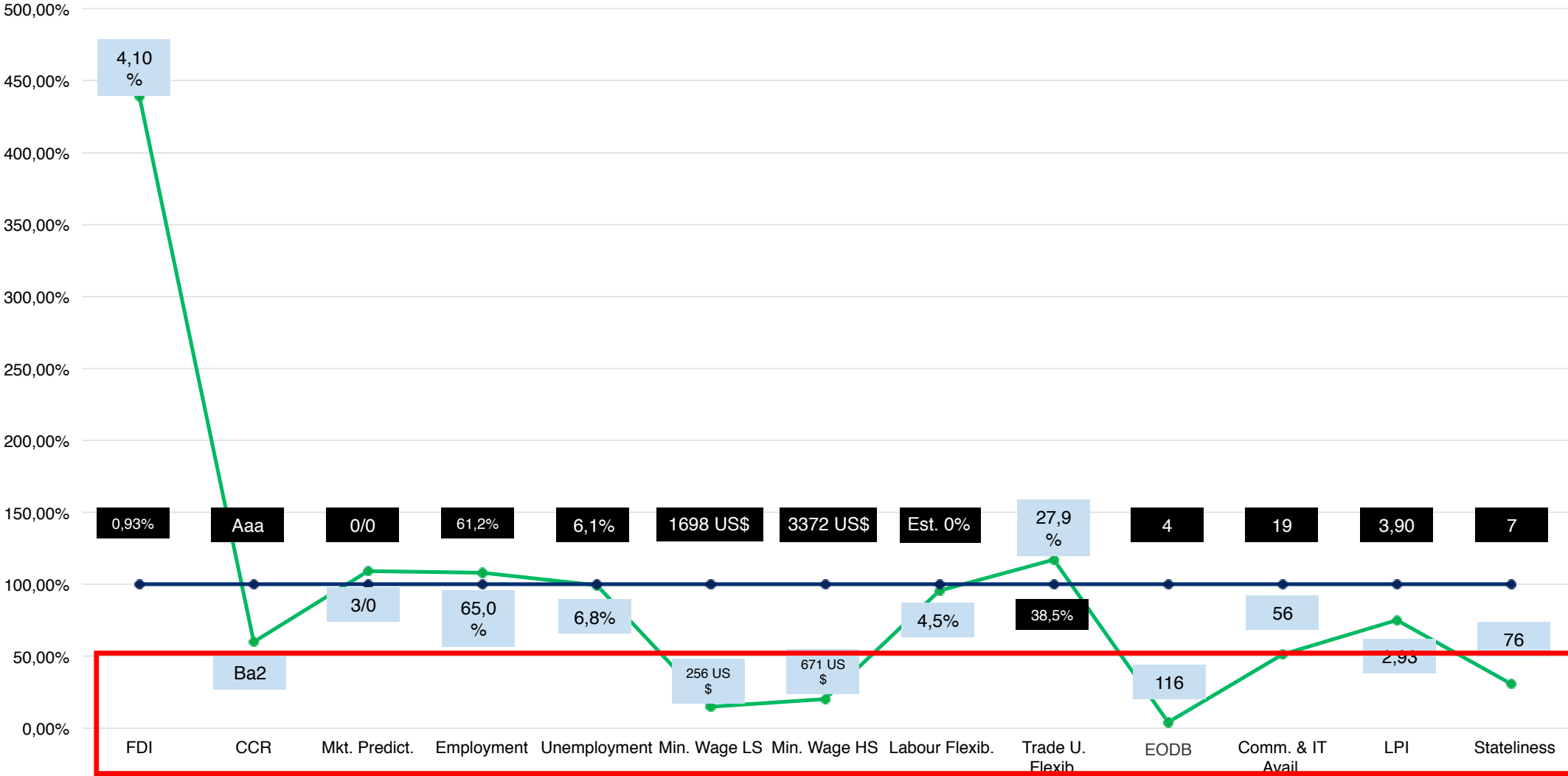
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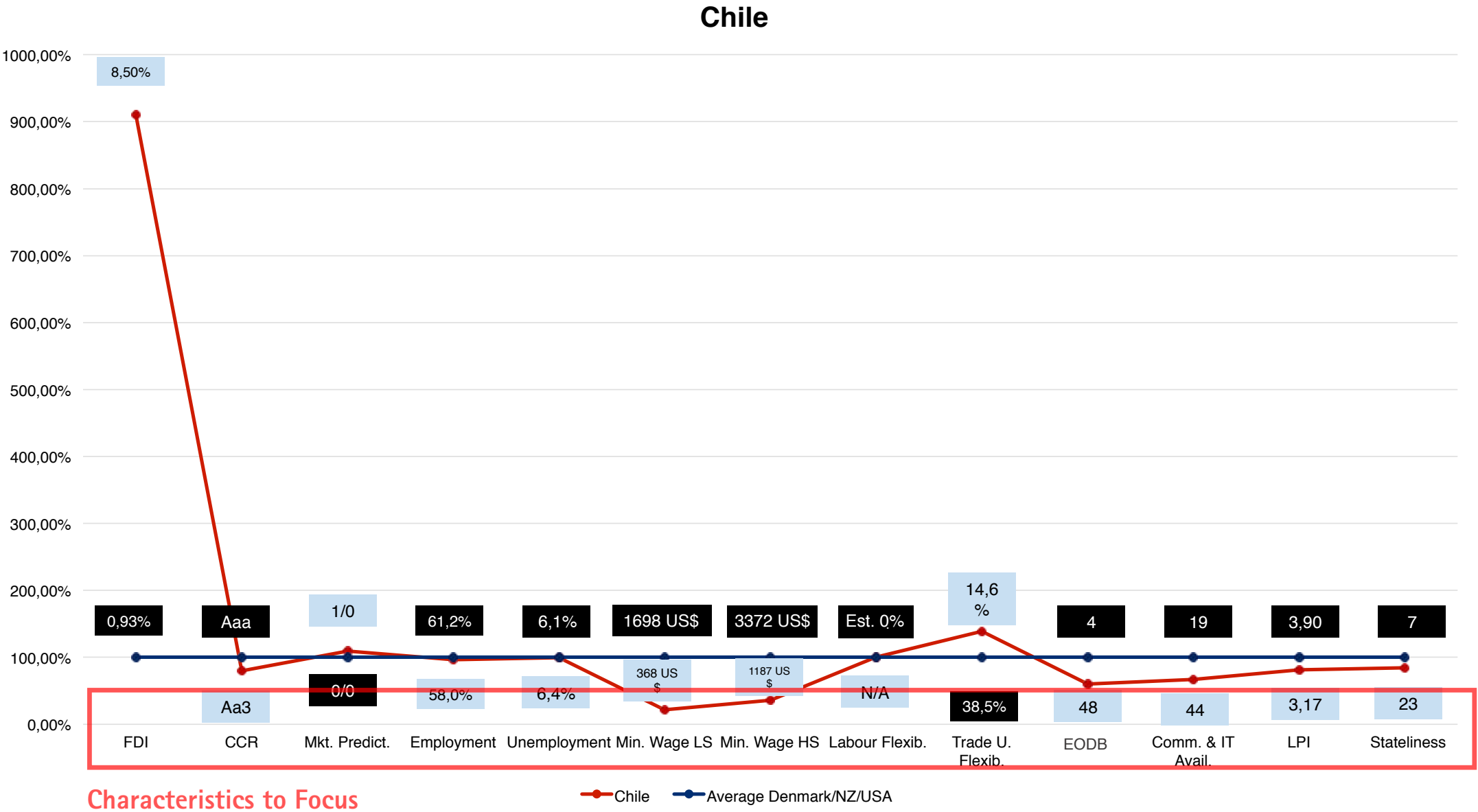


Characteristics to Focus

— Brazil — Average Denmark/NZ/USA

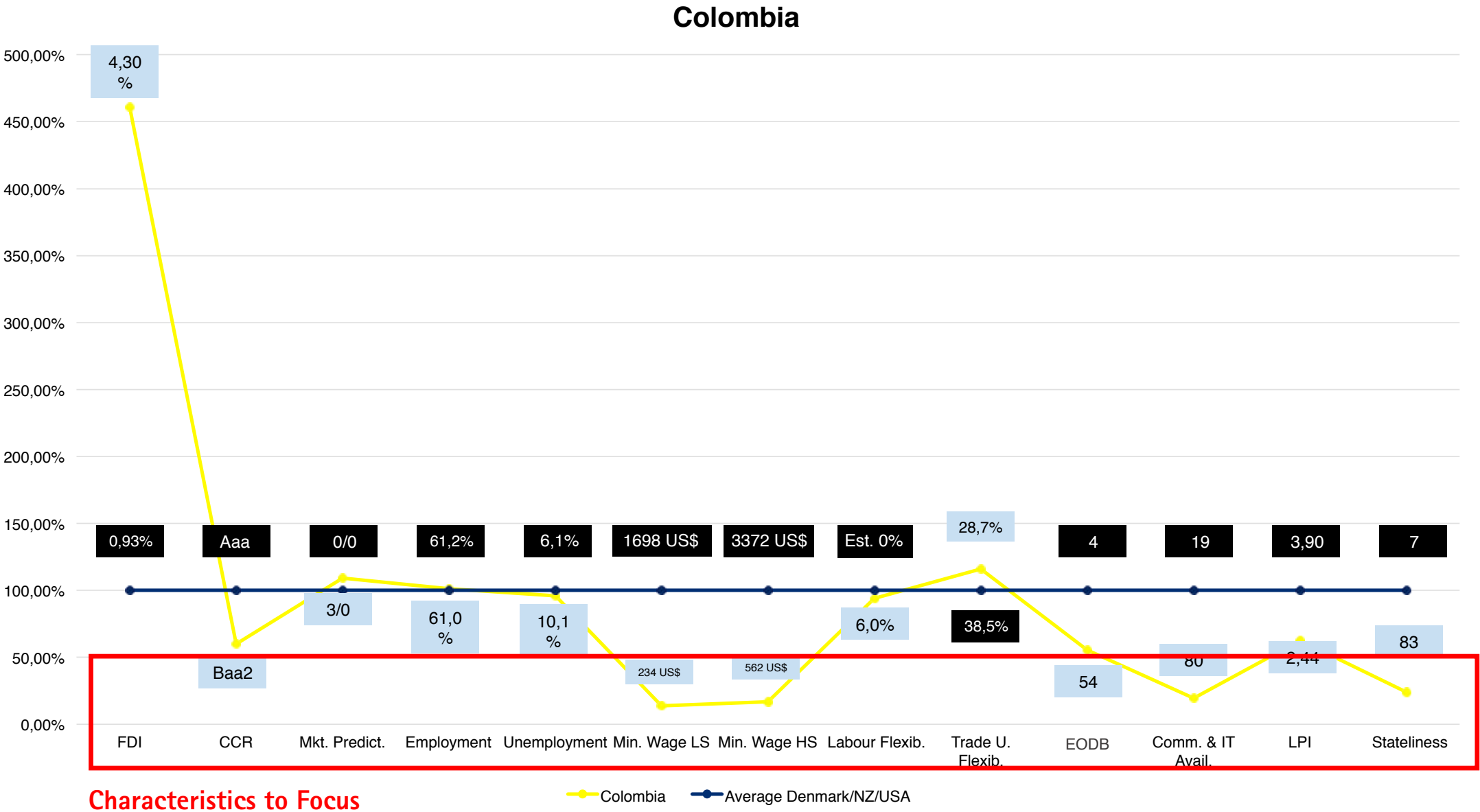
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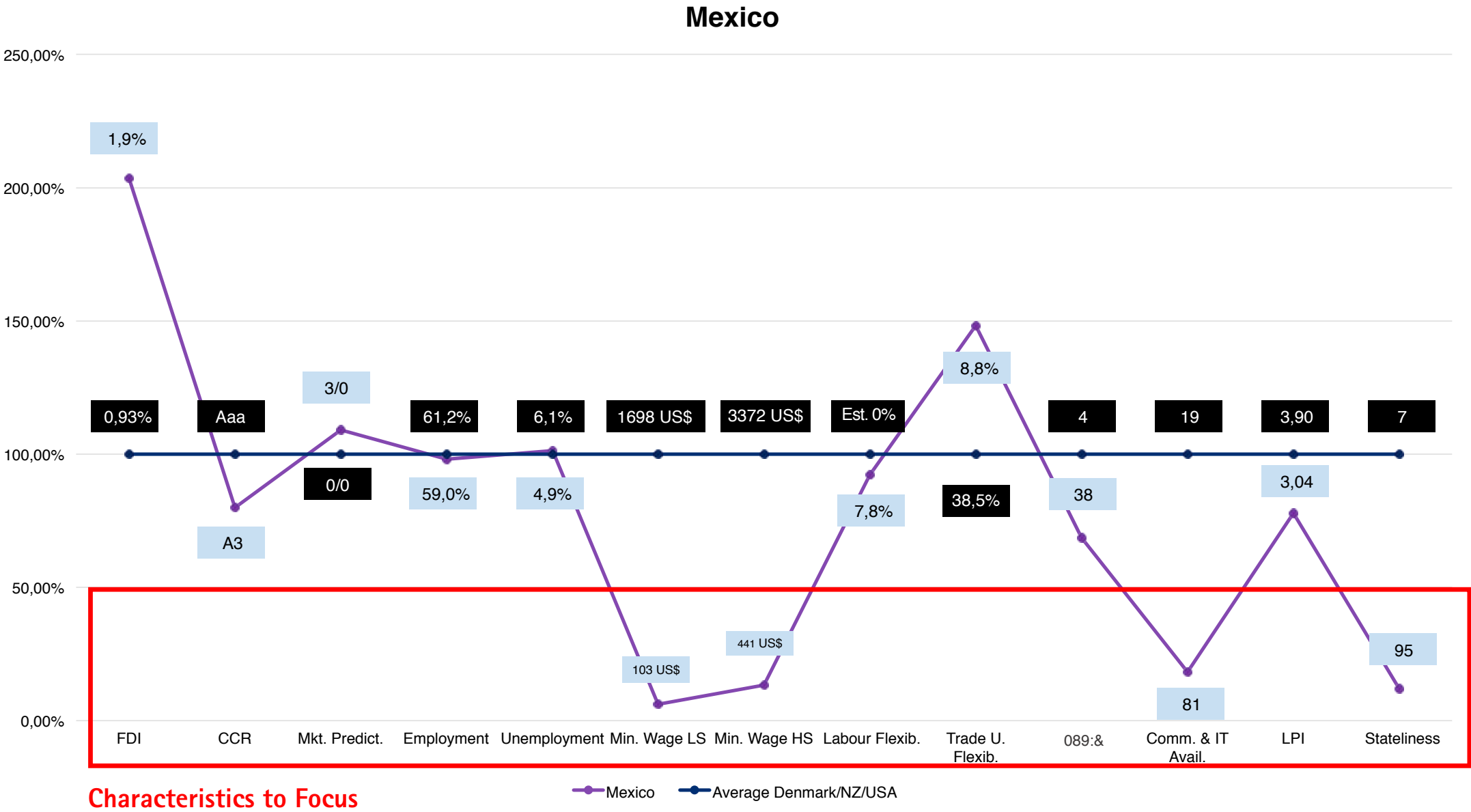
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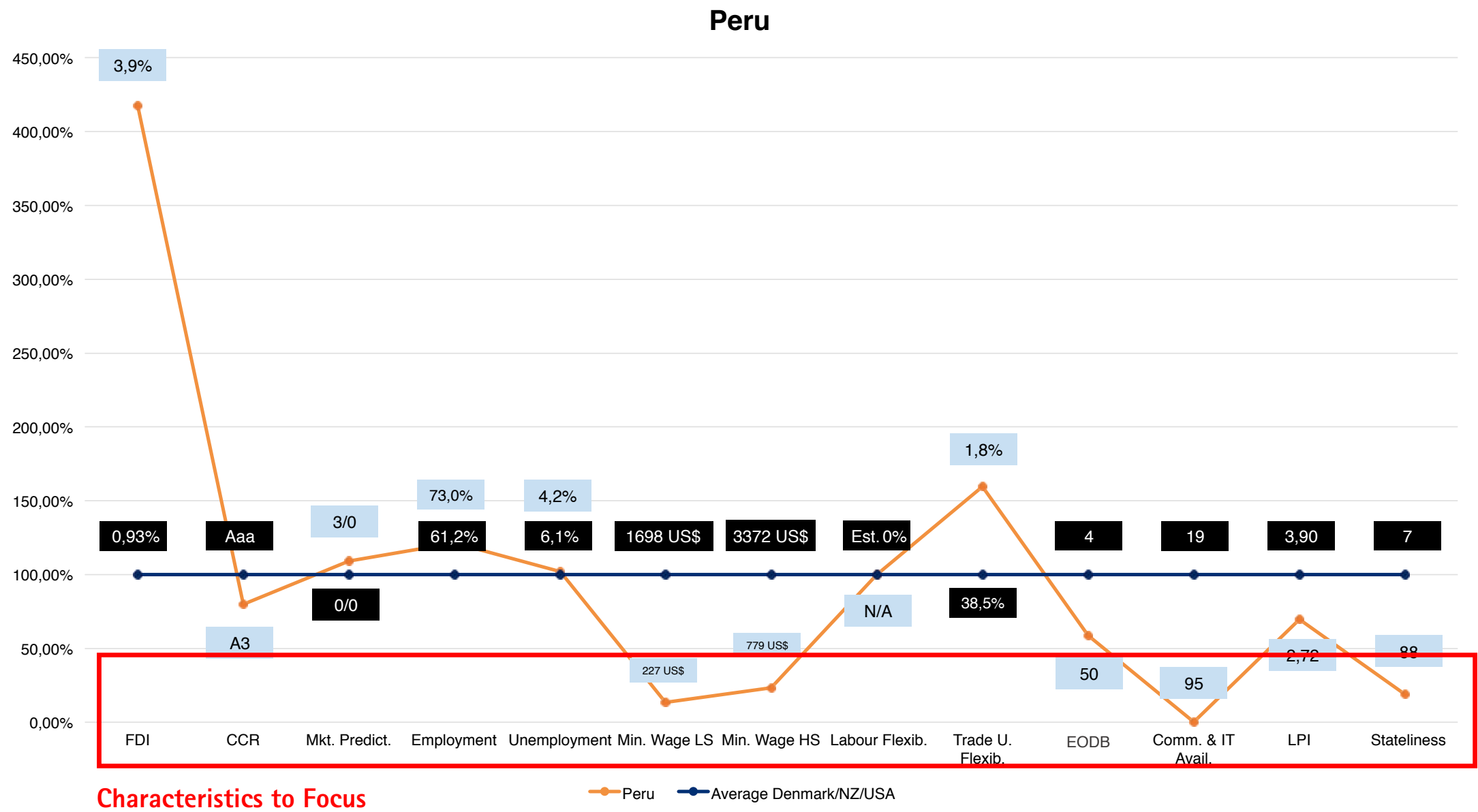
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To bring this opportunity for Great Business Transformation into fruition, companies must meet the key factors as described in Section 1 – 1300: Business Transformation Key Factors.

These key factors generally and conceptually facilitate the management of each of the lower rated country characteristics in the following ways:

[G-4400-02]

Country Characteristics that May Influence the Transformations

Key Factors for Great Business Transformations	Investment (Char. 4, 5)	Market (Char. 6)	Labor (Char. 8, 9, 10, 11)	Ease of Doing Business (Char. 12)	Technology and Logistics (Char. 13, 14)	Limitations (Char. 15)
Group A. Identity of the Great Business Transformations						
1. <u>Massive Importance</u>	Facilitates access to investments.		Allows for better solutions to manage labor.	Allows for better solutions to manage complexity.	Facilitates better technology and logistics solutions.	Facilitates top management attention to limitations.
2. <u>"The Strategy" Alignment</u>	Facilitates access to investments.	Is market-relevant.	Likely aligned with a good labor strategy.	Allows for better solutions to manage complexity.	Facilitates better technology and logistics solutions.	Facilitates top management attention to limitations.
3. <u>Right Moment</u>	Facilitates access to investments.	Is market-relevant.			Facilitates better technology and logistics solutions.	
Group B. Structure of the Great Business Transformations						
4. <u>Enthusiastic Driver</u>	Pragmatically and extensively finds and achieves solutions.					
5. <u>"Prima Donna" Program</u>	Facilitates access to investments.		Facilitates implementation of solutions.	Facilitates implementation of solutions.	Facilitates implementation of solutions.	Facilitates top management attention to limitations.

<b>6. <a href="#">Full Stakeholders</a></b>	Improves value realization.		Includes and resolves labor as part of stakeholder management.	Allows for better solutions to manage complexity.	Involves clients, vendors and technology partners to meet technology and logistics requirements.	
<b>Group C. Features of the Great Business Transformation</b>						
<b>7. <a href="#">Design for Sustainability</a></b>		Considers market variability and limitations.			Leverages better technology and logistics solutions.	
<b>8. <a href="#">Technology Step Change</a></b>			Allows for better labor utilization.	Allows for better solutions to manage complexity.	Promotes better technology and logistics solutions.	
<b>9. <a href="#">Segmentation Everywhere</a></b>		Facilitates market value realization.	Facilitates identification of key labor resources.	Facilitates identification of key complexities to resolve.	Facilitates identification of key technology and logistics.	Facilitates identification of key risks and restrictors to manage.
<b>10. <a href="#">Career Lifter</a></b>	Motivates Team to resolve problems and complexities in every area.					

## A Recommendation to Generate Opportunities

Selecting the characteristics to focus on per country, specifically at the time of the Business Transformation, and assuming that the Business Transformation includes the key factors needed to manage those characteristics allow companies to pursue Great Business Transformations independently of the country or countries where the Business Transformation will take place.

The following could be a conceptual framework to develop the aforementioned analysis and definition.





# A Case for Action: Maturity in and Opportunities for Business Transformation



*"You can do anything, but not everything"*

David Allen

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## SECTION 5 – BUSINESS TRANSFORMATION IDENTIFICATION AND DESIGN

5100: A Case for Action

5200: Maturity Questionnaire

5300: Business Transformation Identification and Design

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## 5100: A Case for Action

The objective of this section is to give Readers a practical way to:

- (a) Position, in terms of maturity, their companies or organizations in relation to the different approaches described and recommended throughout the book.
- (b) Identify valuable, innovative, and relevant opportunities for Business Transformation at companies, and design valuable and competitive top-down solutions for these opportunities.

To support these goals, this section includes:

5200: Maturity Questionnaire

5300: Business Transformation Identification and Design



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## 5200: Maturity Questionnaire

### Introduction

The maturity questionnaire below will help Readers find the most practical actions for their companies or organizations, in terms of maturity, from the different approaches described and recommended throughout the book.

This maturity questionnaire contains questions regarding the following areas:

- How is the company or organization **identifying and designing the required Business Transformations, including those related to Digital Business?** (Related to Sections 1, 2, 3, and 5.)
- How is the company or organization **taking into account, based on Business Transformation definitions, the characteristics of Latin American countries and how is it dealing with those characteristics?** (Related to Section 4.)
- How is the company or organization **executing the defined Business Transformations, including those actions related to Digital Business?** (Related to Section 1.)

This maturity questionnaire provides different sub-questions for each question. The answer for each sub-question provides a directional positioning score in each of the three areas previously described.

It is recommended to answer the maturity questionnaire at the different moments.

- (1) Describing the current situation at the beginning of the reading of the book: current situation initial perspective.
- (2) Describing the current situation at the end of the reading of the book: current situation perspective.
- (3) Describing the expected situation at the end of the reading of the book: expected situation perspective.

Overall scores or major partial scores (for Identification and Design of Business Transformations, Characteristics of Latin America for Business Transformations, and Execution of Business Transformations) assume the following maturity ranges:

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- Scores below 35 percent: **Beginner.**
- Scores over 35 percent but below 65 percent: **Intermediate.**
- Scores over 65 percent: **Master.**

The gap between answers (1) vs. (2) vs. (3) will help the Reader identify some preliminary opportunities to continue to evolve the company or organization's practices and capabilities for Business Transformation.

We recommend that you answer the digital version of the maturity questionnaire contained in this digital book, so you can immediately obtain your company's or organization's maturity score.

