



BUILDING THE TRANSFORMATIONAL COMPANY

A CEO HANDBOOK

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About Building the Transformational Company

This report is a collaboration between **Engage // Innovate** and **Strategy Tools – the Modern Strategist's Platform**.

The report is built on our work with corporate leaders, CEOs, Boards and strategy leaders over the past seven years. The frameworks, tools and methodologies have been developed, researched, applied and refined with leading companies across energy, aviation, finance, shipping, mobility, professional services, utility, heavy industry and more.

The research behind this report is funded entirely by Engage // Innovate & Strategy Tools.

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#transform



Transformation is becoming the “new normal”.



Transformation will force us to rethink and relearn how we build and operate companies globally.



Transformation is the 21st Century #1 leadership challenge.

Why We Wrote This...

Back in 2014, we hosted Engage // Innovate's first annual Strategy Summit: Learning To Work Differently With Strategy. We brought together executives from Tesla, Equinor, Viking Supply Ships and many others to explore how the practice of strategy was changing.

The following year, in 2015, we hosted Strategy Summit: Meet the Transformers. Again, we brought together experienced executives going through the many stages of transformation (highlight was the behind the scenes look at DSM's transformation).

Since then, we have continued to explore, research and work on significant transformation strategy projects in Europe and beyond. This work has led us to energy companies in Asia, aviation companies in Europe, Board rooms in the Middle East and emerging transformation programs across the Americas. Throughout these journeys, we have met with 1000s and 1000s of people across industries and organizational hierarchies, all sharing a desire to better understand how to successfully lead transformation. From Corporate Startups Teams in Europe, Transformation offices in Malaysia and Chief Strategy Officers in the Nordics. These insights have fueled new strategy tools, strategy simulations and new strategy processes.

Looking ahead, we are convinced large companies will need to build entirely new mindsets and capabilities around strategy. In line with renowned consulting company Innosight, we expect to see the rate of disruption to pick up, the lifetime of large companies to decrease and transformation to become the new normal. This will force us to change how we teach strategy, how companies think about strategy and how strategy leaders prepare their companies for the future.

In this report, we gather our experiences in one single volume. We aim to sharpen our own understanding and share it with a greater strategy community across the globe. We hope you may find this report both inspirational and insightful, but most of all we hope it helps drive you to build more transformational companies.



A handwritten signature in black ink, appearing to read 'CR Rangen'.

LEAD AUTHOR

CHRISTIAN RANGEN
STRATEGIST, ADVISOR, FACULTY
FOUNDER OF
ENGAGE // INNOVATE,
STRATEGY TOOLS,
X2 INC

How we hope it may help your work

One of our deeply held beliefs is that, in the coming decade, virtually every company, in every industry will have to go through some level of transformation. This belief is deeply held within our team, our community and our global network.

Equally deep is the belief that very few companies are actually set up for this future. They are simply not structured, built or led to become transformational companies. This is a massive challenge across industries.

It used to be the case that faster moving industries, like software and technology, would just naturally innovate faster and transform faster, while heavy industries, asset-heavy industries and slower industries would simply innovate slower and equally, have to transform at a much slower pace. This is just no longer true.

What we are witnessing is that the speed of innovation and need for transformation is picking up across virtually every industry. This is driven by digital (but our focus extends far beyond just 'digital transformation'), by improved innovation capabilities in large firms, by a growing number of very well-funded scale ups using VC funding to tip the balance of industries norms. While incumbents have to deliver repeatable, guidable profits on a quarterly basis, these aggressively-funded growth companies often have a 'burn-and-grow' mandate to scale for market share and future profit pools. (for case in point, see the mobility landscape and how the German automakers have been pulling out of 'mobility services' due to high upfront costs and poorly executed growth strategies).

In the near future, every large company, including banks, telcos, energy companies, utility companies, automotive firms, industrial conglomerates, technology, healthcare, media and more will need to build deep transformational capacity. Few have this today.