Detail

	Question Relevance (0 = Low to 5 = High)	Sub- question Relevance (0 = Low to 5 = High)	Company's Position (0 = Never to 5 = Always)	Sub- question Relevance X Company's Position	Company's or Organization's Maturity (<35% = Beginner; >35% and <65% = Intermediate; >65% = Master)
Overall					0%
Identification and Design of Business Transformations					0%
How is the company or organization <b>identifying and designing the required Business Transformations, including those related to Digital Business?</b>					
(1) How does the company work its corporate, business, and functional strategies to implement them through Business Transformations?	4.0			0%	
(1.1) There is a corporate process/method for this, for the corporate strategy.		5		0	
(1.2) There is a business unit process/method for this, for the business strategies.		5		0	
(1.3) There are function processes/methods for this, for the functional strategies.		5		0	

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## Detail

	Question Relevance (0 = Low to 5 = High)	Sub- question Relevance (0 = Low to 5 = High)	Company's Position (0 = Never to 5 = Always)	Sub- question Relevance X Company's Position	Company's or Organization's Maturity (<35% = Beginner; >35% and <65% = Intermediate; >65% = Master)
<b>(2) How does the company manage the Digital Business in relation to Business Transformations?</b>	<b>5.0</b>			<b>0%</b>	
<a href="#">(2.1) The corporate, business, and functional strategies include the related digital strategy.</a>		5		0	
<a href="#">(2.2) There is a process/method to measure the extent that the digital technology has penetrated the business.</a>		4		0	
<a href="#">(2.3) There is a process/method to explore opportunities to partner with a range of players in the global ecosystem, to jointly develop new platforms and applications, enhance core offerings, or expand into new markets.</a>		4		0	
<b><a href="#">(3) When identifying the Business Transformations aligned to the corporate, business, and functional strategies, what other sources apart from these strategies does the company utilize to identify the necessary Business Transformations?</a></b>	<b>4.0</b>			<b>0%</b>	
(3.1) Key stakeholders' perspectives.		5		0	
(3.2) Company's investor communications.		4		0	
(3.3) Analysts' reports.		3		0	
(3.4) Value chain analysis.		5		0	
(3.5) Industry and process benchmarks and best practices.		4		0	
(3.6) Company's sourcing model.		4		0	
(3.7) Digital Business opportunities to digitize processes and channels.		5		0	
(3.8) Economic Value-Added (EVA) components.		5		0	
<b><a href="#">(4) How does the company initially define the Business Transformation?</a></b>	<b>3.0</b>			<b>0%</b>	
(4.1) With a strict top-down design.		5		0	
(4.2) Without restrictions, details, and exceptions.		4		0	

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Detail

	Question Relevance (0 = Low to 5 = High)	Sub- question Relevance (0 = Low to 5 = High)	Company's Position (0 = Never to 5 = Always)	Sub- question Relevance X Company's Position	Company's or Organization's Maturity (<35% = Beginner; >35% and <65% = Intermediate; >65% = Master)
<b>(5) When defining a Business Transformation, what frameworks does the company utilize to define the Business Transformation with the best solution?</b>	<b>4.0</b>			<b>0%</b>	
(5.1) Relevant cases references.		3		0	
(5.2) Just-in-time principles.		4		0	
(5.3) Process excellence principles.		4		0	
(5.4) Innovation principles and Digital Business.		5		0	
(5.5) Business integration (integrated strategy, processes, technology, and people).		5		0	
(5.6) Fast time to market criteria.		5		0	
(5.7) Bundled transformation and operation.		5		0	
(5.8) Digital Business journey (set the direction, plug-in capabilities, connect with ecosystem, bring to scale).		5		0	
<b>Characteristics of Latin America for Business Transformations</b>					<b>0%</b>
How is the company or organization <b>taking into account, according to the Business Transformation definitions, the characteristics of Latin American countries, and how is it dealing with those characteristics?</b>					
<b>(6) When defining a Business Transformation, does the company:</b>	<b>5.0</b>			<b>0%</b>	
(6.1) Revisit the transformation profile of the involved countries (investment, market, labor, ease of doing business, technology and logistics, limitations);		5		0	
(6.2) Identify the characteristics by country that require some specific program actions, supported by key factors for Great Business Transformations;					
(6.3) Define those program actions?					

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## Detail

	Question Relevance (0 = Low to 5 = High)	Sub- question Relevance (0 = Low to 5 = High)	Company's Position (0 = Never to 5 = Always)	Sub- question Relevance X Company's Position	Company's or Organization's Maturity (<35% = Beginner; >35% and <65% = Intermediate; >65% = Master)
<b>Execution of Business Transformations</b>					<b>0%</b>
How is the company or organization <b>executing the defined Business Transformations, including those related to Digital Business?</b>					
<b>(7) (KF) Does the company executing its Business Transformation take into account the following key factors? (CC) Does the company have access to the required core business and operating model capabilities to be able to apply those key factors?</b>	<b>5.0</b>			<b>0%</b>	
(7.1) (KF) <b>Massive Importance:</b> The Business Transformations have a major impact on the organization, rather than just serving as a positive business case.		5		0	
(7.1) (CC) <u>Up-to-date strategy ... Program, change, and risk management processes and methods ... Program, change, and risk management offices ... Program, change, and risk management tools.</u>		5		0	
(7.2) (KF) <b>"The Strategy" Alignment:</b> The Business Transformations are fully aligned with the business strategy, which is up-to-date, shared with and committed to by the company's key decision makers and program stakeholders.		5		0	
(7.2) (CC) <u>Up-to-date strategy ... Strategic planning process and method ... Strategic planning governance.</u>		5		0	
(7.3) (KF) <b>Right Moment:</b> The Business Transformations are executed when their results can maximize their value for stakeholders. At the same time, the organization's development can be managed in an adequately safe environment with risks anticipated and mitigated through innovative approaches.		5		0	
(7.3) (CC) <u>Up-to-date strategy ... Feasibility assessment process and method.</u>		5		0	
(7.4) (KF) <b>Enthusiastic Driver:</b> The Business Transformations have sponsors or leaders, who may or may not be the actual "intellectual owners" of the initiative, but are nevertheless fully devoted to the program and are responsible for its successful development.		5		0	

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## Detail

	Question Relevance (0 = Low to 5 = High)	Sub- question Relevance (0 = Low to 5 = High)	Company's Position (0 = Never to 5 = Always)	Sub- question Relevance X Company's Position	Company's or Organization's Maturity (<35% = Beginner; >35% and <65% = Intermediate; >65% = Master)
(7.4) (CC) <a href="#">Strategic planning governance.</a>		5		0	
(7.5) (KF) <b>"Prima Donna" Program:</b> The Business Transformation program becomes the most and, at times, the only relevant program in the corresponding area of the company, thus being top priority for investments, resources, management attention, etc. It also benefits from exceptionally robust program management, change management, and risk management.		5		0	
(7.5) (CC) <a href="#">Up-to-date strategy ... Program, change, and risk management processes and methods... Program, change, and risk management offices... Program, change, and risk management tools.</a>		5		0	
(7.6) (KF) <b>Full Stakeholders:</b> The Business Transformations include in its scope all the relevant stakeholders necessary to assure the execution of the program and the realization and sustainability of its outcomes and benefits.		5		0	
(7.6) (CC) <a href="#">Business process organizational visibility.</a>		5		0	
(7.7) (KF) <b>Design for Sustainability:</b> The Business Transformations encompass business and operating models and program roadmaps, not only to be implemented but also to be sustainable and capable of supporting continuous improvement.		5		0	
(7.7) (CC) <a href="#">Sustainability principles.</a>		5		0	
(7.8) (KF) <b>Technology Step Change:</b> The Business Transformations include a technology component that allows a technology step change. In today's world the digital technologies that enable Digital Business are a relevant, innovative, and evolving source for technology step change.		5		0	
(7.8) (CC) <a href="#">Technology vision.</a>		5		0	
(7.9) (KF) <b>Segmentation Everywhere:</b> The Business Transformations apply segmentation (of clients, vendors, products and services, regions, buyer values, etc.) as much as possible to focus differentiation where relevant and to fully apply standards where feasible.		5		0	
(7.9) (CC) <a href="#">Stakeholders, products, and services segmentation criteria.</a>		5		0	

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Detail

	Question Relevance (0 = Low to 5 = High)	Sub- question Relevance (0 = Low to 5 = High)	Company's Position (0 = Never to 5 = Always)	Sub- question Relevance X Company's Position	Company's or Organization's Maturity (<35% = Beginner; >35% and <65% = Intermediate; >65% = Master)
(7.10) (KF) <b>Career Lifter:</b> The Business Transformations are a platform for the program team members to learn about and become visible in key areas of the business, including business design and business transformation, thus giving them an important opportunity to accelerate their careers.		5		0	
(7.10) (CC) <u>Business Transformation HR specialist.</u>		5		0	
<b>(8) Does the company execute its Business Transformation in a structured way, taking into account the following key components?</b>	<b>4.0</b>			<b>0%</b>	
(8.1) Initial Situation: Business and Operating Model.		5		0	
(8.2) Initial Situation: Opportunities.					
(8.3) Transformation Business Drivers: The Value Proposition.					
(8.4) Transformation Program.					
(8.5) Final Situation: Business and Operating Model.					
(8.6) Transformation Results.					

To download the XLS of this Maturity Questionnaire, please refer to [Accenture.com Transforming and Digitizing landing page](#).



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## 5300: Business Transformation Identification and Design

### Introduction

To complete the case for action, this chapter will help Readers to identify valuable, innovative, and relevant opportunities for Business Transformation at companies and design valuable and competitive top-down solutions for these opportunities.

**Note: The Business Transformation opportunities identification exercise described in this section assumes the availability and usage as input of a valid strategic intent, including some adequate digital strategy or at least digital principles.**

The section is structured in two sub-chapters:

#### 1. What to Transform and Why (the Right Opportunity)

Most companies have opportunities for Business Transformations, particularly with the Digital Business revolution that is changing the world at high speed. It is fundamental that, given the relevance that a Business Transformation may have in terms of value, opportunity, investment, risk, etc., the initiative objective be adequately defined to assure that the company is aiming at the right opportunity.

#### 2. Conceptually, How to Transform (the Right Solution)

Opportunities for Business Transformation may have a wide range of solutions. Again, given the relevance that a Business Transformation may have in terms of value, opportunity, investment, risk, etc., it is fundamental that the initiative solution be the appropriate one. Therefore, it is crucial to establish a high quality top-down solution before it is conditioned by the barriers, details, and exceptions of a bottom-up solution design.

Note: The objective of this section is to highlight the guiding principles and some management techniques that support these guiding principles. This section does not describe in detail these management techniques, which can be adequately studied in widely available literature elsewhere.

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## 1. What to Transform and Why (the Right Opportunity)

Based on practical Business Transformation, some guiding principles to identify the right opportunities include the following:

A. With the company's key stakeholders, understand and confirm the **company's objectives (or strategic intent, including the digital strategy), opportunities, and issues**. Be sure that these stakeholders really are those with the best view of these areas.

- Explore objectives (or strategic intent, including the digital strategy), opportunities, and problems with key stakeholders.
- Understand the company's key investor communications and analyst reports.
- Analyze the company's value chain to identify points where additional value might be generated and/or the value chain might be expanded.
- Analyze industry and process benchmarks and best practices for the most relevant business factors. Bear in mind while doing so that companies and organizations today tend to prioritize innovative solutions over benchmarks and best practices.
- Analyze the company's sourcing model for funding, assets, materials, services, knowledge, talent, etc.
- It is essential, **in today's digital world, to consider Digital Business options** (such as digitizing processes, digitizing channels, and developing new digital businesses).
- Evaluate all economic value-added (EVA) components: revenue, cost, capital, cost of capital, and derivations of all these.
- Consider other key parameters such as product and services portfolio, geographic scope, customer portfolio, sales channels and distribution networks, digital rotation, etc.

B. First allow time for the **divergence of options**, but then ensure adequate time for the **convergence of conclusions**.

C. Define precisely and simply the **initiative objective**. Avoid vagueness of objective.

D. **Validate the initiative objective** with some key stakeholders. Evaluate confidentiality factors.

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E. To increase value, **present and discuss the initiative objective** to other teams/experts, who might bring additional perspectives to its validation and enhancement. Evaluate confidentiality factors.

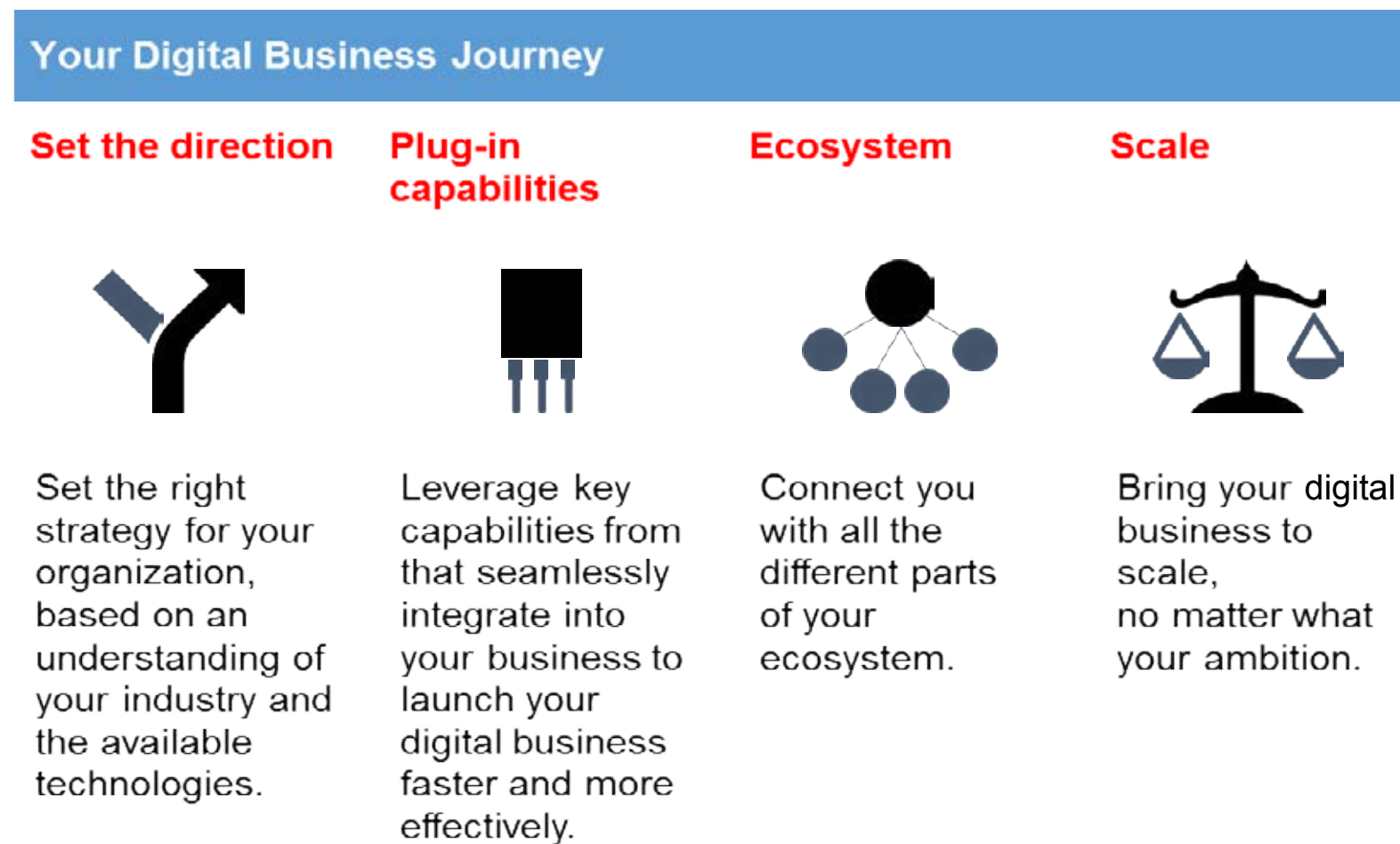
## 2. Conceptually, How to Transform (the Right Solution)

Based on Business Transformation practical expertise, some guiding principles to define the right solutions include the following:

- A. Define and design a **strict top-down design**. Avoid starting bottom-up.
- First think of opportunities and alternatives and then restrictions.
  - Do not get trapped by details. Seek simplicity in solutions, even when there is complexity in problems and context.
  - First think of commonalities and then of exceptions.
- B. Define a top-down solution that achieves all of the company's objectives, working with:
- **Some other cases** that, even though they might relate to another industry or issue, could serve as good extrapolation starting points.
  - **Just-in-Time principles**: First eliminate, or at least simplify, processes (effort, cost, assets, etc.) being very bold in doing so. Secondly, integrate processes, before taking the third step of automating processes, considering **them in an end-to-end context**.
  - **Process Excellence principles** plus **innovation principles, in particular those that are related to technology and digital** (online/eCommerce, mobility, connected devices, social and collaboration, cloud and analytics; explore them all). Remember, companies and organizations are now seeking innovative solutions rather than best practices.
  - **Segmentation criteria** (e.g., users, customers, vendors, regions, products and services, etc.), to avoid unnecessary cost and maximize target value.
  - **Business Integration**: Strategy, Processes, Technology, and People.

- **Fast time to market criteria:** Benefit anticipation approaches; **evaluate traditional structural methodologies versus new agile exploratory methodologies.**
- **Bundled transformation and operation** (with sustainability and continuous improvement) components.
- For Digital Business, take a **Digital Business Journey**....

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C. Revisit the **transformation profile of the countries** to be involved in the Business Transformation and identify the characteristics that will require some specific program attention.

1. Investment
2. Market
3. Labor
4. Ease of Doing Business
5. Technology and Logistics
6. Limitations

D. Revisit the **Great Business Transformation key factors**, as described in Section 1, and check the initial and conceptual adherence of the top-down solution to each of those key factors:

1. Massive Importance
2. "The Strategy" Alignment
3. Right Moment
4. Enthusiastic Driver
5. "Prima Donna" Program
6. Full Stakeholders
7. Design for Sustainability
8. Technology Step Change
9. Segmentation Everywhere
10. Career Lifter

E. Evaluate how your company is positioned in terms of the specific core business and operating model capabilities related to the strategy, processes, organization, and information technology that are required to make "Great Business Transformations" possible.

F. When documenting your top-down solution, be **simple and concise, speaking to conceptual and integral matters**.

- That said, include some **specific differential details** to make the solution more tangible.

G. Estimate **gaps with the company's competitor approaches** in key dimensions: impact to market, benefits, costs, speed to market, scalability, flexibility, reliability, etc.

H. **Review and improve the solution** over a number of work days. Additional and/or better ideas will arise over an adequate period of time.

I. **Validate the top-down solution** with key stakeholders. Evaluate confidentiality factors.

J. To increase value, **present and discuss the top-down solution** to other teams/experts, who might bring additional perspectives to its validation and enhancement. Manage confidentiality matters.

K. Define a **name for the initiative and/or solution** that is clearly representative of its values. This helps provide a clear incentive to pursue the initiative.

L. Through use of a conceptual roadmap, define the **evolution of the solution in phases**.

- Establish key characteristics of the solution at each phase.
- Define activities to evolve from phase to phase.
- Determine benefits, costs, and risks for each phase.

M. **Develop a business case. Start simple and then refine as necessary in order to reach a conclusion, but no more.**

- Carefully explore business case sensibilities (best, expected, and worst cases).





# Appendixes



*"We are what we repeatedly do; excellence, then is not an act but a habit"*

Aristotle

*"Perfection is achieved, not when there is nothing more to add, but when there is nothing left to take away"*

Antoine de Saint-Exupéri

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## APPENDIX 1 – BUSINESS TRANSFORMATION KEY CONCEPTS

### A100: Business Transformation Key Concepts

A110: Business and Operating Models

A120: Business Drivers (Value Proposition)

A130: Business Case

A140: Roadmap

A150: Value Realization

A160: Program Governance

A170: Program Management

A180: Change Management

A190: Risk Management

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# A100: Business Transformation Key Concepts

The objective of this section is to identify and describe the key concepts applicable to Business Transformations.

Note: Key concepts about Digital Transformations are described in Section 3.

Each key concept is described in terms of generic Business Transformations. The following types of concepts have been discussed.

- (a) Component-based key concepts are related to the components, e.g., strategy, processes, organization, etc., that determine the Initial Situation of the Business (As-Is) and the Final Situation (To-Be).
- (b) Activity-based key concepts are related to the activities, e.g., governance, projects, program management, etc., necessary to transform the business from the Initial Situation to the Final Situation.

	Type of Key Concept	Key Concept
1	Component-Based	Business and Operating Model
2		Business Drivers
3		Business Case
4	Activity-Based	Roadmap
5		Value Realization Plan
6		Program Governance
7		Program Management
8		Change Management
9		Risk Management

The correlation among the key concepts described in Appendix 1 and those described in Section 1 is as follows:

	Key Concepts According to Appendix 1	Key Concepts According to Section 1
1	Business and Operating Model	Initial Situation: Business and Operating Model, Final Situation: Business and Operating Model
2	Business Drivers	Initial Situation: Opportunities, Transformation Business Drivers
3	Business Case	Transformation Business Drivers
4	Roadmap	Transformation Program
5	Value Realization Plan	Transformation Results
6	Program Governance	Transformation Program
7	Program Management	Transformation Program
8	Change Management	Transformation Program
9	Risk Management	Transformation Program

**Note:** Company and Transformation Profile and Complementary Analysis are part of the Section 1 framework but do not represent key concepts in Appendix 1.

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# A110: Business and Operating Models

**Note**                      **Appendix A110 describes the key concepts of Business Model and Operating Model and will present a simplified key concept of Business and Operating Model that is applied in the description of the relevant cases in Section 1.**

## Business Model

---

**Definition**                      **The Business Model defines how a company creates, delivers, and captures value. It concisely communicates the overall business goals and strategies, along with the work that the business performs with its customers, channels, and offerings to generate its revenue.**

**Objectives**

Generate thoughtful discussion toward a shared understanding of how the company conducts its business.

Facilitate discussions on how different value creation initiatives may impact the organization's business.

Support discussions on how to reshape the Business Model to find new ways of creating value and growing the business.

Concepts, Template, and Example

Strategy and Objectives

Business Strategy	Competitive Strategy	Missions/Goals
What is the strategy gathered from senior leaders or published strategy documents/annual reports?	What are the specific measures being taken by the company to pursue market leadership?	What are the specific goals/objectives that have been identified by the business to translate the strategy into actionable components?

Business Description

Customers	Offerings	Channels	Earnings Model
Whom does the business serve? What are the different customer segments, if any? Examples include: most and least profitable customers, B2B, B2C. Are customers segregated by geographies, income levels, age, gender, or enterprise? How do the offerings meet the strategic priorities of the customers?	What products/services/solutions does the business offer? Are there standard and customized offerings? Are there specific offerings aligned to customer segments?	What channels are used to deliver the products/services to customers? Are there partnerships/joint ventures or other tie-ups to channel offerings?	What are the revenue models according to offerings? Is there a price variance across geographies? What are the discount provisioning practices on products/services?

Competitive Landscape

Opportunities	Threats
What are the growth opportunities or competitive advantages?	What are the internal or external threats to performance or growth? <ul style="list-style-type: none"><li>Internal threats: core capability gaps, lagging on tech development</li><li>External threats: industry consolidation, strategic locations</li></ul>

Business Description (1 of 2)

Customers	Offerings
<p>Business interaction with and value delivery to the customer.</p> <p><b>Information captured:</b></p> <ul style="list-style-type: none"><li>Financial – revenue share, growth forecast, margin.</li><li>Value proposition and strategic priority.</li><li>Customer characteristics – decision making process, primary contact level, level of direct interaction, buying cycle.</li></ul> <p><b>Sample questions:</b></p> <ul style="list-style-type: none"><li>What proportion of the business does this customer represent?</li><li>What strategic priority of this customer does the business fulfill?</li><li>What value proposition does this business deliver to customers?</li><li>What is the most common buying cycle for this target customer?</li></ul> <p><b>Example</b></p> <p><i>Company XX operates in two customer segments. Company XX provides value to its customers by:</i></p> <ul style="list-style-type: none"><li><i>Identifying strategic priorities of the primary customer segments.</i></li><li><i>Reconstructing the consumption chain.</i></li><li><i>Making links in the consumption chain seamless, such as order and purchase activity, transportation, etc.</i></li><li><i>Monopolizing trigger events, such as renewal of yearly contracts, app downloads, store visits, etc.</i></li></ul>	<p>Types and nature of offerings sold to the customer.</p> <p><b>Information captured:</b></p> <ul style="list-style-type: none"><li>Types of product/service/solution– list of current offerings, percentage of sales, standard/configured/engineered to order.</li><li>Growth offering identification.</li><li>Customer requirements – lead time, demand for solution selling.</li></ul> <p><b>Sample questions:</b></p> <ul style="list-style-type: none"><li>What percentage of total sales are products/services to this customer?</li><li>What solution offerings are sold to this customer?</li><li>What combination of offerings do you expect to drive growth in this customer segment?</li><li>What is the potential opportunity to integrate offerings across businesses to better serve this customer?</li></ul> <p><b>Example</b></p> <p><i>Company XX aligns its offerings to meet customer demands by:</i></p> <ul style="list-style-type: none"><li><i>Capturing the value that existing offerings deliver to understand the required improvements.</i></li><li><i>Conducting detailed market analysis (including consumer preferences, current/expected offerings, market size, and development).</i></li><li><i>Integrating compelling parallel offerings.</i></li><li><i>Providing a broader menu of innovative products for customers to pick and choose.</i></li></ul>

Business Description (2 of 2)

Channels	Earnings
<p>Channels and partners utilized and enabled to sell the offerings.</p> <p><b>Information captured:</b></p> <ul style="list-style-type: none"><li>• Current channels – products and services.</li><li>• Desired channels – products and services.</li><li>• Partner relationships – enablement, partner maturity, complexity.</li></ul> <p><b>Sample questions:</b></p> <ul style="list-style-type: none"><li>• What is the dominant product/service delivery channel for this segment?</li><li>• What is the desired product/service delivery channel for this segment?</li><li>• To what extent will the business provide partner enablement and education in this customer segment?</li></ul> <p><b>Example:</b></p> <p><i>Company XX realizes its core business potential by driving channel centricity and increased partnering. It reaches out by:</i></p> <ul style="list-style-type: none"><li>• <i>Optimizing its routes to market.</i></li><li>• <i>Increasing channel partner- led sales and decreased dependence on high-cost direct sales.</i></li><li>• <i>Capitalizing on digital channels.</i></li><li>• <i>Refocusing direct field sales representatives on new business and eliminating duplicate resources in the organization.</i></li></ul>	<p>Methods by which the business monetizes its offerings.</p> <p><b>Information captured:</b></p> <ul style="list-style-type: none"><li>• Types of revenue models – types used for products and services.</li><li>• Pricing – discounts and variance, base pricing adjustments.</li><li>• Customer model – expenditure type, financing, deal complexity.</li></ul> <p><b>Sample questions:</b></p> <ul style="list-style-type: none"><li>• Which revenue models are utilized for products/services sold in this segment?</li><li>• How frequently will base pricing be adjusted?</li><li>• Under what expenditure model do customers typically make investments?</li></ul> <p><b>Example:</b></p> <p><i>Company XX derives revenues from sales of content, subscriptions, and software licenses. It focuses its earnings model by:</i></p> <ul style="list-style-type: none"><li>• <i>Conducting an analysis to compare the baseline business performance against the revenue growth scenario to determine the goals to place the best bets.</i></li><li>• <i>Conducting financial analysis to gauge the market entry impact on revenue.</i></li></ul>



Competitive Landscape

Opportunities	Threats
<p>Favorable elements in the business environment that can be used as competitive advantage.</p> <p><b>Information captured:</b></p> <ul style="list-style-type: none"><li>• Developing markets/geographies.</li><li>• Relaxed government trade policies.</li><li>• Changing consumer behaviors.</li><li>• Availability of new resources.</li><li>• Acquiring new technologies.</li><li>• Exploring low-cost supplier services.</li></ul> <p><b>Sample questions:</b></p> <ul style="list-style-type: none"><li>• What are the new/emerging markets to enter?</li><li>• What is the new consumer base?</li><li>• Can the existing consumer base be expanded?</li><li>• How strong is the supplier base?</li></ul> <p><b>Example:</b></p> <p><i>Company XX accelerates new growth opportunities by:</i></p> <ul style="list-style-type: none"><li>• <i>Ranking and down-selecting opportunities, such as attractive and feasible-to-enter markets.</i></li><li>• <i>Assessing market size and customer behaviors in each of the target markets.</i></li><li>• <i>Identifying the low-cost software development bases in target to reduce time to delivery.</i></li><li>• <i>Validating opportunities against competencies and strategic priorities.</i></li></ul>	<p>External business environmental factors that cause the business to slow down or even shut down.</p> <p><b>Information captured:</b></p> <ul style="list-style-type: none"><li>• Market entry barriers, such as local dominant competitors.</li><li>• Change in government policies.</li><li>• Rise of new competitors.</li><li>• Improper business continuity regarding suppliers.</li><li>• Shortage of leadership talent.</li></ul> <p><b>Sample questions:</b></p> <ul style="list-style-type: none"><li>• Does the value proposition lack differentiation?</li><li>• Is there an issue in leadership foresight?</li><li>• Is the company ahead in assessing environment changes?</li><li>• Is there enough competitor knowledge?</li></ul> <p><b>Example:</b></p> <p><i>As customers shift to adapt to new technologies and technology consumption, Company XX readied itself to counter threats by:</i></p> <ul style="list-style-type: none"><li>• <i>Recognizing Internet security threats early in the day.</i></li><li>• <i>Working toward faster product innovation from the competition.</i></li></ul>

# Operating Model

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Definition	Following the Business Model, the Operating Model outlines how a company or organization will fundamentally operate to achieve its vision and conduct all operations across the dimensions of governance, organization, process, technology, and performance indicators.
Objectives	<p>Generate thoughtful discussion toward a shared understanding on how the company operates its business.</p> <p>Facilitate discussions on how different value creation initiatives aligned to the Business Model may impact the company's operation.</p> <p>Based on the Business Model, support discussions on how to reshape the Operating Model to find new ways to optimize operations.</p>

**Concepts, Template, and Example**    An Operating Model outlines how a company or organization will fundamentally operate to achieve its vision and conduct all operations across the dimensions of governance, organization, process, technology, and performance indicators.

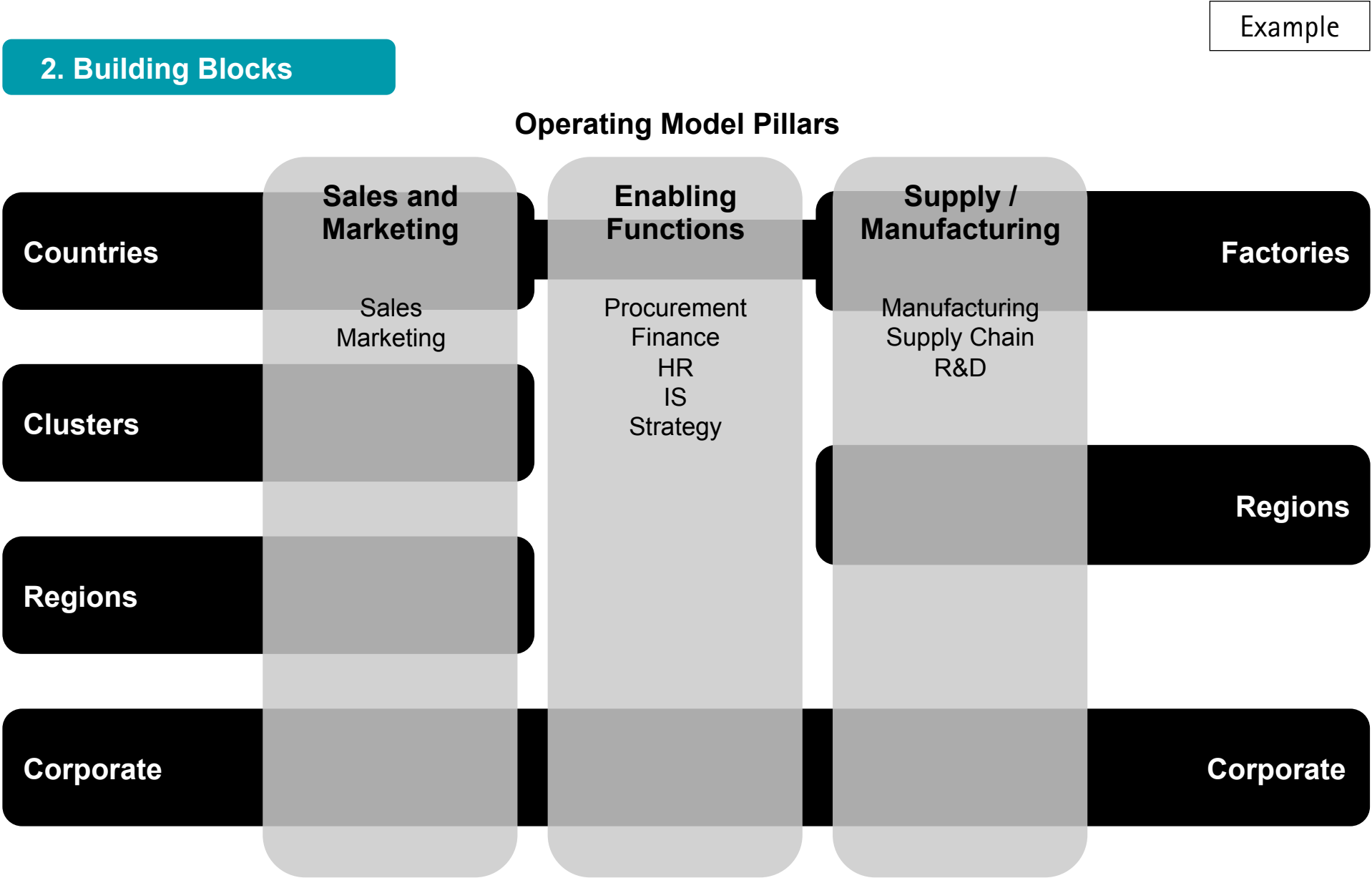
Key Steps		Deliverable
1	Agree the design principles	▪ Operating model design principles
2	Define the organizational pillars that the new organization will be based on	▪ Operating model building blocks
3	Produce design criteria for each organization entity	▪ Operating model design criteria
4	Outline the implications of each design criterion	▪ Implications by organizational entity (from > to)
5	Define the impact of the new operating model	▪ Sample organization charts ▪ Select process deep dives

## Example

## 1. Principles

**The operating model outputs clearly define the change from the old to the new model**

The Aim	Sample Principle	Detail
Reduce Complexity	Simpler, better, faster decisions - globally	<ul style="list-style-type: none"> <li>• We will be a two-tier organization (local and global)</li> <li>• We will localize global functions to have activity where it is most to drive the return on investment</li> </ul>
Increase Speed	Empowering individuals to maintain an entrepreneurial mind-set	<ul style="list-style-type: none"> <li>• Manage P&amp;L within market facing units</li> <li>• Allow decisions to be delegated to the lowest practical levels</li> <li>• Ensure each role has a clear purpose with distinct performance metrics</li> <li>• Establish clear policy and cross-functional process owner roles</li> </ul>
Drive Agility & Speed	Being quick and responsive to meet market and consumer needs	<ul style="list-style-type: none"> <li>• Minimize layers of management (broaden span control where possible)</li> <li>• Streamline governance to minimize handovers and decision steps</li> <li>• Provide support to internal customers in or near work sites</li> <li>• Create a market-sensing capability</li> <li>• Operate as a virtual head office management team to enable closer interaction with the customer and the business operations</li> </ul>
Flex investment in resources to position growth for the future	From: One-Ness To: Differentiate operating models around the world	<ul style="list-style-type: none"> <li>• Our operating model will not be singular in design but rather reflect the role of each of our markets in our overall strategy for the next 5 years</li> <li>• We will be a two-tier organization (local and global)</li> <li>• We will localize global to have activity where it is most the return on this investment</li> </ul>
Achieve effectiveness at the cost that gives you the right return	Clustering of markets to create synergies	<ul style="list-style-type: none"> <li>• Country organizations are grouped to create synergies and efficiencies</li> <li>• Groupings are tailored based on local commercial market dynamics</li> <li>• An appropriate span or control for the Area/Region is necessary, in some cases with Cluster heads also leading the largest country</li> <li>• Once the annual plan (budget) is agreed with the Area, countries are required to manage in accordance with the Plan</li> <li>• Any material deviations from the Plan must be agreed and approved by the Area</li> </ul>
Capture the growth opportunity in emerging markets	Priority markets will receive weighted investments	<ul style="list-style-type: none"> <li>• To accelerate growth, core markets will be included in our business strategy to ensure our core brand strategies and resource allocations are directed to markets with the greatest potential for growth</li> <li>• Investments includes skills and capabilities (e.g. Digital and Project Champions)</li> </ul>



Example

3. Design Criteria

Research & Development

Research & Development create global solutions for products, packaging, and process development to meet future growth and margin ambitions

Benefit  
Delivered

- Increase speed to market.
- Deliver more profitable global innovations with a high ROI.
- Ensure efficient use of talented resources across: driving resources to biggest enterprise opportunities.
- Leverage global scale and reduce complexity.
- Deliver product and manufacturing consistency, reducing waste and increasing consumer satisfaction.

Implications

- Global team is responsible for developing global processes, best practice and tools, and long-term technology that is mandated across the organization.
- Global team is responsible for developing global category solutions and options (packaging and product).
- Regional team is responsible for the commercialization of global solutions and development of regional solutions, supporting the regional categories.

The Change

What is staying the  
same...

- Global R&D drives category global innovation and strategic margin solutions.
- Regional Category R&D reports to region R&D; dotted line to Global Category R&D.

What is changing...

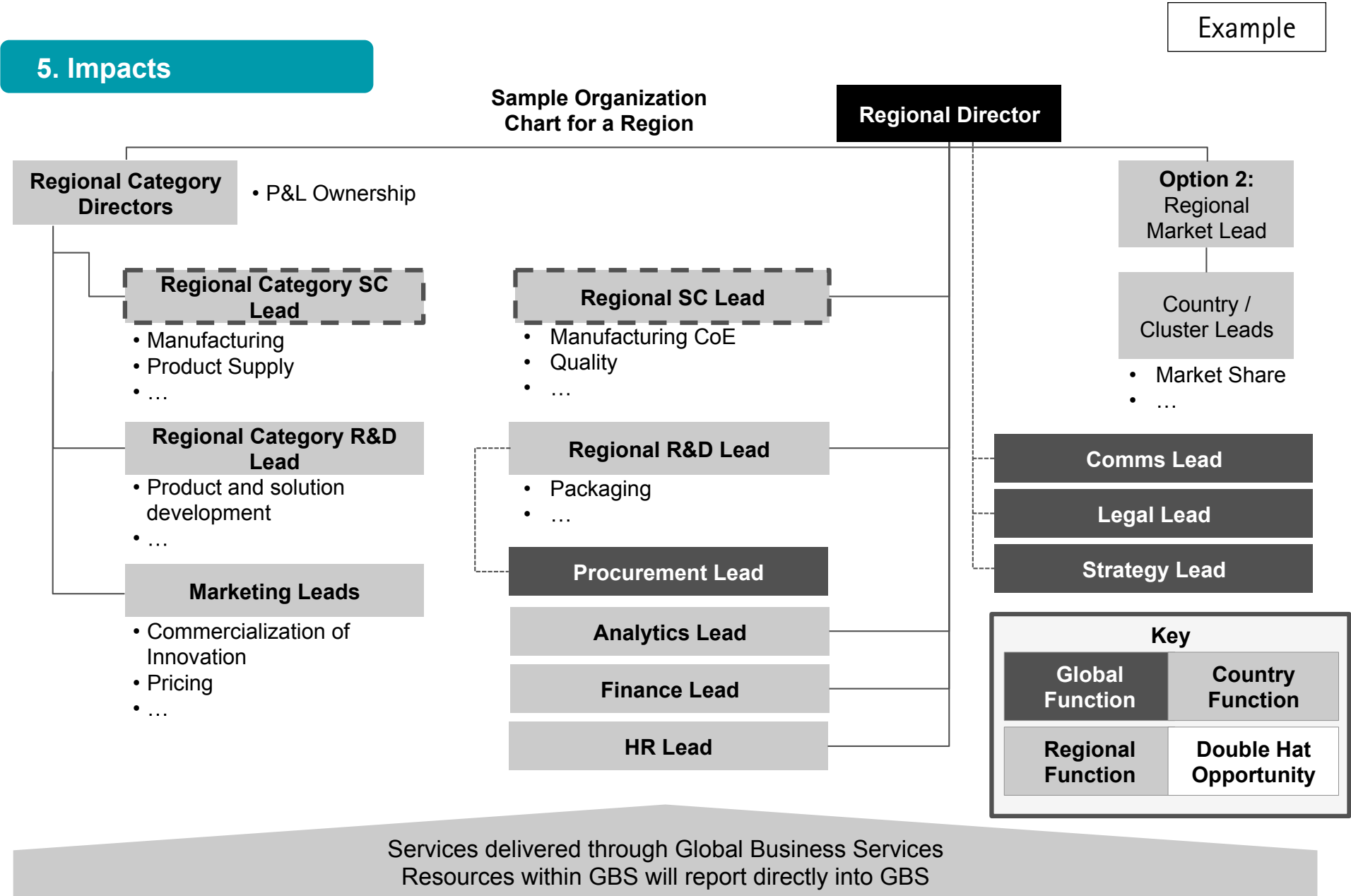
- Long-term product and packaging development is funded and managed across categories.
- Reduced/minimal focus on local R&D initiatives.
- Significant number of regional R&D resources focused on global solutions.
- Regions will have to adhere to global platforms/ measures with limited local differentiation.
- Regional R&D resource to regional R&D lead, not country lead.
- Quality budget is held globally rather than regionally.

Example

## 4. Implications

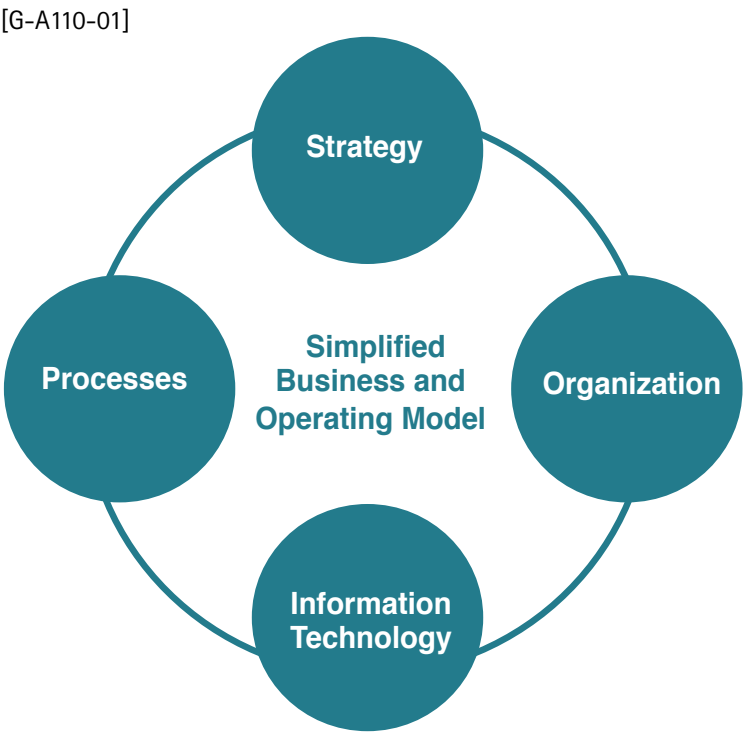
	From	To	Benefit Delivered
<b>Product Development</b>	<b>The situation today:</b> <ul style="list-style-type: none"> <li>Significant local development</li> <li>Modification of global platforms</li> <li>Proliferation of unique specifications</li> <li>Dispersed dedicated resources, difficult to move to greatest need</li> </ul>	<b>The situation in the future:</b> <ul style="list-style-type: none"> <li>Minimal local differentiation</li> <li>Adherence to global platforms/measures</li> <li>Selection from global standards options</li> <li>Flex resources to greatest need</li> </ul>	<ul style="list-style-type: none"> <li>More efficient use of resources</li> <li>Global scale</li> <li>Speed to market</li> </ul>
	<b>Primary Accountabilities</b>	<b>Primary Accountabilities</b>	
	<b>Global Categories:</b> Accountable for global solutions core elements	<b>Global Categories:</b> Accountable for global solutions developed with required regional variants, ready for commercialization. Mandated approach to global solutions and categories through standards and options.	
	<b>Regional Categories:</b> Accountable for modifications to global solutions Full development and optimization of region and local products. Significant local development.	<b>Regional Categories:</b> Accountable for commercialization of global solutions and development of regional products.	
	<b>Regional R&amp;D:</b> Development of regional products and technology	<b>Regional R&amp;D:</b> Development of regional products and technology	
	<b>Countries:</b> Accountable for modifications to global solutions Full development and optimization of region and local products. Significant local development	<b>Countries:</b> Minimal focal development	





## Simplified Business and Operating Model

**Criteria**                      The Simplified Business and Operating Model, which is applied in the description of the relevant cases in Section 1, focuses on four areas: Strategy, Processes, Organization, and Information Technology.



**Correlation**                      The correlation between the Simplified Business and Operating Model and the Business Model and the Operating Model is the following:

**Simplified Business and Operating Model**                      **Business Model and Operating Model**

Strategy	Includes from Business Model the strategy, objectives, and business description, applicable to customers, offerings, and channels at the strategic level, and the earnings model.
Processes	Includes from Business Model the business description applicable to customers, offerings, and channels at the operating level, and the processes from Operating Model.
Organization	Includes from Operating Model the governance and organization.
Information Technology	Includes from Operating Model the technology and performance indicators.

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# A120: Business Drivers (Value Proposition)

**Note**                      **Appendix A120 describes the key concepts of Business Drivers equivalent to the Value Proposition.**

## Business Driver or Value Proposition

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Definition, Objective, and Concepts	<p>A Value Proposition is the approach to move from issue to outcome, addressing the critical success factors.</p> <p>A successful Value Proposition:</p> <ul style="list-style-type: none"><li>(1) Starts by understanding the company's issues, helping to stretch thinking while recognizing that issues differ by organizational level.</li><li>(2) Delivers value outcomes in terms of economic, environmental, and stakeholder (profit, planet, and people) success, in the context of the industry dynamics. Outcomes reflect the organization's "art of the possible" in response to the issues.</li><li>(3) Identifies the critical success factors that are significant to the company and weaves them into the journey toward delivering the outcomes. Critical success factors represent the important concerns of companies or organizations seeking to move from issue to outcome such as: pace, certainty, agility, best teams, sustainability, predictability, etc.</li></ul>
Methods	<p>Understanding the company's issues requires a multilevel analysis, while defining the outcomes requires a multilevel design.</p>

[G-A120-01]

Example

Issues		Outcomes			Illustrative Only
		Economic	Environmental	Stakeholder	
Corporate Governance	<ul style="list-style-type: none"><li>Corporate Health</li><li>Regulatory Pressures</li><li>Risk Management</li><li>Shareholder Value</li><li>Executive Compensation &amp; Succession Planning</li></ul>	<ul style="list-style-type: none"><li>Liquidity</li><li>Capital Funding</li><li>Capital Returns</li><li>Green Economics Positioning</li></ul>	<ul style="list-style-type: none"><li>Conformance</li><li>Corporate Citizenship</li><li>Trust &amp; Confidence</li></ul>	<ul style="list-style-type: none"><li>Shareholder Satisfaction</li><li>Community Satisfaction</li><li>Leadership Growth</li></ul>	
Competitive Position	<ul style="list-style-type: none"><li>Growth and Innovation</li><li>Digital Disruption</li><li>Operational Excellence</li><li>Talent</li><li>Profit &amp; Cash Optimization</li><li>Restructuring</li><li>Enterprise Risk</li></ul>	<ul style="list-style-type: none"><li>Revenue Growth</li><li>Asset Efficiency</li><li>Investment (Speed to Value)</li><li>Profitability</li><li>Operating Cost</li><li>Agility</li></ul>	<ul style="list-style-type: none"><li>Compliance and Anticipation of Regulation</li><li>Resources Scarcity Mgt.</li><li>Corp. Citizenship</li></ul>	<ul style="list-style-type: none"><li>Product/Service Performance Reporting</li><li>Customer Loyalty</li><li>Talent Growth</li><li>Shareholder Info.</li></ul>	
Differentiation	<ul style="list-style-type: none"><li>Channel Complexity</li><li>Digital Consumer</li><li>Pricing</li><li>Customer Centricity</li><li>Employee Retention</li><li>Compliance</li><li>Product and Service Innovation</li></ul>	<ul style="list-style-type: none"><li>Speed to Market</li><li>Price Optimization</li><li>Customer Acquisition &amp; Retention</li><li>Cash/Asset Management</li><li>Digitally-Enabled Business and Tech</li></ul>	<ul style="list-style-type: none"><li>“Green Supply Chain”</li><li>Reverse Logistics</li><li>Footprint Measurement</li><li>Green Innovation</li></ul>	<ul style="list-style-type: none"><li>Brand Value Management</li><li>Contribution to Community (balanced impact)</li><li>Affirmative Actions</li><li>Digital Adoption</li></ul>	
Operational Excellence	<ul style="list-style-type: none"><li>Lean Operations</li><li>Disrupting Technologies</li><li>Process Standardization</li><li>Operational Risk</li><li>Workforce Effectiveness</li><li>Outsourcing</li></ul>	<ul style="list-style-type: none"><li>Shared Services Efficiency</li><li>Process Efficiencies</li><li>Employee Productivity</li><li>Cash Flow</li></ul>	<ul style="list-style-type: none"><li>“Green Technology”</li><li>Life-Cycle Assessment</li><li>Impact Measurement</li></ul>	<ul style="list-style-type: none"><li>Awareness and Training</li><li>Customer Experience</li><li>Employee Retention</li></ul>	

To adequately execute the aforementioned design, it is important to:

**(1) Ensure clarity about the relevant options** that can be approached with different level and speed of outcomes, having completed an adequate divergence process, and

**(2) Establish a sound decision process with well-specified conclusions,** having completed an adequate convergence process.