Fully in line with the team at Innosight, we believe transformational changes will accelerate and the lifetime of large firms will continue to decline.

This report hopes to provide you, the reader, with a deeper understanding, a selection of tools and a robust roadmap for your successful Transformation. In essence, this **CEO Handbook** hopes to guide your Transformational Journey.



This report was written for **change-makers** like you...

CEOs, Board members, top management teams, Chief Strategy Officers, Transformation Officers, consultants, business school faculty, aspiring strategy consultants, future CEOs; this report is for you.

Who might find this most **useful**...

CEOS & TOP MANAGEMENT TEAMS,

The C-suite will need to lead the work on Transformation. They need to find time, space and structure to balance their old core, new growth and emerging explore business models.

Top management may use this report to guide and align their team around their Transformation Journey.

BOARD OF DIRECTORS

Increasingly, boards need to shift from 'control & reporting' to a genuine strategic partner for management.

Boards may use this report to get a deeper understanding of the need for transformation and the tools and roadmaps to make this a success.

CORPORATE STRATEGY, NEW VENTURES AND TRANSFORMATION OFFICES

The strategy function, the Chief Strategy Officer, the Transformation Office will have to bear the brunt of the work to make Transformation succeed.

They may use this report to align their teams, train their staff, apply new roadmaps and build deep transformational capacity.

What you will find in this report

This report contains 3 main elements.

- ✓ An overview, a playbook if you will, of **how to build the Transformational Company**
- ✓ A selection of **brand-new Strategy Tools** equipping you for the Transformation Journey ahead
- ✓ **A gateway** into the larger Strategy Tools Solutions universe.

Connect to the global community, complete the online program, run a Train-the-Trainers or start your own Transformation Program; this report can help you get started on your long-term transformation strategy.

Available in the BTC Workbook with all 15 tools.



#transform

EXECUTIVE SUMMARY

Executive Summary



Transformation is becoming the “new normal”.

Our number one finding; Transformation is becoming more and more prevalent across industries. This trend is only expected to continue to accelerate.

Even heavy-asset industries (think, GE) and slower moving industries (think energy and utilities) are facing an unprecedented level of industry shifts and disruption.

It is very clear to us that transformation, to many viewed as a complex, painful and deeply challenging leadership task, is about to become the “new normal”.



Transformation will force us to rethink and relearn how we build and operate companies globally.

When Transformation becomes the “new normal”, companies will need an entirely new playbook on strategy and transformation.

We have moved from ‘strategy as analysis’ to ‘strategy as innovation’. Next, we need to write the playbook that can guide companies well into the 21st century. Many of the pieces are already on the table but need to be assembled into a complete Transformation roadmap.

Mastering ecosystems, extensively exploring portfolios and world-class corporate venturing will become cornerstones of a new operating model.



Transformation is the 21st Century #1 leadership challenge.

The ability to successfully build transformational companies will be the premier leadership challenge for the 21st century. Failure to do so will lead to massive value destruction as dominant companies and entrenched industry leaders fail to transform in time.

One of our key findings; most organizations can see industry shifts coming but are structurally unable to address them.

We propose the 10 Principles of Transformation to help companies prepare for the future – today.

**“The only way you
survive is you
continuously transform
into something else.”**

Ginni Rometty, former CEO, IBM

Three key learnings



It takes 10+ years

Our research finds most transformations take around ten years from the first small steps to a new 'steady state'.

Some industries may see faster cycles, like five to six years, while some may extend up to 15+ years. Ten years, however, seems to be a valid normal for companies across a range of industries.

Notably, none will say they are 'finished', but rather just getting the handle of a new way of managing their business.



The first signals can be found early – but few understand them

In line with Professor Rita McGrath's work on Seeing Around Corners, we find that most firms can see the first signals early, but few grasp what they actually mean for the firm.

These "weak signals" may seem like noise early on but continue to build in strength over time.

In our work we often see entire management teams fully aware of the same signals, but unfortunately lack both a response and the organizational capacity to deal with them.