Finally, it is important to formally determine the key success factors and other relevant conditions of the “art of the possible” design.

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# A130: Business Case

**Note**                      **Appendix A130 describes the key concept of Business Case.**

## Business Case

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<b>Definition and Objective</b>	<p><b>A Business Case is a management tool that helps understand the impact of a Business Transformation opportunity.</b></p> <p><b>A Business Case Model computes the Net Economic Model in terms of Return on Investment, Net Present Value, or Internal Rate of Return, from a forecast of net cash flows affected (usually positively) by the opportunity.</b></p>
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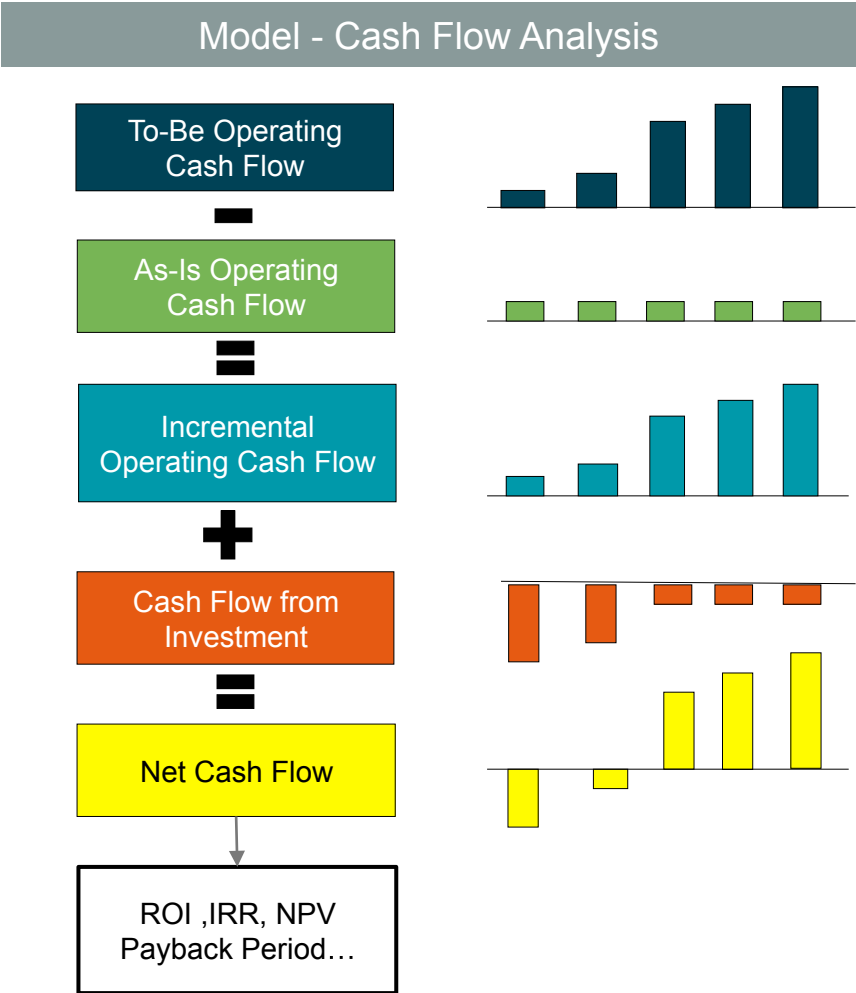


[G-A130-01]

Let’s start from the end. A business case model computes Net Economic Model in terms of Return on Investment, Net Present Value, or Internal Rate of Return, from a forecast of net cash flows affected (usually positively) by the opportunity.

Investment Opportunity

- New customers
- New products
- New processes
- New organization
- New IT capability



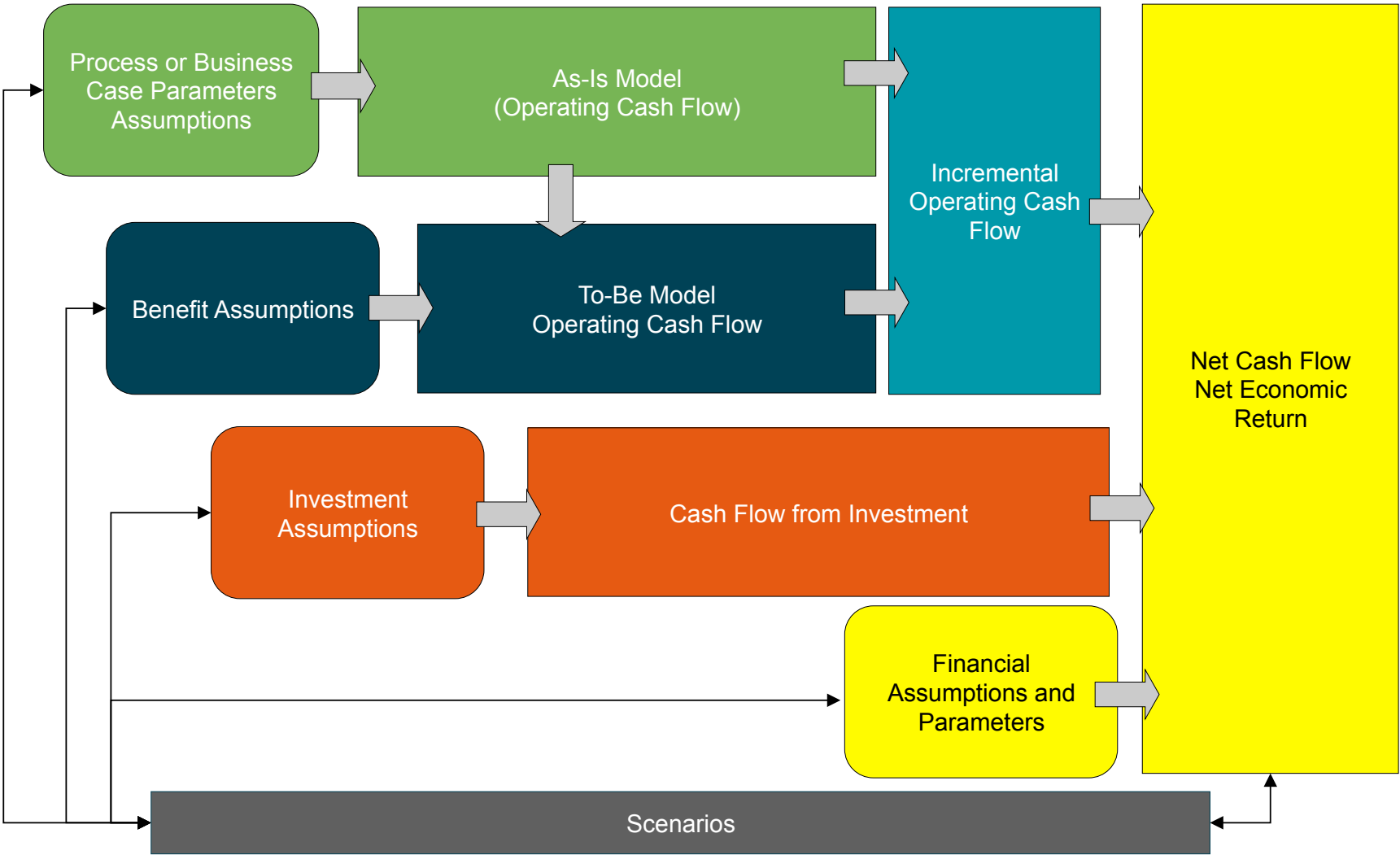
**Concepts**

A business logic diagram is a way to help structure the "As-Is" and "To-Be" analysis and communicate the model design.

- **Strategic intent.**
- **As-Is process or business model analysis.**
  - As-Is process analysis – mapping of current issues.
  - As-Is financial analysis (unit costs, volume, productivity, etc.).
  - As-Is forecasting estimates (to forecast under the assumptions that the company does not pursue the opportunity).
- **To-Be process or business model analysis.**
  - To-Be functionality analysis.
  - To Be process/business model analysis.
  - To-Be benefit estimates.
- **Business logic diagram: explains how the new opportunity affects the As-Is model.**

Most business cases follow this logical structure:

[G-A130-02]



Characteristics	A well-developed business case must be easily understood and used by anyone, not just the person who created it.
Understandable	Can be understood, interpreted, used, or audited by anyone, not just the person who created it.
Focused	Purpose, scope, and assumptions are consistent, clearly communicated, and executed upon.
Complete	Represents all major internal and external value drivers based on the latest situation.
Credible	Assumptions are realistic and based on quality sources.
Insightful	Key questions are answered. Demonstrates several strategic options and variations in assumptions (e.g., best case, worst case, target, etc.).
Flexible	Logically structured and sufficiently documented to allow for continuous future use.
Simple	Not overcomplicated.

**Appendixes**

<b>ROI</b>	Return On Investment
<b>NPV</b>	Net Present Value
<b>IRR</b>	Internal Return Rate
<b>Payback</b>	Payback Period

## Return on Investment (ROI) is simply the number of times that a project returns its initial investment

$$\text{ROI} = \frac{\text{Benefit} - \text{Investment}}{\text{Investment}}$$

- In its simplest definition, ROI represents the number of times that a project returns its initial investment (e.g., an ROI of 5.5 means that over its life, the investment returns the initial spend plus 5.5 times the initial spend).
- Although there are other evaluation metrics (IRR, Payback Period, EVA, etc.), ROI is easily understood by non-finance personnel and resonates at many levels within an organization.
- It is calculated over “useful life” of project or capability.
  - Useful life is very situation-specific.
  - For capital investments such as PPE, it is tangible and a salvage value is utilized.
  - For IT capabilities project or process improvements, 3 to 5 years is an accepted standard.

## Net Present Value (NPV) represents the value of the investment in today's dollars

$$NPV = NCF_0 + \frac{NCF_1}{(1+r)^1} + \frac{NCF_2}{(1+r)^2} + \dots + \frac{NCF_N}{(1+r)^N} = \sum_{n=0}^N \frac{NCF_n}{(1+r)^n}$$

Where:  
 $r$  = discount rate or weighted average cost of capital  
 $N$  = Time Periods

- Sum of all net cash flows (NCF = cash inflows minus cash outflows) discounted to present values.
- Used to compare the financial impact of two or more options or appraise a single option against a desired standard.

### Example

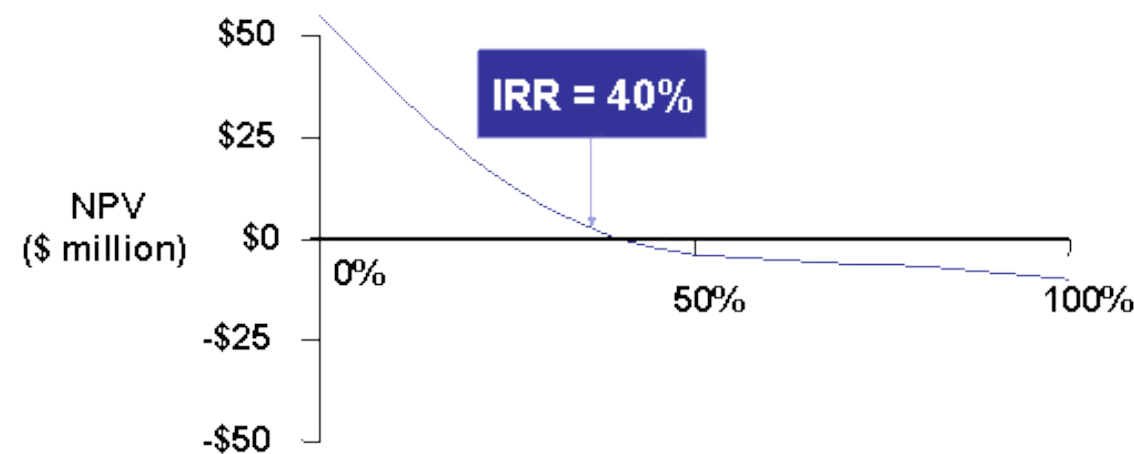
	Year 0	Year 1	Year 2	Year 3
Net Cash Flows	(\$50 M)	\$20 M	\$40 M	\$60 M
Present Values	(\$50M)	$\frac{\$20 \text{ M}}{(1+0.1)^1} = \$18 \text{ M}$	$\frac{\$40 \text{ M}}{(1+0.1)^2} = \$33 \text{ M}$	$\frac{\$60 \text{ M}}{(1+0.1)^3} = \$45 \text{ M}$
Net Present Value	\$46 M = (\$50M) + \$18 M + \$33 M + \$45 M			

## Internal Rate of Return (IRR) is the implicit return rate of the investment

- IRR is the rate at which the investment returns benefit per period (usually year) e.g., a 25% IRR means that the investment opportunity produces a yearly return of 25%.
- It is defined mathematically as the discount rate for which the NPV equals zero.
- It is used to compare an investment opportunity against the company's internal Hurdle Rate and against other opportunities – by definition all positive NPV projects have an IRR greater than the Hurdle Rate and should be pursued.
- Excel has a formula (IRR) for calculating Internal Rate of Return.

$$NPV = \sum_{n=0}^N \frac{NCF_n}{(1 + IRR)^n} = 0$$

Where:  
N = Time Periods







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# A140: Roadmap

**Note**                      **Appendix A140 describes the key concept of the Roadmap.**

## Roadmap

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**Definition**                      **An Implementation Roadmap is a concise yet comprehensive picture of how the project will proceed, what its timelines are, and how risks will be addressed.**

**It should include the following key components:**

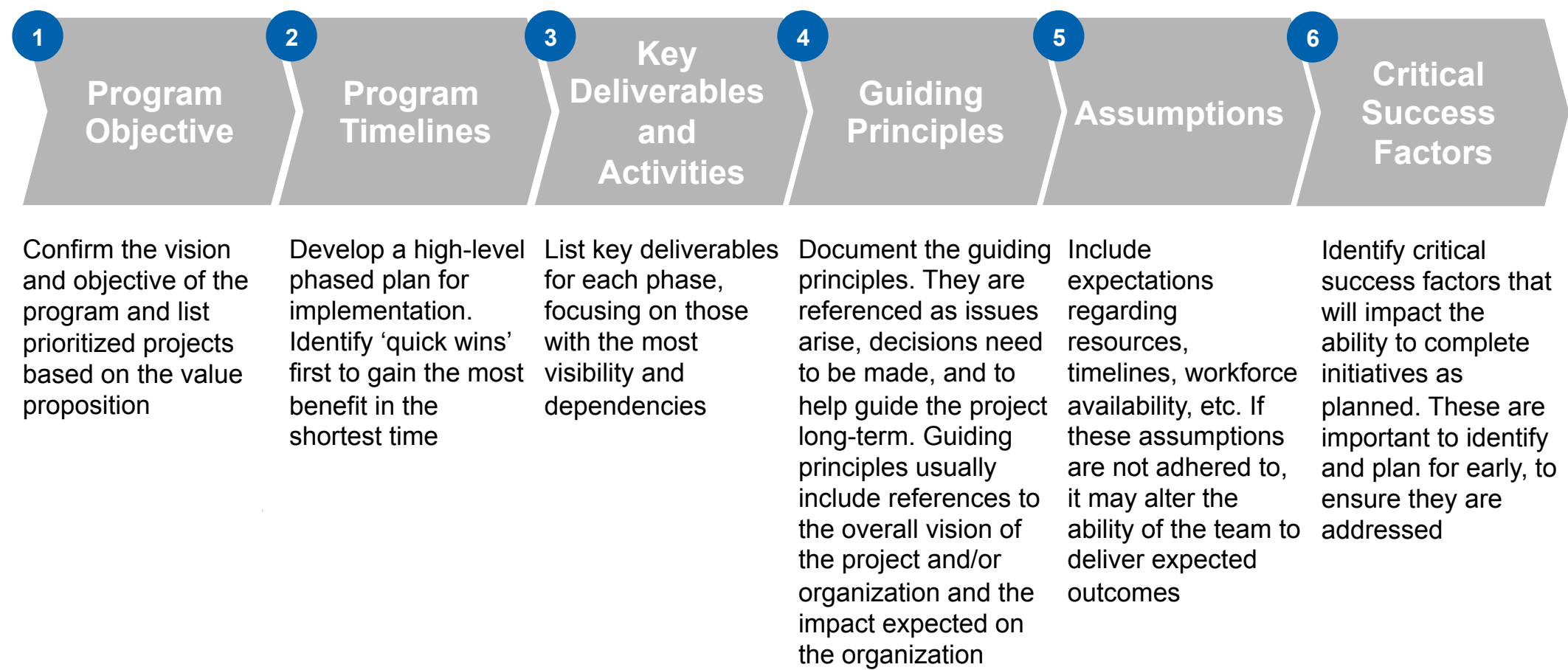
- Objective
- Timelines
- Deliverables and dependencies
- Guiding principles
- Assumptions
- Critical success factors

**Objectives**                      **Provide well-defined timelines, tasks, and dependencies that set stakeholder expectations and enable proactive management of value delivery.**

Template

Conceptually, the Roadmap template is structured in six steps.

[G-A140-01]

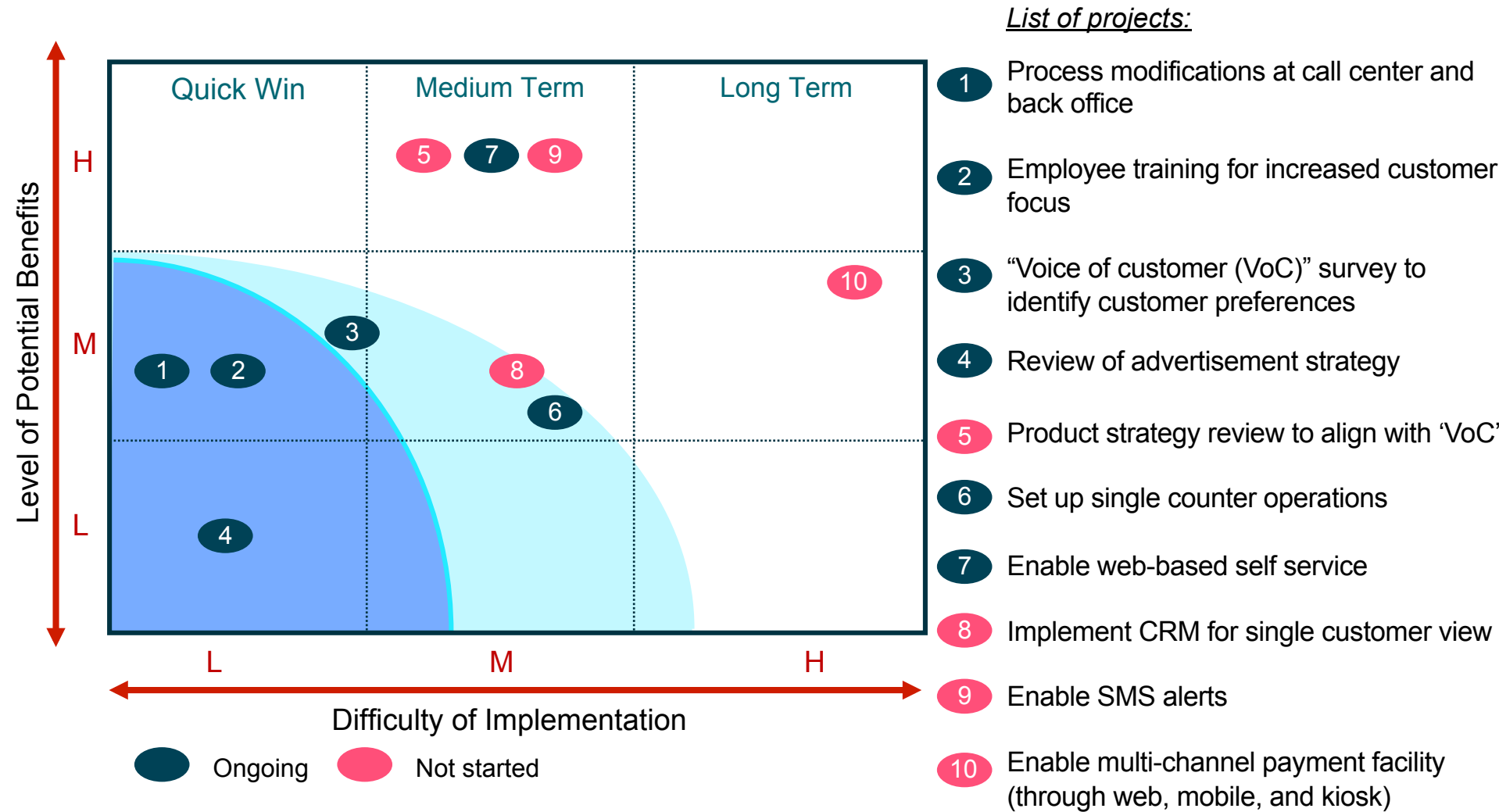


Example

Example

**Program Objective:**  
**List of Prioritized Projects**

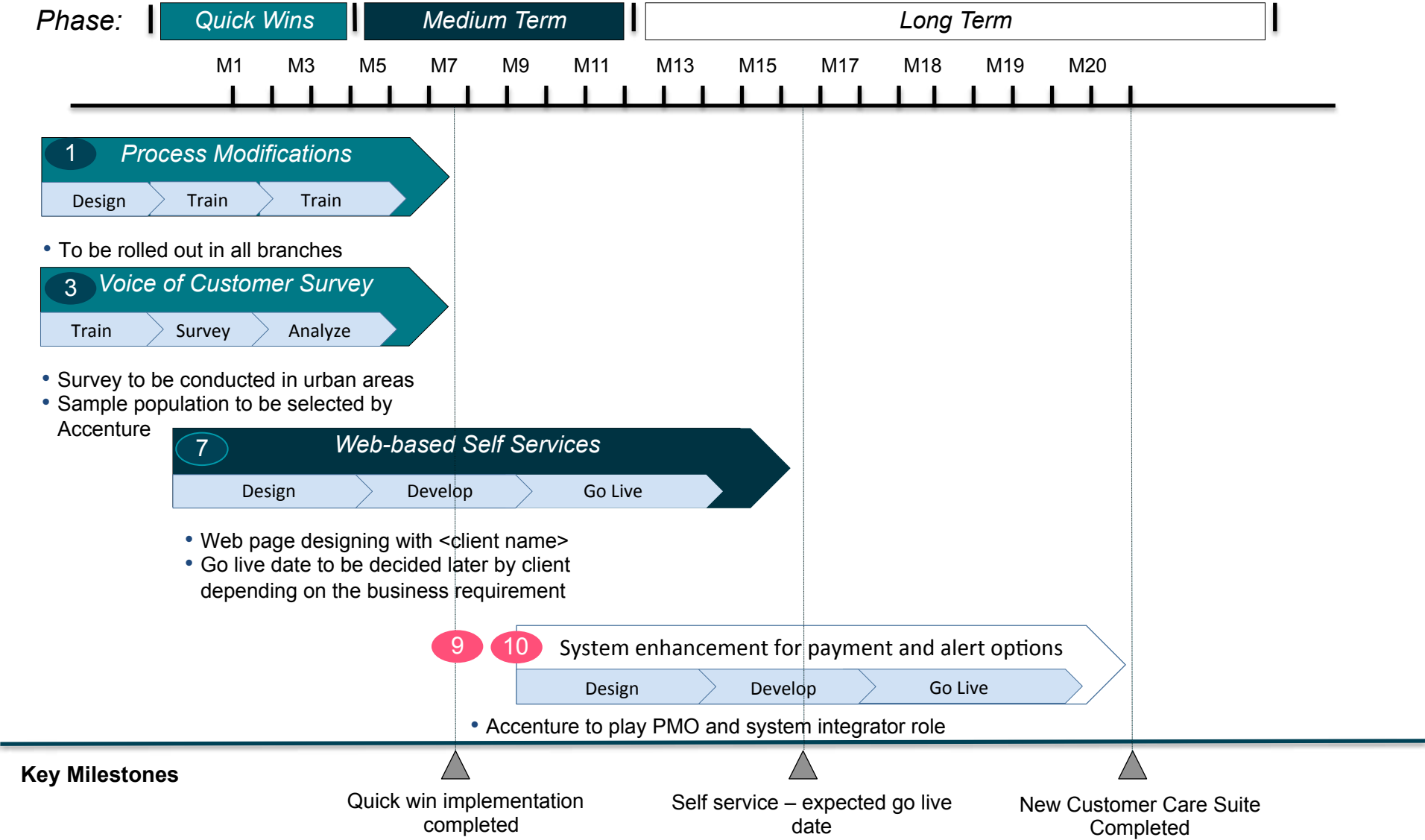
After the initial situation study, the program identifies a list of initiatives that align to the company's strategic vision of creating a customer-focused organization.



Example

**Program** Then the program elaborates a phased plan of the main projects.  
**Timelines: Phased Plan of Projects**

[G-A140-03]

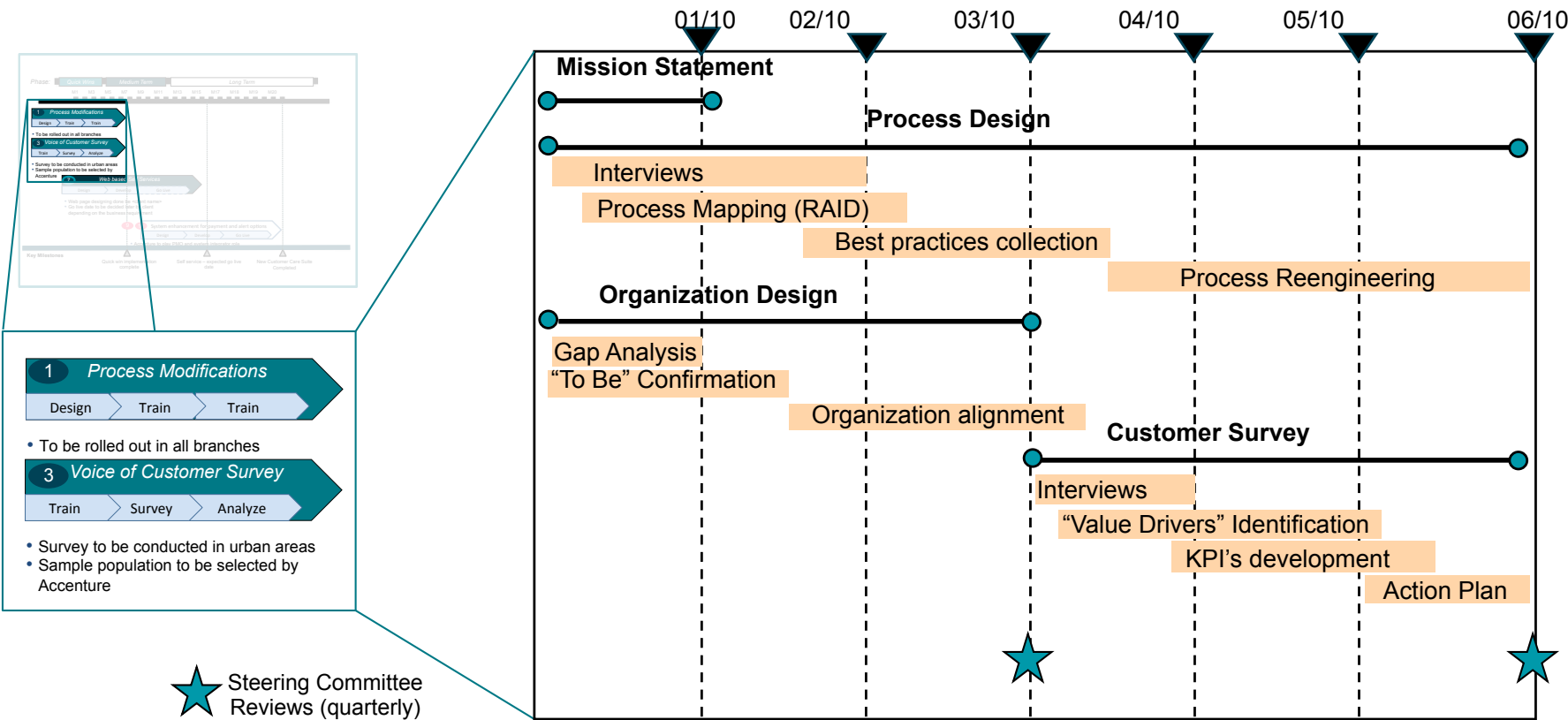


Example

Key Deliverables and Activities:  
Workplan with Dependencies

Afterwards, the program elaborates a workplan for each main project, which should include the activities, deliverables, and their dependencies.

[G-A140-04]



**Example**

**Guiding Principles** Then, the program documents the guiding principles. They are referenced as issues arise and decisions need to be made, and to help guide the project long-term.

The Process Modifications (project 1) and the Voice of the Customer Survey (project 3) will be guided by the following principles:

- Structural changes should strive to minimize disruption and maintain stability in the organization.
- Realignments as part of the process modifications should only be done if they facilitate the realization of the desired structural 'End State'.
- Structural changes will foster collaborative working relationships and maintain key linkages.
- Structural changes will promote a global standardized approach to finance.
- Eliminate structural shortcomings that contribute to a lack of accountability and the defined material weaknesses, as identified in the Voice of the Customer Survey.
- Recommend process changes that have immediate impact and are directionally sound.

Example

**Assumptions** Throughout this work, the program includes expectations regarding resources, timelines, workforce availability, etc.

Work Stream/Area	Assumptions
Project Management & Administration	<ul style="list-style-type: none"><li>▪ The core project team will be empowered to implement and enforce standards for data collection and analysis.</li><li>▪ Project resources with appropriate skills will be identified for each work stream in a timely manner.</li></ul>
Process Reengineering	<ul style="list-style-type: none"><li>▪ Gap Analysis/Conference Room Pilot participants will be identified and Gap Analysis/Conference Room Pilot inputs will be gathered in a timely manner.</li><li>▪ The scope of the redesign effort will focus only on those policies, procedures, processes, and organizational components that impact customer servicing.</li><li>▪ All modifications will be prioritized and compared to the work plan estimates.</li><li>▪ Ten HR processes, with underlying sub-processes, will be identified as the core HR components.</li><li>▪ Inventory estimates will need to be modified resulting from the current state analysis.</li></ul>



<b>Critical Success Factors</b>	Also throughout this work, the program includes the critical success factors that will impact the ability to complete initiatives as planned.	Example
---------------------------------	---	---------

Critical Success Factor	Actions
Leadership commitment and involvement	<ul style="list-style-type: none"><li>▪ Ensure top management sponsorship by establishing an appropriate project Steering Committee.</li><li>▪ Clear project governance structure with regular Steering Committee meeting. Steering Committee may make decisions and approve deliverables.</li></ul>
Disciplined project execution	<ul style="list-style-type: none"><li>▪ Spend enough time on planning and preparation to avoid poor quality, rework, and escalations within the organization.</li><li>▪ Safeguard project execution via ongoing issue and risk management.</li><li>▪ Finalize all design elements before starting the transition and go live of a new organization structure.</li></ul>
Resources capabilities and capacities	<ul style="list-style-type: none"><li>▪ Ensure having the right people at the right point in time by focusing on project staffing during the planning phase of each step.</li><li>▪ Establish a process to solve resource issues with the line organization.</li></ul>
Change and Communication Management	<ul style="list-style-type: none"><li>▪ Define Change Management approach that fits the culture and experience of &lt;Client&gt;. Consider utilizing a change agent network.</li><li>▪ Use a communication framework based on stakeholder needs throughout the project.</li></ul>

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# A150: Value Realization

**Note**                      **Appendix A150 describes the key concept of the Value Realization Plan, which is a key tool to determine, plan, and then measure the effective Value Realization.**

## Value Realization Plan

---

**Definition**                      **The Value Realization Plan defines the metrics and the plan to measure, track, and report engagement value realization to ensure the delivery of the value identified in the business case. It includes:**

- **Metric Profiles.**
- **Metric Baselines, Benchmarks, and Targets.**
- **Value Reporting Process.**
- **Value Realization Roadmap.**

**Objectives**                      The Value Realization Plan helps the company and engagement team define the metrics used to measure the value achieved at the Business Transformation level and agree on how value realization will be reported and communicated.

It provides a concise understanding of:

- The project metrics used to measure, track, and report value realization.
- Roles and responsibilities for the identified metrics.

- The value targeted for the project, and when it is expected to be realized.
- The reporting process used to communicate value realization.

## Concepts

### Metric Profiles

Metrics should be SMART: **S**pecific, **M**easurable, **A**ctionable, **R**ealistic, and **T**imely.

Metrics should have a detailed profile based on:

- **Description:** Briefly describe why this metric is important and why it should be used.
- **Definition/Calculation:** Identify the calculation used to measure this business metric.
- **Dimension:** Determine the dimensions for which this metric can be measured (e.g., Ownership Type, Brand Segment, etc.).
- **Unit of Measure:** Document the exact unit of measure (e.g., \$'000, units per day, etc.).
- **Expected Trend:** Identify the expected trend for the metric. Is it increasing or decreasing to better meet the company's objectives?
- **Data Source:** Enter the originating source for the data used to calculate the metric.
- **Frequency:** Establish the frequency for data collection and metric calculation.
- **Sample Size:** Determine the number of data points required to calculate the baseline metric.
- **Availability Timeline:** Establish the tentative timeline by which data will be available.
- **Feasibility:** Document the effort to track the metric.

- **Responsibility Matrix (RACI):** Assign the person/role responsible, accountable, consulted, and informed for collecting the data and ensuring data quality.

### Metric Baselines, Benchmarks, and Targets

Metrics Baselines, Benchmarks, and Targets should have a detailed definition based on:

- Document baseline metric data gathered from the organization, based on the Metric Profiles (defined in the previous step) and existing company value information.
- Collect and document benchmark metric data for competitors and high performers in other industries.
- Define and document monthly/quarterly targets to identify key factors impacting the timing and speed of value realization.
- Define metric variance thresholds used to signal over- or underperformance for each metric.
- Review baseline, benchmark, target, and variance values with key stakeholders.

### Value Reporting Process

The Value Reporting Process should have a detailed definition based on:

- If not already complete, establish the governance model that defines the roles to track and measure value realization for the Business Transformation.
- Based on the previously identified projects, workstreams, value drivers, and metrics, identify the key stakeholder audiences.

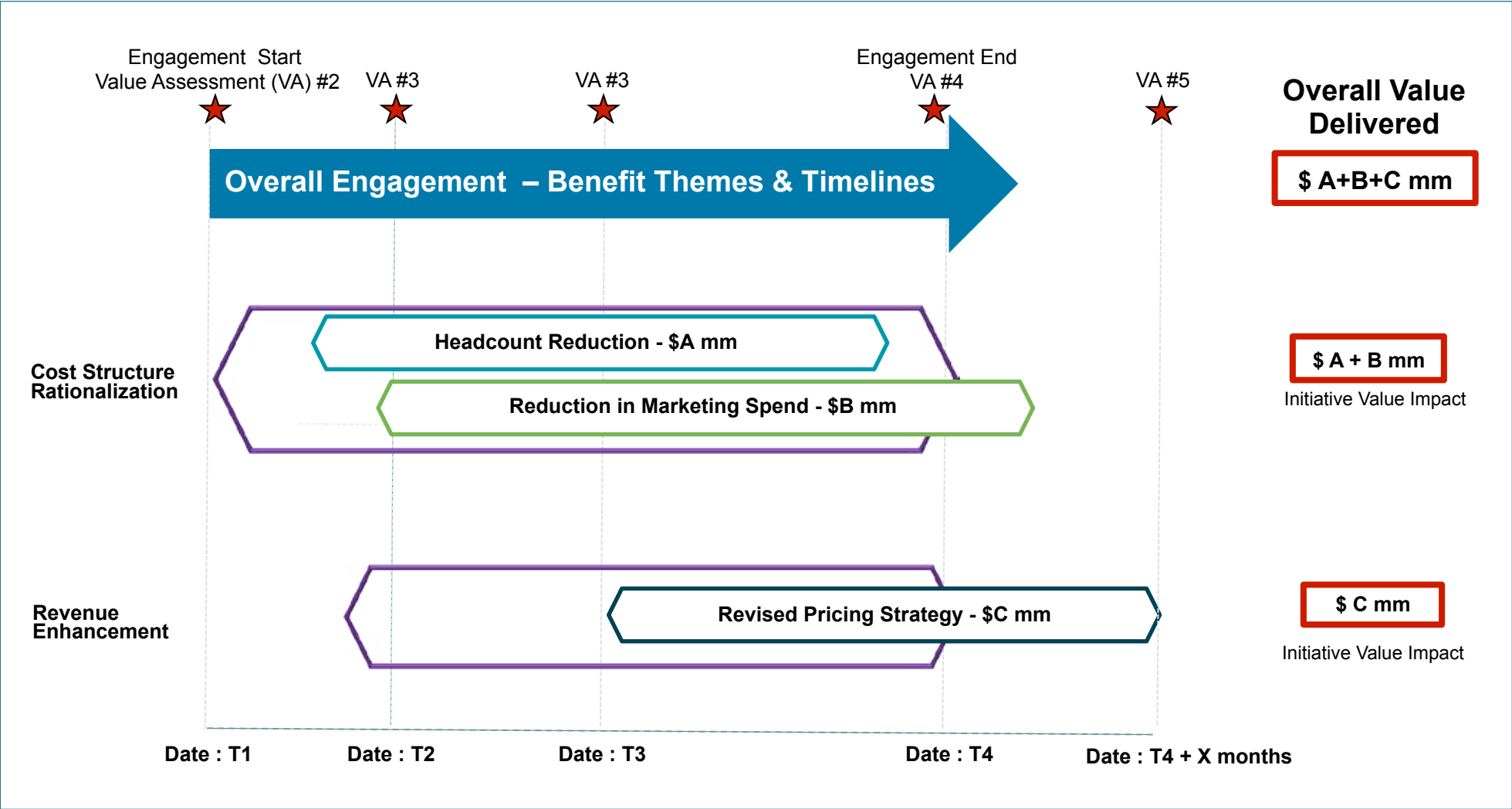
- Discuss and determine the different types of reports required, as well as reporting schedules and approval processes.
- Clearly document the management reporting protocols/processes used to track the value delivered.
- Review with key stakeholders.

### Value Realization Roadmap

- Based on identified value targets and value map, finalize:
  - Expected start and end dates.
  - Interim checkpoints (including value assessments).
  - Value delivered within each checkpoint. For example:
    - Initiative 1 will reduce Selling, General, and Administrative costs by 10 percent overall. In the first six months it is expected to decline by 5 percent and in the following six months it will be reduced by the remaining amount.
    - Initiative 2 will increase revenue by 5 percent in the first four months and then by 10 percent in the following 12 months, delivering a 15.5 percent total increase.
- Plot the following:
  - Business Transformation timeline and associated milestones/checkpoints.
  - Initiatives plotted along this timeline.
  - Indicate value per initiative delivered during each milestone.
  - Identify initiatives as a Quick Win/Longer-Term opportunity.
  - Show the sum totals of the value delivered by each initiative.

- Confirm milestone values sum to the total value as indicated by the value map.
- It is very important to set up the value assessment schedule as part of the value realization roadmap.
- Verify with key stakeholders.

[G-A150-01]



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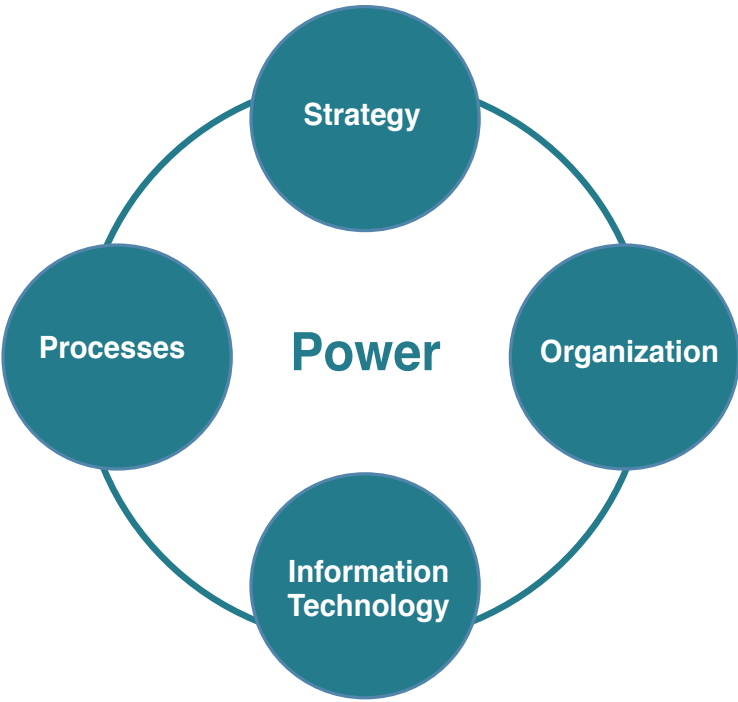
# A160: Program Governance

**Note**                      **Appendix A160 describes the key concept of Program Governance.**

## Power, the Fifth Element

In the traditional diamond-shaped model used by Accenture (where Strategy, Process, Technology and People/Organization play a part) there is a fifth element, **Power**. In most projects (ranging from Post-Merger Integration to Supply Chain consolidation), the dynamic of power for a recently created capability is always an issue. The problem is that if we do not define power relationships properly, the sustainability of the “diamond” will be in jeopardy.

[G-A160-01]

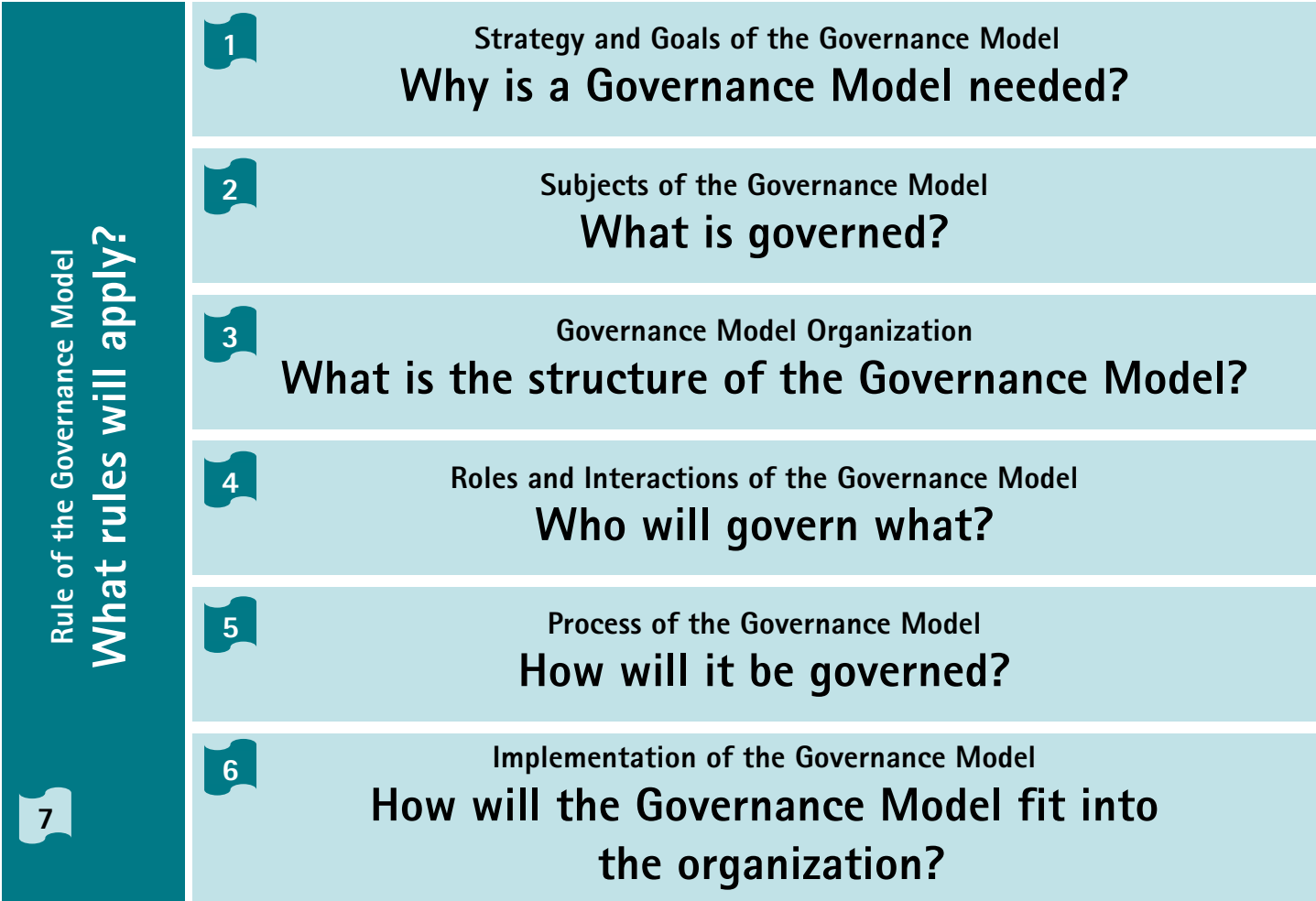


Defining Governance Models is a mix of science and art, where the specific power dynamics within the company plays a critical part. On the other hand, all Governance Models are not created equally, although they have several aspects in common.

### How to Define Governance Models: Guiding Design Principles

Governance Models are defined in all Business Transformations, but sometimes they look fuzzy and seem to lack a specific purpose. In order to solve this problem, one must clearly define seven elements that will help create the guiding design principles for the Governance Model before drawing boxes and lines. Such elements are:

[G-A160-02]



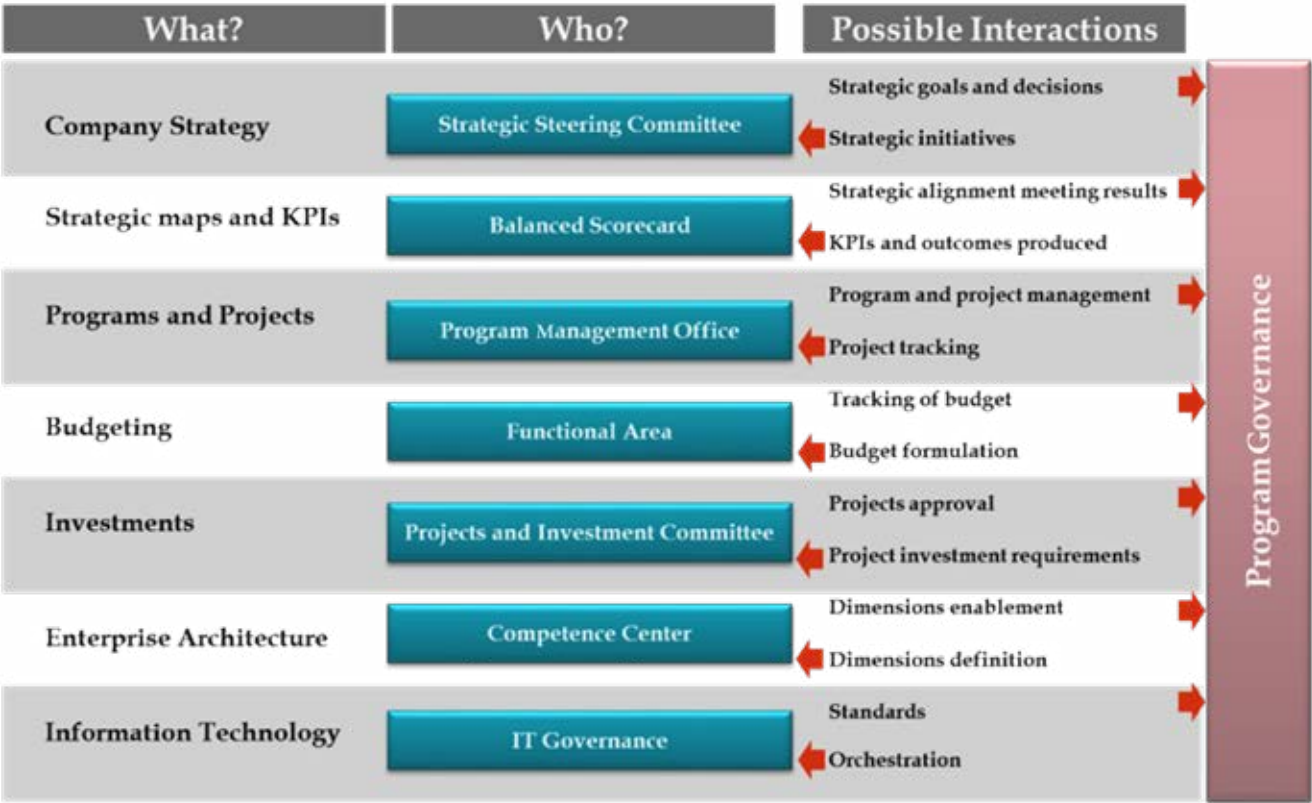


Sometimes, we rush to define a Governance Model without having a crisp and clear idea of the elements mentioned above.

Regarding the key question of **"How will the Governance Model fit into the organization?"**, it will depend greatly on the power distribution within the company. The newly defined Governance entity will require connecting and interacting with other governance entities. The governance entity will not survive isolated in the company; it has to allow the "flow" of the power for managing the subject of governance. This net of relationships can be quite complex, but we have to map the possible interactions to know who decides what, and what type of information is exchanged amongst the Governance models. As a design principle, interactions shall be kept as simple as possible, and we have to leverage (at the most) current governance entities, in order to avoid a proliferation of meetings at the C-level.

Figure 3 below shows an example of existing governance entities that there might be. Leverage experts and decision makers from these existing groups in order to avoid adding layers of complexity and delays to decision making.

[G-A160-03]



### Defining the Degree of Power: RACI Matrix

The next step is to define the degree of power or authority that the governance entity will have over the activities or subjects. Most of the subjects (the asset or process being ruled by the governance entities) are shared among different governance entities, so it is required to define clearly who makes the final decision. With this in mind, we can use the RACI matrix (which stands for Responsible, Accountable, Consulted, and Informed), typically used at a lower level of governance definition, to assign the degree of power to each entity. This RACI matrix should be created separately for the program governance body.

As a reminder, the RACI matrix is a technique used to identify the roles and responsibilities of individuals or groups involved in a particular activity. It defines each entity's degree of power over the subjects.

[G-A160-04]

Term	Degree of Power	Definition
Responsible	+++	The individual(s) who perform(s) a task – the doer responsible for action/implementation. The degree of responsibility is defined by the accountable person. "Rs" can be shared.
Accountable	++++	The individual who is ultimately accountable includes yes/no and power of veto. Only one "A" can be assigned to a task.
Consulted	++	The individual to be consulted prior to a final decision or an action being taken. Two-way communication.
Informed	+	The individual(s) who need(s) to be informed after a decision or action.

As an example, we can define the degree of authority as illustrated below:

[G-A160-05]

Subjects	Accountable	Responsible	Consulted	Informed
Strategy	Strategy Steering Committee	Business	Sponsor	Sponsor
Strategy Maps	Strategy Steering Committee	Business	Sponsor	Sponsor
Strategic KPIs	Business	Program Director	Sponsor	Sponsor
Deliverable Submissions	Program Director	Program Manager	Steering Committee	Sponsor
Deliverable Sign-off	Sponsor	Sponsor/Steering Committee	Steering Committee	Project Director

## Defining the Decision Rights Matrix

It is important to define the decision matrix for major program-level decisions for a smooth delivery of the associated project.

A decision matrix defines the key decision maker in each area and subject and is essential to the process of assigning a decision owner in consultation with the client before the inception of the program.

This matrix, in conjunction with RACI and governance structure, gives a clear direction for the decision making process.

[G-A160-06]

Role Name	Decision Major Area	Decision and Subject	Decision Qualifiers
Program Sponsor	Program scope Capital and Operational expense budget Final deliverable approval	Change in scope Approval of budget Additional approvals Deliverable sign-off	Final authority on change in scope and deliverable approvals
Steering Committee	Program scope Capital and Operational expense budget	Change in scope Approval of budget Additional approvals	Consulted and advised on changes and deliverable approvals
Program Director	Program scope Deliverable submission	Change in scope Deliverable submission	Presentation of changes and deliverables to Steering Committee

## Process for Changes and Deliverable Sign-off

It is essential that the processes for changes and deliverable sign-off are clearly defined with the owner, reviewers, and approvers.

## Lessons Learned during Previous Business Transformations

[G-A160-07]

Strategy/Principles	<p>Principles on which governance/project is based must be clear and consistent.</p> <p>Governance teams must set principles and goals early, and adhere to them from that point on.</p> <p>Buy-in must be secured across stakeholders group in advance of execution.</p> <p>Strategy must reflect core competencies.</p>
Organization/Leadership	<p>One person must sponsor and be accountable for each committee, serving as the end-to-end champion.</p> <p>A cross-functional project team must be established to represent all business groups/direct stakeholders.</p> <p>Senior leadership must be actively engaged on an ongoing basis.</p>
Roles and Responsibilities	<p>Steering Committees must be empowered to make critical decisions/resolve critical issues.</p> <p>Steering Committees must work closely with each other.</p> <p>There must be continuity and full participation among the participants/representatives at all levels.</p> <p>Leadership must communicate cross-functional roles and establish common objectives and norms.</p> <p>A "customer advocate" role should be considered.</p>

<b>Tools and Processes</b>	<p>Clear methods and criteria for prioritizing requirements and projects must be established.</p> <p>A business case and metrics must be developed for every initiative, thereby setting clear expectations.</p> <p>Documentation must be prepared with enough detail to avoid subjective interpretation.</p> <p>An auditing mechanism will be required to track progress of projects and ultimate delivery of functionality against critical metrics.</p> <p>It is crucial to tie individual goals and ratings of participants (from project team to Steering Committee) to quantifiable metrics, considering shared and individual incentives/rewards.</p>
<b>General</b>	<p>Communication must be clear and frequent.</p> <p>Governance structure must coordinate across strategic initiatives within and outside technologies.</p> <p>There is a strong need to consider inclusion of vendors/partners and develop vendors into strong partners.</p>

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# A170: Program Management

**Note**                      **Appendix A170 describes the key concepts of Program Management related to a Business Transformation.**

**Objectives**                      Program Management enables a company to consistently execute initiatives to deliver strategic results, for instance, Business Transformations.

[G-A170-01]



PREDICTABLE & RELIABLE

...delivering dependable results at scale, using one common set of methods, tools, and processes



INCREASED VISIBILITY

...through tighter controls, stakeholder governance, and standard metrics and reporting

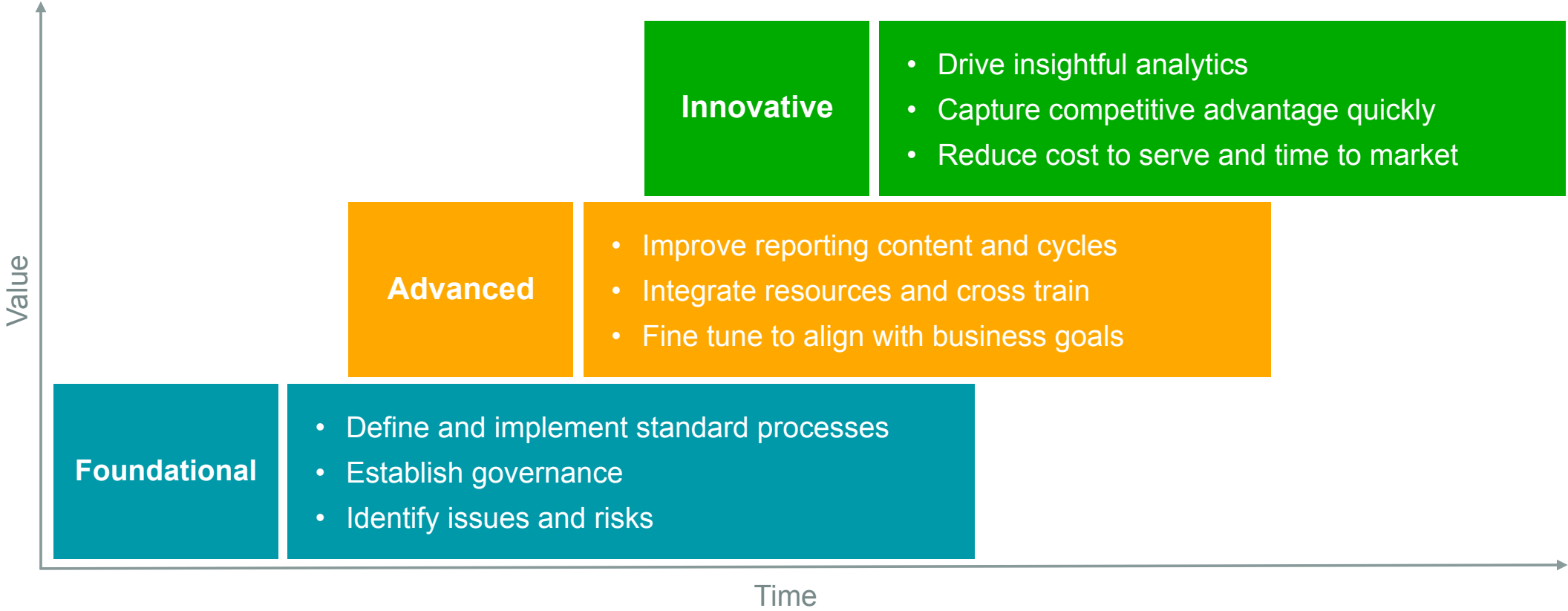


BUSINESS & IT ALIGNMENT

...focus on business outcomes delivered and the performance measures that matter most to the business

Effective Program Management enables continuous improvements throughout a project lifecycle, leading to increased value for companies and organizations. Program Management may vary in scope, and a number of different examples are discussed in this section.

[G-A170-02]

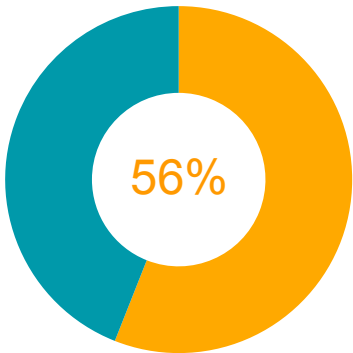




Necessity

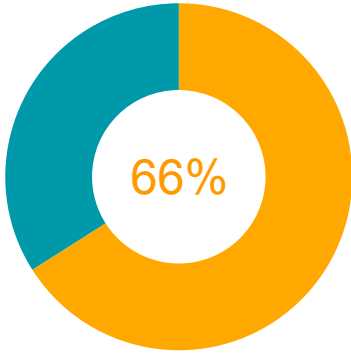
According to PMI Pulse of the Profession 2014, fewer than 10 percent of companies or organizations rate themselves as Excellent when it comes to successfully executing initiatives aimed at delivering strategic results, for instance, Business Transformations.

[G-A170-03]



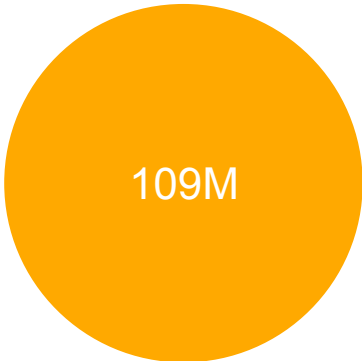
Only 56 percent of strategic initiatives meet their original goals and business intent

Source: PMI Pulse of the Profession 2014



Two in three organizations (66 percent) struggled to find resources with adequate technical project management skills

Source: PMI Pulse of the Profession 2014



Poor performance results in organizations losing \$109 million for every \$1 billion invested in projects and programs

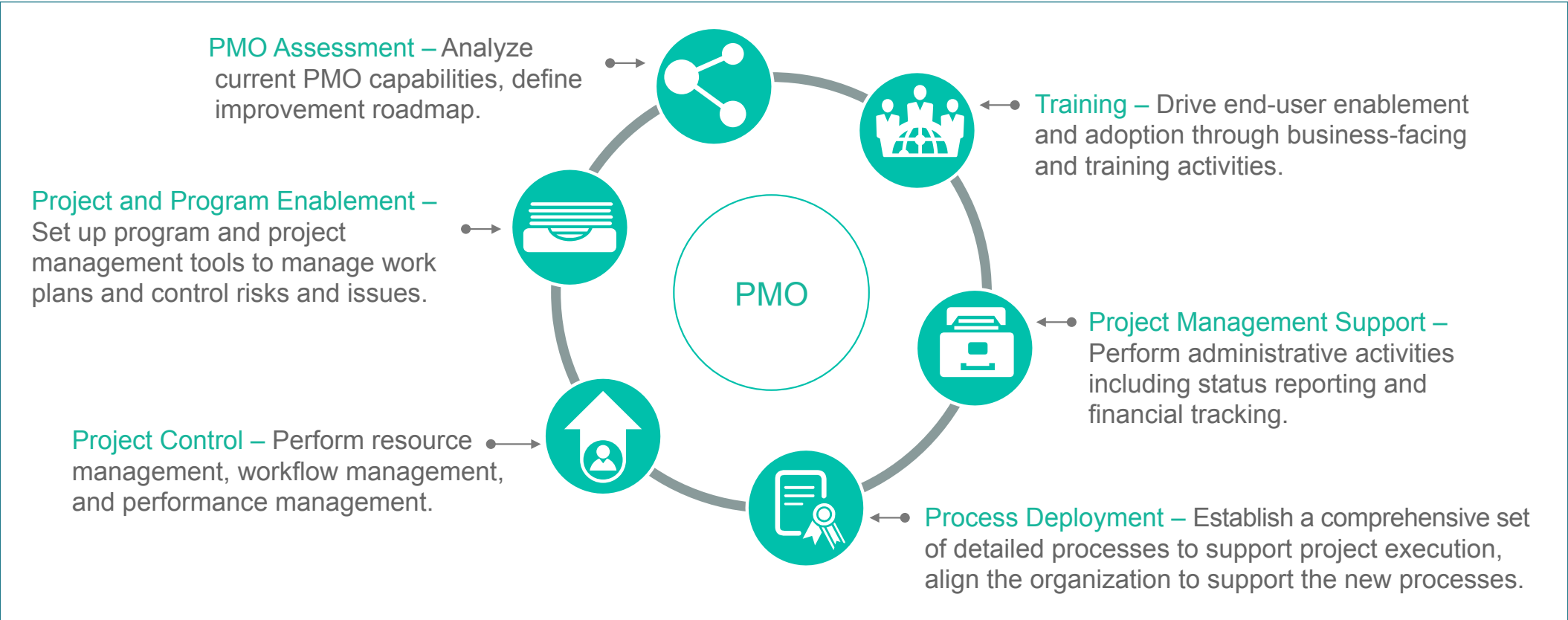
Source: PMI Pulse of the Profession 2014

Concepts and Methods

Program Management Office

A Program Management Office, or PMO, is a set of professionals, processes, methods, and tools that play a central role in the planning, implementation, and improvement of projects, programs, and service control functions.

[G-A170-04]

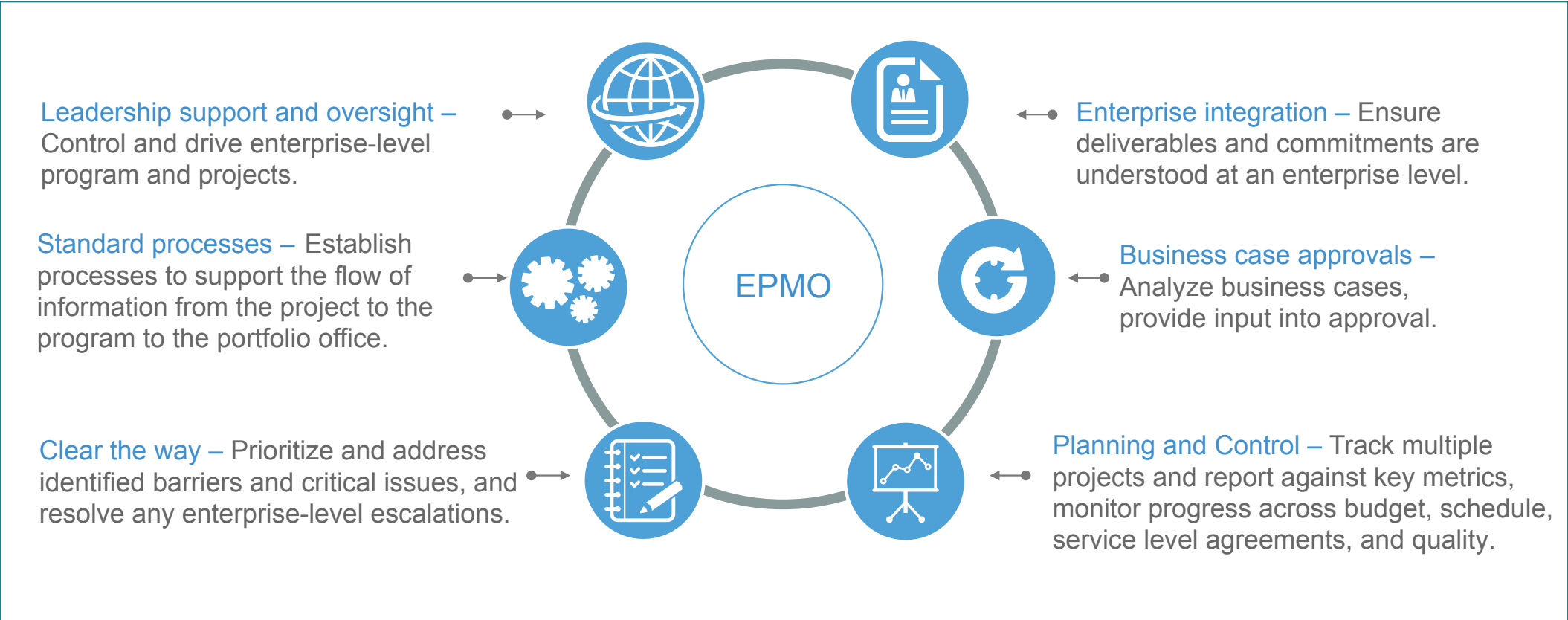


Concepts and Methods

Enterprise Program Management Office

An Enterprise PMO allows an effective and efficient management of broad enterprise-level programs by providing processes, assets, and capacity to drive consistent reporting of status, risks, issues, resources, and financial forecasts.

[G-A170-05]

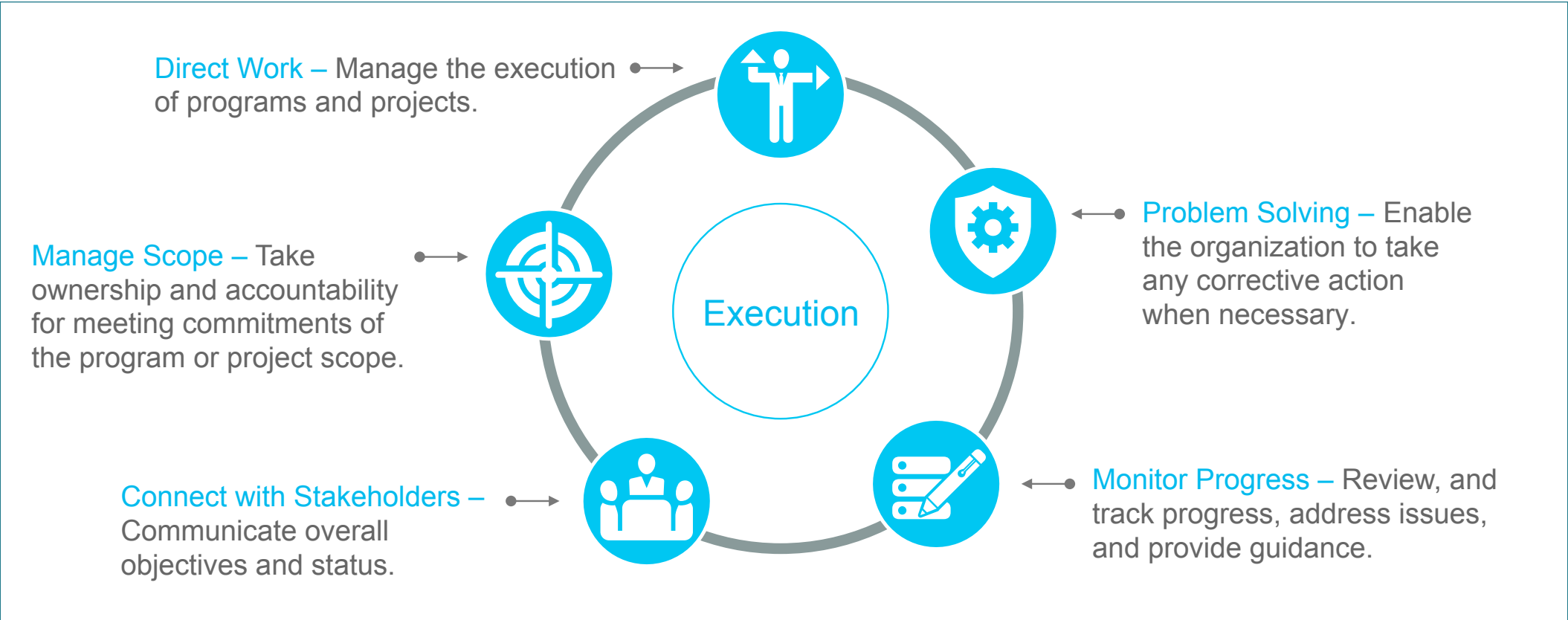


Concepts and Methods

Program and Project Execution

Robust Program and Project Execution is required to orchestrate program and project delivery to achieve a desired set of business outcomes by managing budgets, dependencies, resources, risks, issues, and work planning.

[G-A170-06]



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# A180: Change Management

**Note**                      **Appendix A180 describes the key concepts of Change Management, with two sequential alternatives:**

**(a) Change Management before the Digital Era; and**

**(b) Change Management for the Digital Era.**

## Change Management Before the Digital Era

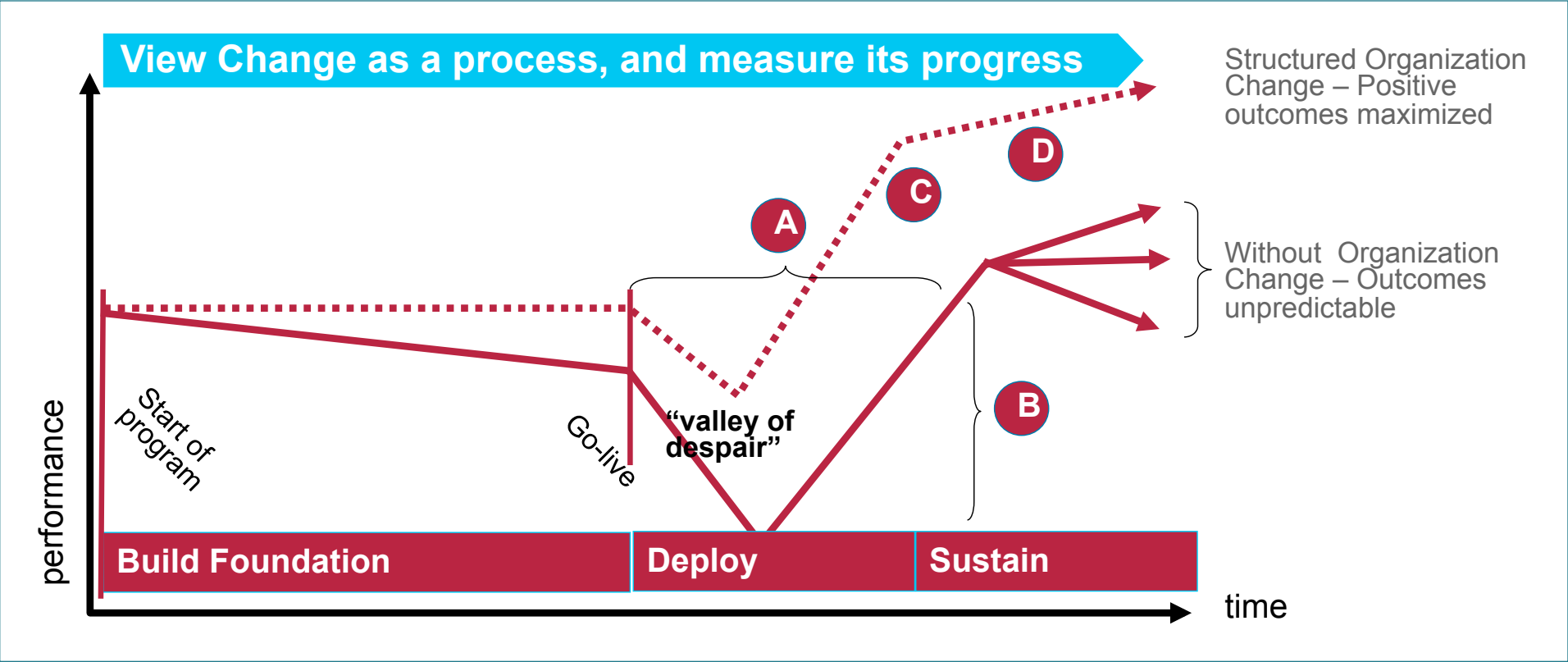
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**Definition**                      **Change Management is a framework of concepts and methods that allows companies to deploy efficient processes to support business transformations with positive results.**

Objectives

The goal of Change Management is to minimize the potential negative impact of change in terms of (A) the duration and (B) the depth, accelerating time to (C) the competence and/or new levels of productivity, and sustain (D) the ongoing performance.

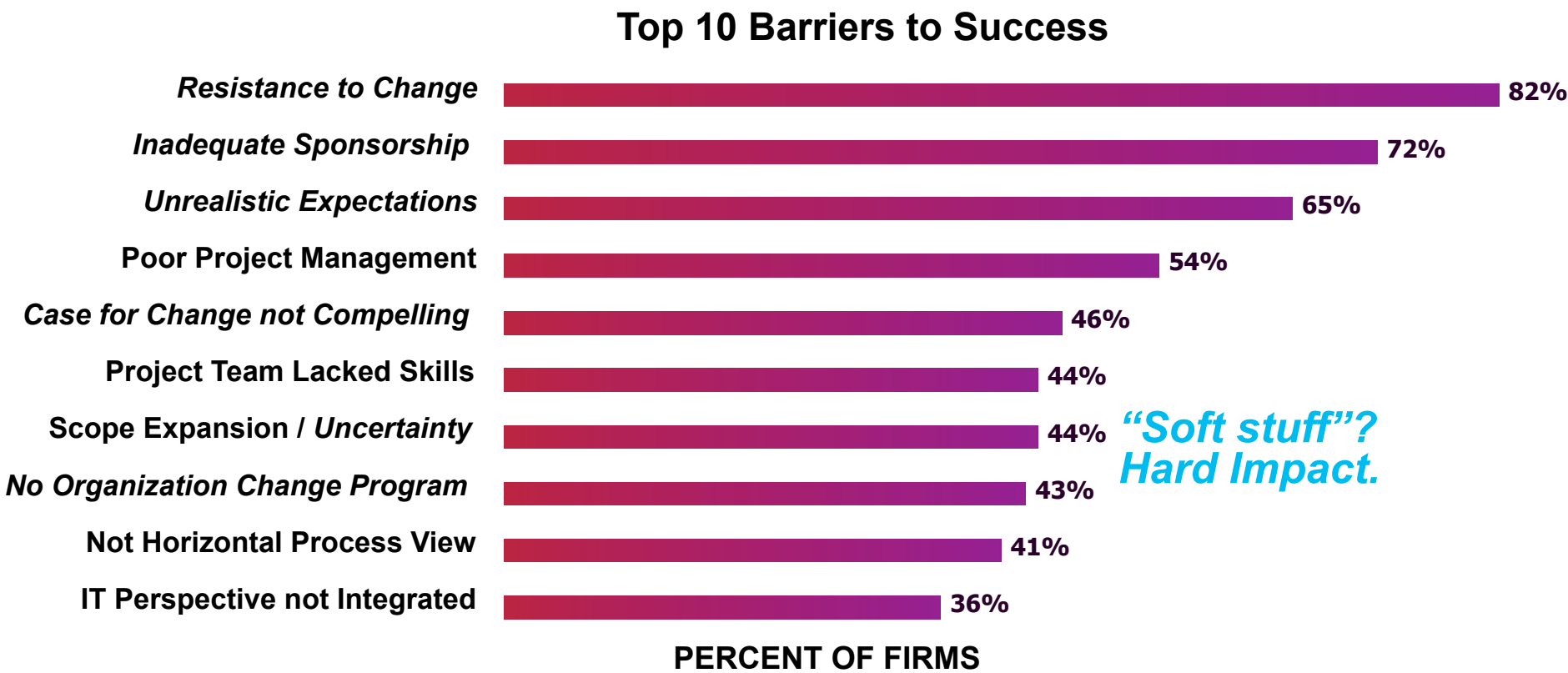
[G-A180-01]



Necessity

When pursuing transformations, companies frequently fail to realize the benefits or retain the value that they anticipated. While there are many reasons for this, the following survey of CEOs shows that 5 out of the top 10 business transformation showstoppers are 'people and organizational' issues.

[G-A180-02]

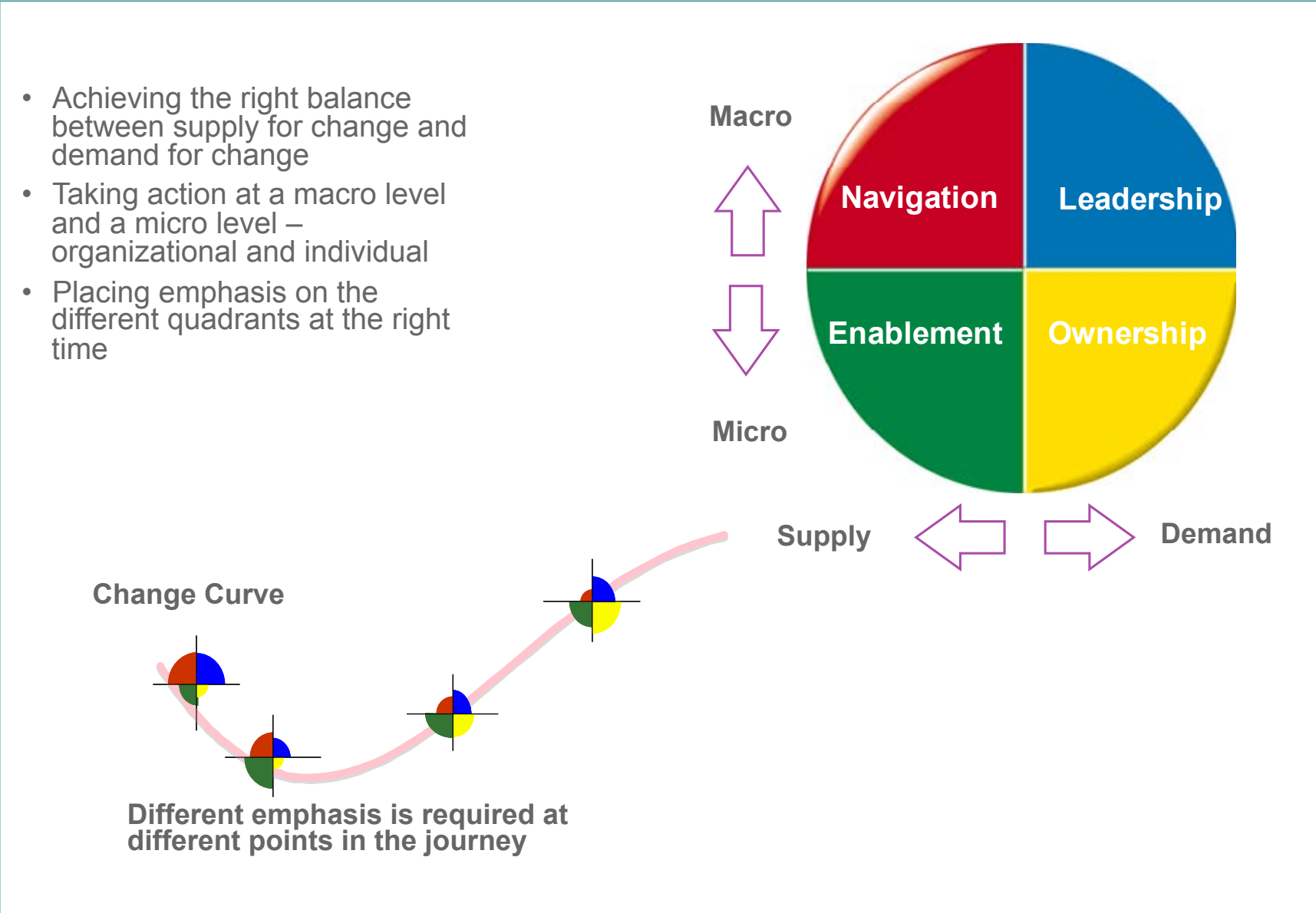


“Source: Deloitte & Touché Survey of CIOs regarding Business Transformation: Top 10 Barriers to Success, 2004.”  
Note: Issues in italics encompass those related with "people and organizational".

Concepts

Managing transformations to a successful conclusion requires actions at the organizational and individual levels along with the steps taken by the groups driving the transformation.

[G-A180-03]



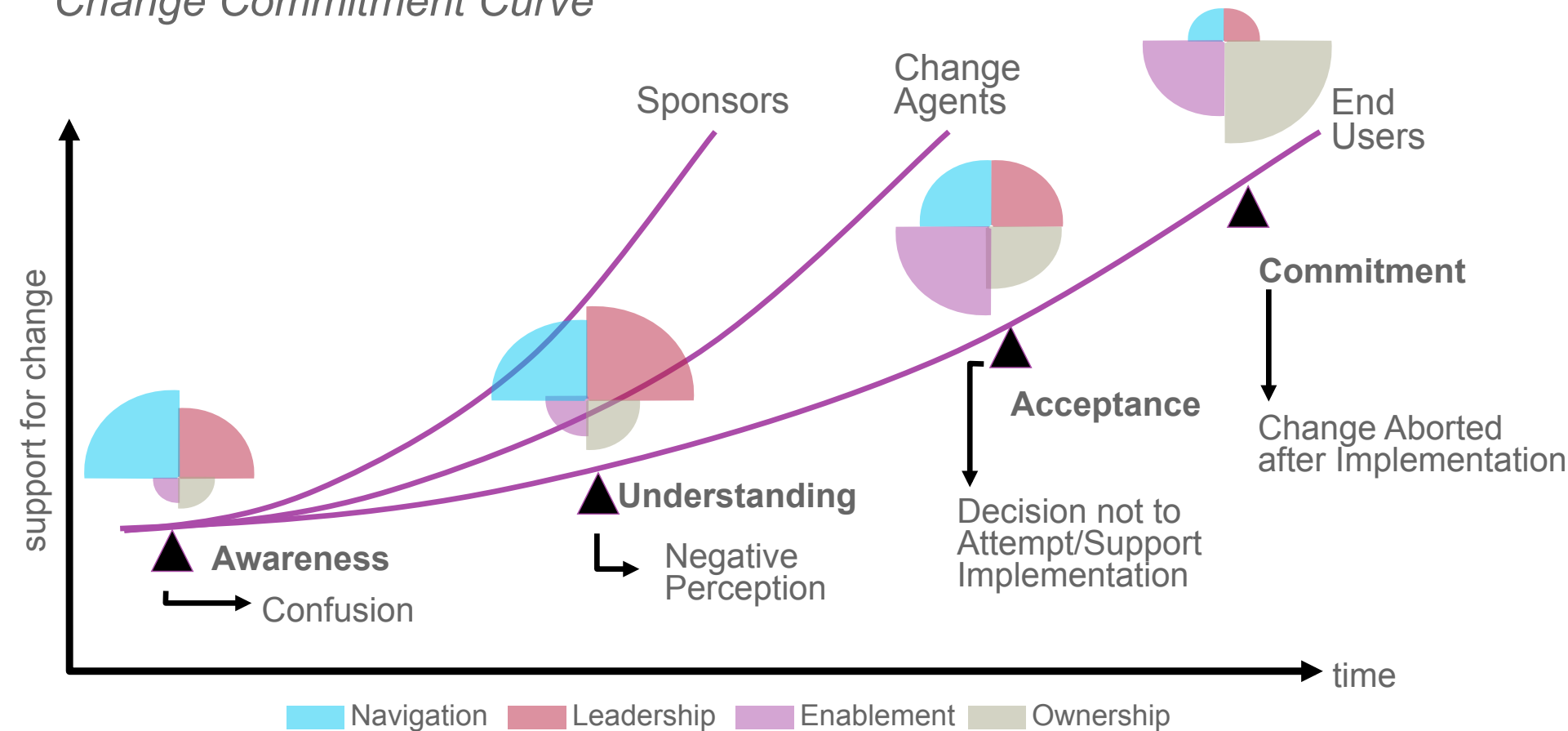


Concepts

The focus and importance of the Transformation Model dimensions and its related change activities vary during the course of the change lifecycle.

[G-A180-04]

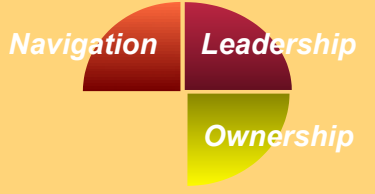
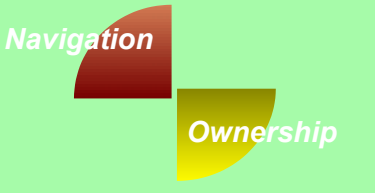


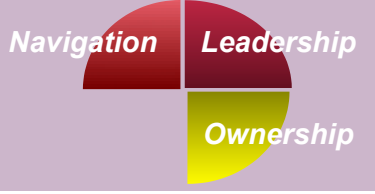
Change Commitment Curve



Methods

To engage people in transformations on an emotional and rational level, and thus realize the maximum possible benefits from change programs, five different areas of Change Management need to be covered. Each of these maps onto different parts of the Change Model.

[G-A180-05]

Plan Change	Establishing and anchoring the change effort to facilitate the transition to the target state and mitigate deployment risks.	
Manage Change	Effectively managing business change to ensure that individuals receive the support and development they need throughout the change effort, and equipping the workforce to respond positively to the change as well as to fulfill their roles and responsibilities in the future world.	
Enable and Transform the Organization	Transforming the way people work – ensuring that individuals adopt and own the new processes, technology, and ways of working associated with the change.	
Design and Implement Training and Performance Support	Enabling people through training and performance support to become capable in the new ways of working.	
Build Executive Leadership and Commitment	Ensuring that the vision and end-point of the change are clearly articulated and understood by all, and that leaders are actively engaged and are leading their people through the change.	

## Landscape Change

Today, the landscape in which we deliver Change Management is faster, more interactive, more digital, and more connected. We must keep pace with these changes.

[G-A180-06]



Change Acceleration redefines how we execute change programs.

[G-A180-07]

### From Traditional Change Management...

- **PUSH**

Individuals are told what to do and how to behave, and play a passive role during change

- **REACTIVE**

Course correction is made only when an issue arises which increases risk and results in missed opportunities

- **WATERFALL**

Change activities are plan-driven, static, and delivered sequentially with a 'big bang' approach

- **ONE-SIZE**

Change activities are developed for a general audience and deployed through a single channel

### ....To Change Acceleration

- **PULL**

Individuals are led to an insight and play an active/ collaborative role in the change journey

- **PROACTIVE**

Potential issues and opportunities are identified and addressed upfront through predictive analytics

- **ITERATIVE**

Change activities are learning driven, flexible, and delivered in incremental, successive waves

- **PERSONAL**

Change activities are specific, targeted at individuals, and deployed through various channels

## Change Management in the Digital Era

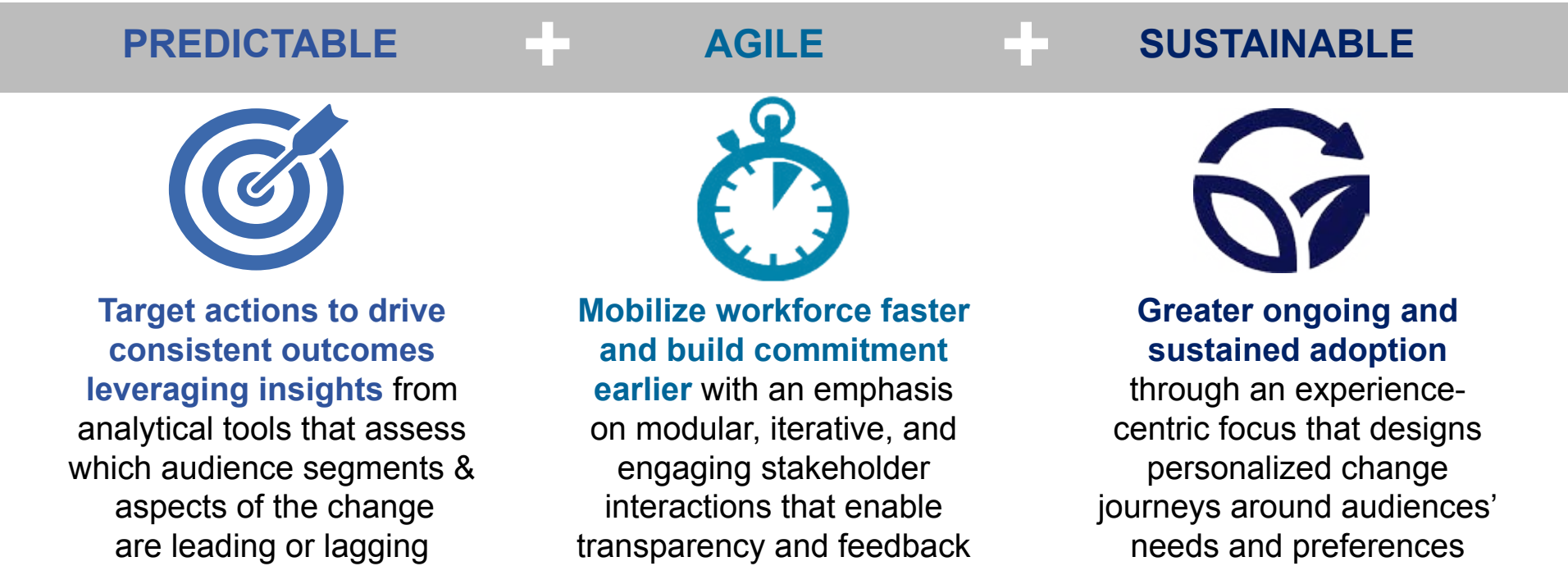
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Definition	Centered on delivering three key outcomes, the Change Acceleration approach weaves the latest design thinking processes with agile methods, digital tools, and analytical insights to provide a more adaptive, personalized, modular, measurable, and engaging user experience to accelerate predictable and sustainable adoption.
Objectives	<ol style="list-style-type: none"><li>1. Optimize human experience.</li><li>2. Accelerate adoption and behavioral changes.</li><li>3. Achieve lasting business outcomes.</li></ol>

**Necessity**

Managing changes requires a predictable, agile, and sustainable transformation approach.

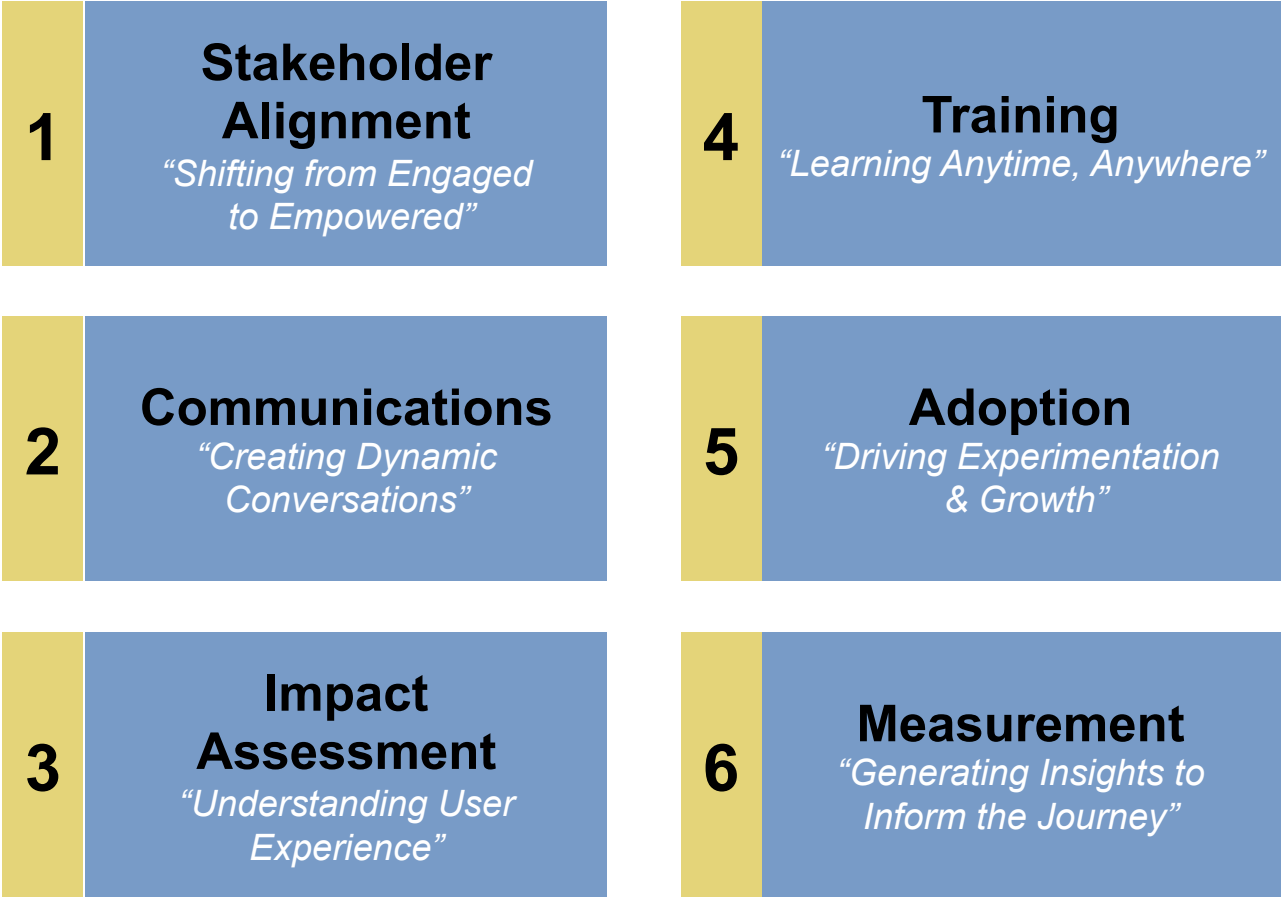
[G-A180-08]



Concepts

The Accenture Change Acceleration framework comprises six key components. The way in which they are applied is what distinguishes this from traditional Change Management approaches.

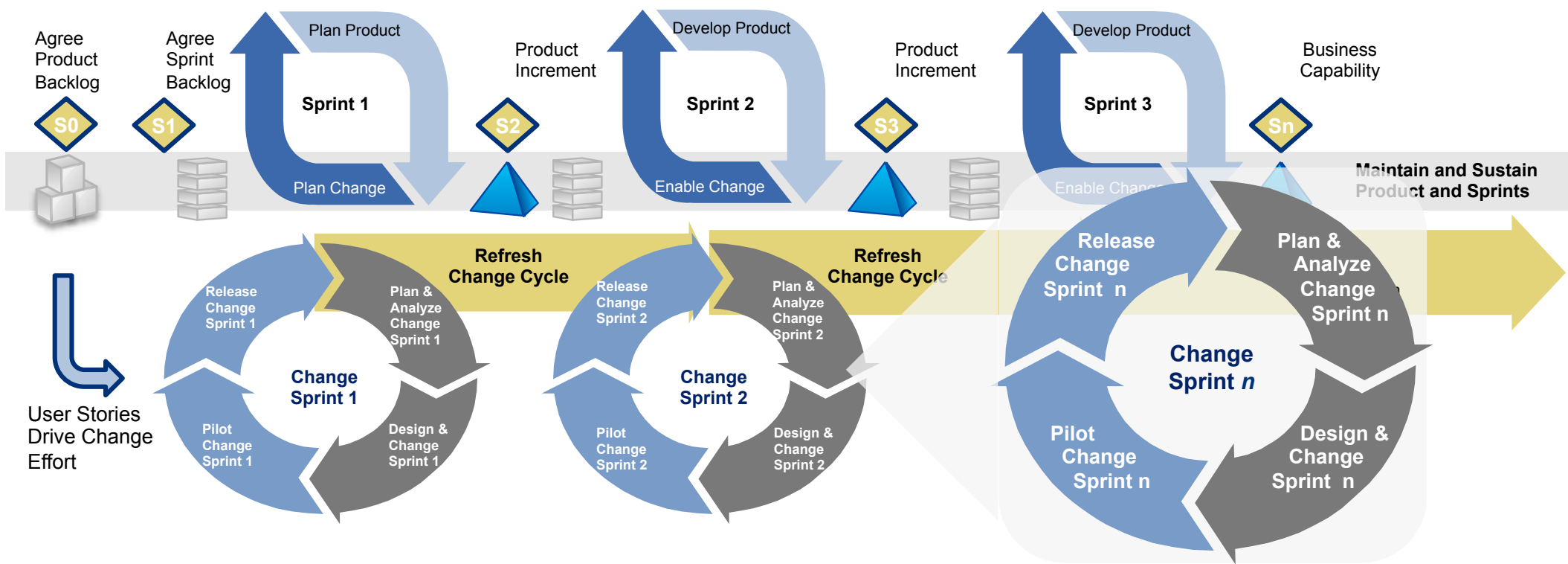
[G-A180-09]



Methods

As more technologies are discovered, developed, released, and adopted faster than ever before, organizations are rising to global scale faster and larger, which has led to a need to make change processes and tools seem less overwhelming.

[G-A180-10]

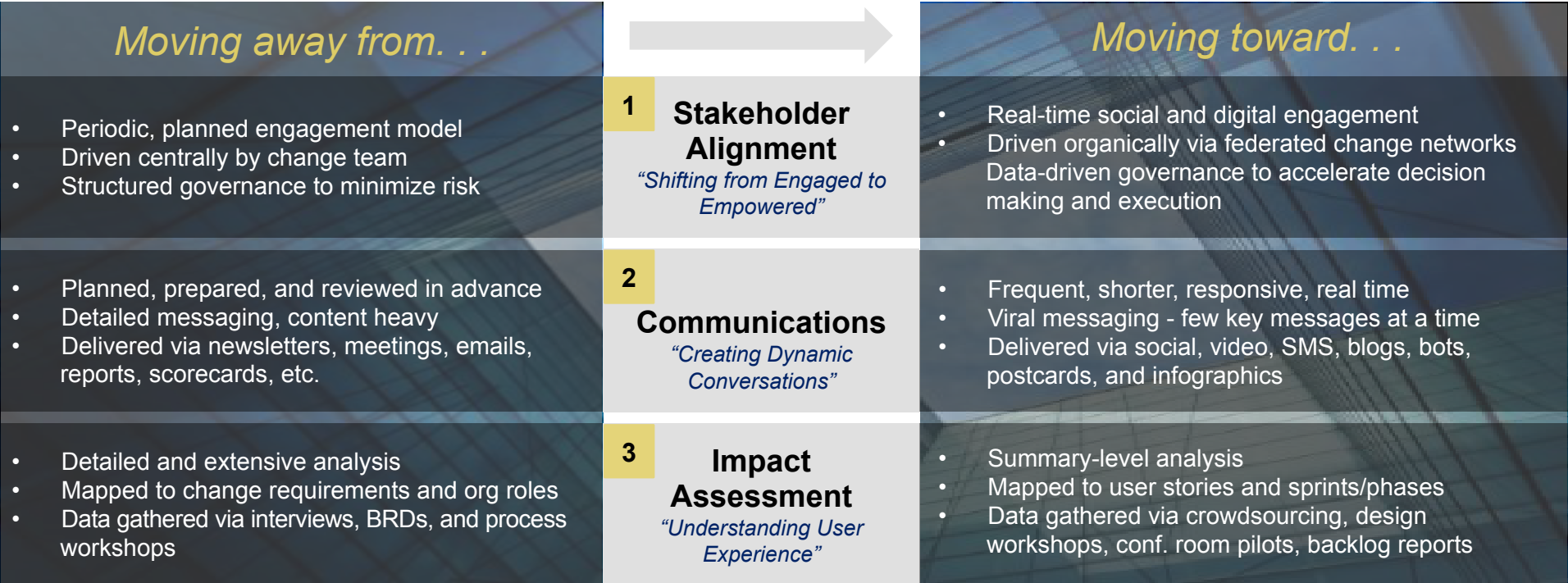




# The Necessary Evolution

## From Change Management to Change Acceleration

[G-A180-11]



## The Necessary Evolution (contd.)

### From Change Management to Change Acceleration

[G-A180-12]

Moving away from. . .		Moving toward. . .
<ul style="list-style-type: none"><li>• Comprehensive curriculum design</li><li>• Developed as holistic, end-to-end skill building</li><li>• Focus on high touch, hands-on training</li><li>• Delivered via classroom or virtual ILT, role-based scenario training, and simulations</li></ul>	<div>4</div> <div>Training</div> <div><i>“Learning Anytime, Anywhere”</i></div>	<ul style="list-style-type: none"><li>• Iterative curriculum design, ongoing updates</li><li>• Developed as bite-sized modules (micro-learning)</li><li>• Focus on low touch, self-paced training, and practice</li><li>• Delivered via on-demand, curated, digital, and mobile learning modules, supplemented with coaching</li></ul>
<ul style="list-style-type: none"><li>• Target end-state, following deployment</li><li>• Fixed mindset focused on success/outcomes</li><li>• Create a sense of urgency/fear to compel change</li><li>• Reward outcomes and compliance</li></ul>	<div>5</div> <div>Adoption</div> <div><i>“Driving Experimentation &amp; Growth”</i></div>	<ul style="list-style-type: none"><li>• Mid-point stage of trial, learning, and adjustment</li><li>• Growth mindset focused on progress and learning</li><li>• Showcase successes, create &amp; replicate bright spots</li><li>• Reward experimentation, incremental progress</li></ul>
<ul style="list-style-type: none"><li>• Reactive measurement – after key milestones</li><li>• Data is precise and carefully curated</li><li>• Interviews, focus groups, assessments, scorecards, KPIs, outcomes, etc.</li></ul>	<div>6</div> <div>Measurement</div> <div><i>“Generating Insights to Inform the Journey”</i></div>	<ul style="list-style-type: none"><li>• Proactive measurement – before key milestones</li><li>• Data is directionally correct, leading indicators</li><li>• Change tracking, dashboards, pulse surveys, sentiment analysis, social listening, etc.</li></ul>

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# A190: Risk Management

**Note**                      **Appendix A190 describes the key concepts of Risk Management related to a Business Transformation.**

## Risk Management

---

Definition	<b>Risk Management is a business-driven approach to helping companies identify the risks generated by a Business Transformation program and provide guidance to determine a roadmap of key security initiatives aligned with business goals and strategy.</b>
Objectives	<b>Risk Management seeks to efficiently and effectively minimize the risk of:</b>  a. Greater program cost/investment than planned. b. Fewer program benefits than planned. c. More operational disruption than planned.
Concepts and Method	<b>Risk Management follows a five-step method based on a small number of key concepts.</b>  <b>1. Confirm the context of the Business Transformation program.</b> 1.1. Understand the business transformation program and its context. 1.2. Define the risk assessment scope. 1.3. Define roles and responsibilities. 1.4. Define risk criteria.

## Risk Criteria Matrix

[G-A190-01]

Impact Level	Financial	Operational	Legal and Regulatory Compliance	Reputational	Health and Safety
<b>0. Negligible</b>	<ul style="list-style-type: none"> <li>Negligible loss in sales, orders, or contracts (&lt;1%)</li> <li>Negligible direct financial loss/profit reduction (&lt;\$10K)</li> <li>Negligible regulatory penalties/legal liabilities (&lt;\$10K)</li> <li>No effect on share price</li> </ul>	<ul style="list-style-type: none"> <li>Negligible/insignificant loss of management's ability to effectively govern or operate the organization</li> <li>Negligible/insignificant loss of competitive advantage</li> </ul>	<ul style="list-style-type: none"> <li>Negligible impact on organizational operations, or relationship with regulator(s)</li> <li>Organization would be left to manage its own remediation activities with no involvement from regulators</li> </ul>	<ul style="list-style-type: none"> <li>Negligible/insignificant negative publicity</li> <li>Customer complaints within normal levels</li> <li>No loss of confidence by key institutions (e.g. regulators, investors)</li> <li>No customer loss</li> </ul>	<ul style="list-style-type: none"> <li>Negligible/insignificant injury or discomfort to one individual</li> </ul>
<b>1. Low</b>	<ul style="list-style-type: none"> <li>Minor loss in sales, orders, or contracts (&lt;5%)</li> <li>Minor direct financial loss/profit reduction (&lt;\$100K)</li> <li>Minor regulatory penalties/legal liabilities (&lt;\$100K)</li> <li>Minor effect on share price (&lt;1% fluctuation)</li> </ul>	<ul style="list-style-type: none"> <li>Minor loss of management's ability to effectively govern or operate the organization (e.g. limited impairment in decision making)</li> <li>Minor loss of competitive advantage (e.g. delays in production of up to 5% of targets, or new ventures delayed by weeks)</li> </ul>	<ul style="list-style-type: none"> <li>Minor impact on organizational operations, or relationship with regulator(s).</li> <li>Organization would be left to manage its own remediation activities with minimal involvement from regulators</li> </ul>	<ul style="list-style-type: none"> <li>Low levels of short-term negative publicity (e.g. local media coverage)</li> <li>Marginal increase in customer complaints</li> <li>Minor loss of confidence by key stakeholders</li> <li>Limited customer loss</li> </ul>	<ul style="list-style-type: none"> <li>Minor injury or discomfort to one individual</li> </ul>
<b>2. Moderate</b>	<ul style="list-style-type: none"> <li>Moderate loss in sales, orders, or contracts (&lt;10%)</li> <li>Moderate direct financial loss/profit reduction (&lt;\$500K)</li> <li>Moderate regulatory penalties/legal liabilities (&lt;\$500K)</li> <li>Moderate effect on share price (&lt;5% fluctuation)</li> </ul>	<ul style="list-style-type: none"> <li>Moderate loss of management's ability to effectively govern or operate the organization (e.g. noticeable impairment in decision making)</li> <li>Moderate loss of competitive advantage (e.g. delays in production of up to 10% of targets, or new ventures delayed by months)</li> </ul>	<ul style="list-style-type: none"> <li>Moderate impact on organizational operations, and loss of confidence from key regulators</li> <li>Regulatory sanctions may be imposed (e.g. restrictions on ability to operate, some level of regulatory intervention, or senior management involvement in remediation activities)</li> </ul>	<ul style="list-style-type: none"> <li>Moderate levels of sustained negative publicity (e.g. national media coverage)</li> <li>Moderate increase in customer complaints</li> <li>Moderate loss of confidence by key stakeholders</li> <li>Moderate loss of customers</li> </ul>	<ul style="list-style-type: none"> <li>Significant injury to an individual or small group</li> </ul>
<b>3. High</b>	<ul style="list-style-type: none"> <li>Significant loss in sales, orders, or contracts (&gt;10%)</li> <li>Significant direct financial loss/profit reduction (&gt;\$500K)</li> <li>Significant regulatory penalties/legal liabilities (&gt;\$500K)</li> <li>Significant effect on share price (&gt;5% fluctuation)</li> </ul>	<ul style="list-style-type: none"> <li>Significant loss of management's ability to effectively govern or operate the organization (e.g. serious impairment in decision making)</li> <li>Significant loss of competitive advantage (e.g. delays in production of over 10% of targets, or new ventures delayed by years)</li> </ul>	<ul style="list-style-type: none"> <li>Significant impact on organizational operations, and serious loss of confidence from key regulators</li> <li>Regulatory sanctions would be imposed (e.g. significant restrictions on or removal of ability/license to operate, significant and sustained regulatory intervention, or board-level involvement in remediation activities)</li> </ul>	<ul style="list-style-type: none"> <li>Significant levels of sustained negative publicity (i.e. international media coverage)</li> <li>Significant increase in customer complaints</li> <li>Significant loss of confidence by key stakeholders</li> <li>Significant loss of customers</li> </ul>	<ul style="list-style-type: none"> <li>Severe injury or loss of life to one of more individuals</li> </ul>

[G-A190-02]

Likelihood					
Residual ease of exploitation	Probability of occurrence				
		0. Low	1. Medium	2. High	3. Very High
	0. Very Difficult	0. Very Low/Very Unlikely	0. Very Low/Very Unlikely	1. Low/Unlikely	2. Medium/Possible
	1. Difficult	0. Very Low/Very Unlikely	1. Low/Unlikely	2. Medium/Possible	3. High/Likely
	2. Easy	1. Low/Unlikely	2. Medium/Possible	3. High/Likely	3. High/Likely
	3. Very easy	2. Medium/Possible	3. High/Likely	3. High/Likely	3. High/Likely

Likelihood	
Level	Description
0. Very Low/Very Unlikely	Event may only occur in only exceptional circumstances / Less than 1% chance of occurring
1. Low/Unlikely	The event could occur at some time, say once in every 10 years / say 1 in 20 chance of occurring
2. Medium/Possible	The event might occur, say yearly / say 1 in 50 chance of occurring
3. High/Likely	The event is expected to occur in most circumstances / commonly repeating / occurs weekly or monthly

## 2. Define business impact scenarios for the Business Transformation Program.

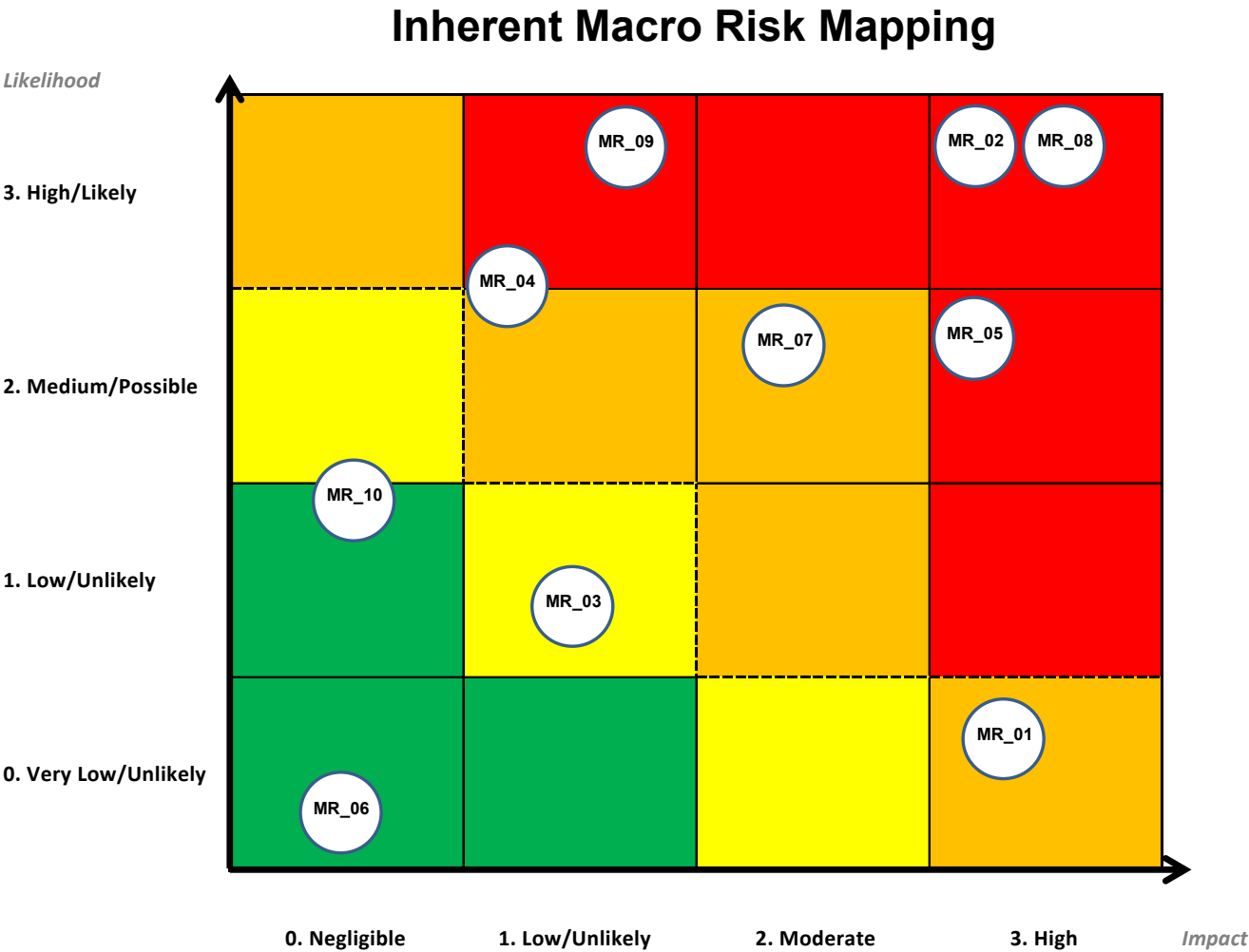
Assess realistic and worst case business scenarios that might generate:

- Greater program cost/investment than planned.
- Fewer program benefits than planned.
- More operational disruption than planned.

## 3. Identify and evaluate the risks of the Business Transformation Program.

- Identify the risks.
- Aggregate the risks.
- Evaluate the inherent risks based on risk impact and risk likelihood.

[G-A190-03]



**4. Threat the risks of the Business Transformation.**

- 4.1. Determine the security objectives.
- 4.2. Determine the risk treatment options.
- 4.3. Determine security measures to implement.
- 4.4. Prioritize security projects and investments.
- 4.5. Develop business cases and define the security roadmap.
- 4.6. Evaluate the residual risks and establish contingency plans for them.

**5. Monitor and review the risks**

- 5.1. Implement the security roadmap.
- 5.2. Perform periodic risk and control assessments.
- 5.3. Generate metrics and reports on remediation plans.

**Benefits**

**The Risk Management method described above brings practical benefits to any Business Transformation program, including:**

- 1. A combination of industry standards and best practices.
- 2. A flexible approach that can be adapted to any company and Business Transformation context.
- 3. The ability to conduct a deep and high level risk assessment to evaluate the risk exposure of the overall company and determine the most likely threats scenarios.
- 4. Effective prioritization of risks, allowing the definition of a tiered remediation plan strategy.
- 5. Provision of guidelines to pilot and monitor remediation plan implementation.

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## APPENDIXES 2 & 3 – BUSINESS TRANSFORMATION REFERENCES

A200: Business Transformation Country Analysis References

A300: Index of Graphs (Drawings, Tables, etc.)



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## A200: Business Transformation Country Analysis References

Chapter/Sub-Chapter	Information	Reference	Internet Reference <sup>(1)</sup>
2200/1-3	Level of Globalization – Argentina	Mercado (Magazine)	<a href="http://www.mercado.com.ar/notas/para-entender/public/imagenes/0000053889.pdf">http://www.mercado.com.ar/notas/para-entender/public/imagenes/0000053889.pdf</a>
2200/1-3	Level of Globalization – Brazil	Exame (Magazine)	<a href="http://exame.abril.com.br/negocios/melhores-e-maiores/2014/">http://exame.abril.com.br/negocios/melhores-e-maiores/2014/</a>
2200/1-3	Level of Globalization – Chile	América Economía (Magazine)	<a href="http://rankings.americaeconomia.com/las-500-mayores-empresas-de-chile-2014/ranking-500-chile_1_50/">http://rankings.americaeconomia.com/las-500-mayores-empresas-de-chile-2014/ranking-500-chile_1_50/</a>
2200/1-3	Level of Globalization – Colombia	Superintend. Sociedades de Colombia	
2200/1-3	Level of Globalization – Mexico	CNN Expansion	
2200/1-3	Level of Globalization – Peru	Desarrollo Peruano	
2200/1-3	Level of Globalization – New Zealand	Deloitte	
2200/1-3	Level of Globalization – Denmark	Largest Companies	<a href="http://www.largestcompanies.com/toplists/denmark/largest-companies-by-turnover">http://www.largestcompanies.com/toplists/denmark/largest-companies-by-turnover</a>
2200/1-3	Level of Globalization – USA	Fortune (Magazine)	<a href="http://fortune.com/fortune500/2014/bank-of-america-corporation-21/">http://fortune.com/fortune500/2014/bank-of-america-corporation-21/</a>

Note: (1) Some of the internet references may become discontinued or modified.

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Chapter/Sub-Chapter	Information	Reference	Internet Reference <sup>(1)</sup>
2200/4	Foreign Direct Investment	The World Bank	<a href="http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?display=graph">http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?display=graph</a>
2200/5	Countries Credit Rating	Moody's	<a href="https://www.moody's.com/page/search.aspx?cy=global&amp;kw=vodafone&amp;searchfrom=GS&amp;spk=qs&amp;tb=1">https://www.moody's.com/page/search.aspx?cy=global&amp;kw=vodafone&amp;searchfrom=GS&amp;spk=qs&amp;tb=1</a>
2200/6	Market Predictab.	Accenture	
2200/8	Employment Level/ Employment to Population Ratio	The World Bank	<a href="http://data.worldbank.org/indicator/SL.EMP.TOTL.SP.ZS">http://data.worldbank.org/indicator/SL.EMP.TOTL.SP.ZS</a>
2200/8	Employment Level/ Unemployment	The World Bank	<a href="http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS">http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS</a>
2200/9	Labor Cost	Trading Economics and Wage Indicator Organization	
2200/10	Labor Flexibility	International Labor Organization	
2200/11	Trade Union Flexibility	Multiple Sources	
2200/12	EODB Index	The World Bank	<a href="http://data.worldbank.org/indicator/IC.BUS.EASE.XQ">http://data.worldbank.org/indicator/IC.BUS.EASE.XQ</a>
2200/13	Communications and Information Technology Availability	World Economic Forum	<a href="http://www3.weforum.org/docs/WEF_GlobalInformationTechnology_Report_2014.pdf">http://www3.weforum.org/docs/WEF_GlobalInformationTechnology_Report_2014.pdf</a>
2200/14	Transportation & Logistics	The World Bank	<a href="http://data.worldbank.org/indicator/LP.LPI.INFR.XQ">http://data.worldbank.org/indicator/LP.LPI.INFR.XQ</a> <a href="http://data.worldbank.org/indicator/IS.RRS.TOTL.KM">http://data.worldbank.org/indicator/IS.RRS.TOTL.KM</a> <a href="http://data.worldbank.org/indicator/IS.AIR.DPRT/countries">http://data.worldbank.org/indicator/IS.AIR.DPRT/countries</a>
2200/15	Stateness	Transparency International	<a href="http://www.transparency.org/cpi2015#results-table">http://www.transparency.org/cpi2015#results-table</a>

Note: (1) Some of the internet references may become discontinued or modified.

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G-1210-01	Relevant Cases Distribution throughout 2001-2016 Period of Time
G-1210-02	(2001-2016) Economic Events & Country Governments
G-1221-01	Universidad de los Andes – Transformation Business Drivers – Rationale
G-1221-02	Universidad de los Andes – Transformation Program – Methods
G-1222-01	YPF – Transformation Program – Methods
G-1222-02	YPF – Transformation Program – Appendixes – Methods
G-1222-03	YPF – Transformation Program – Appendixes – Methods
G-1222-04	YPF – Transformation Program – Appendixes – Methods
G-1223-01	SABMiller Latin America – Evolution – The Framework and Scope
G-1223-02	SABMiller Latin America – Evolution – The Framework and Scope
G-1223-03	SABMiller Latin America – Evolution – The Journey
G-1224-01	Financial Services – Brazil – Brazilian Financial Industry Open Innovation Context and Cases
G-1224-02	Financial Services – Brazil – InnovaBRA
G-1224-03	Financial Services – Brazil – Cubo
G-1225-01	Unilever Latin America – Transformation Program – Methods
G-1226-01	Techint – Tenaris – Transformation Program – Actions
G-1226-02	Techint – Tenaris – Transformation Program – Actions
G-1227-01	Banco Santander Uruguay – Transformation Program
G-1227-02	Banco Santander Uruguay – Transformation Program – Methods

G-1227-03	Banco Santander Uruguay – Transformation Program – Methods
G-1227-04	Banco Santander Uruguay – Final Situation – Strategy
G-1300-01	Business Transformation Key Factors
G-1400-01	Required Core Business and Operating Model Capabilities
G-2500-01	Digital – Multi Speed and Multi Layered
G-4200-01	Business Transformation Country Analysis
G-4300-01	Business Transformation Country Perspective – Argentina
G-4300-02	Business Transformation Country Perspective – Brazil
G-4300-03	Business Transformation Country Perspective – Chile
G-4300-04	Business Transformation Country Perspective – Colombia
G-4300-05	Business Transformation Country Perspective – Mexico
G-4300-06	Business Transformation Country Perspective – Peru
G-4400-01	Some Evidence for the Opportunity for Great Business Transformations
G-4400-02	A Cause for this Opportunity for Great Business Transformations
G-4400-03	A Recommendation to Generate Opportunities
G-5300-01	Your Digital Business Journey
G-A110-01	Simplified Business and Operating Model
G-A120-01	Business Drivers – Methods
G-A130-01	Business Case – Definition and Objective
G-A130-02	Business Case – Concepts
G-A140-01	Roadmap – Template
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G-A160-01	Program Governance – Power, the Fifth Element
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G-A180-04	Change Management – Before the Digital Era – Concepts
G-A180-05	Change Management – Before the Digital Era – Methods
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