Companies are just not set up for success

Much has been written on the ambidextrous organization since Duncan and later March popularized it.

Yet, very few companies have a sufficient organizational architecture in place to truly win across the Core – Growth – Explore framework.

Strategic legacy lock-in, organizational design and resource allocation processes continue to be major challenges for large companies to overcome.

“We are working with
outdated tools &
assumptions.

Rita McGrath

Global Top 10 Management Thinkers
Columbia Business School Professor



WHAT IS TRANSFORMATION?

What Is... Transformation?

We define
“Transformation” as a
**significant, lasting and
non-reversible** change to
the company’s value
creation logic.

There are *three* things transformation **is not**



HR-led Change Management

Transformation is not an HR-led change management program with focus on new skills, new culture or a new way of working. Sure, these are important items. But it does not meet our definition of Transformation.



Digital “Semi” Transformation

Transformation is not adding a digital layer, digital channels or a handful of digital platform plays to your business. While these are important elements and can nudge the firm in the right direction, it is completely insufficient to list as anything transformational.




Investing in Innovation

Transformation is not “investing in innovation”, building a corporate accelerator, joining an innovation lab, running a few hackathons, establishing a corporate venture fund, acquiring a few startups. Sure, these are great building blocks, but unless it significantly shifts the value creation logic of the firm, they are more window dressing than anything else. Sorry.

How do we *recognize* Transformation?

How can we recognize a transformation that is already underway, or perhaps even successfully completed? Well, there are three strong milestones that are worth paying attention to.

- 
25 - 30%+ of total revenue comes from new areas, new business units and new business models, typically far outside of the old core business model. This number may be higher or lower at this exact moment, but the trendline towards this level is clear.
- 
 These new areas, both in **Growth and Explore**, are growing faster than the **Core**, have a higher profit margin (or at least is projected to have a higher profit margin), and the new business models make up a disproportional share of the value expressed in the market capitalization. (i.e. your Market Cap Drivers)
- 
 Management and financial analysts are rapidly coming to the realization that in a very near future, the majority of profits will **no longer be coming from the Core**, but from Growth areas, accelerating a painful but natural discussion of exiting the old Core business areas and shifting the Growth areas into what is now becoming the new Core.

Once this scenario plays out, the transformation has gained so much momentum and overcome so many internal challenges, that it is most likely to play itself out in a successful manner. Yet, management and the board now realize, “we did it once, can we do it again, in a systematic, repeatable way”, and that now becomes the new challenge. We just call it “Step 10, repeat”.

Selected industries facing transformation



BANKING

The new landscape is formed by Ant, Alibaba and Facebook. The new 'banks' are not banks, but technology companies. Expect much of the value capture to go to 'non-banks' and emerging scale ups in fintech.



ENERGY

Investors are actively reshaping the energy landscape. Expect to see more fossil-based energy companies to shift into renewables, then exit fossil entirely. (see: Ørsted)
Most likely, it will be investor activism and the fear of financial risks more than management driving this shift.



UTILITY

Utilities are often stuck with massive legacy costs and old technology infrastructure (coal, grids) Distributed energy paradigm will force a new set of strategies by utilities worldwide. Expect to see a lot of 'shock'.



TELECOM

Telecom operators are increasingly finding themselves in a tough spot. Heavy balance sheets of infrastructure investments, significant capital expenditure in 5G required, shortening payback cycles and digital competitors taking the profits on top of the infrastructure. Checkmate?



AUTOMOTIVE

Entire countries will suffer in the coming shakeout in the automotive industry. Car manufacturers are facing their own 'Nokia moment' and the question remains, who will survive? EVs, Mobility Solutions, Mobility-as-a-Service, Tesla; expect to see a massive wave of attempted transformations leading up to 2030.



INDUSTRIAL CONGLOMERATES

Expect to see asset heavy industries continue to shift towards asset-lighter business models. Conglomerates and many family businesses will realize their decision-making culture, innovation strategies and resource allocation processes will all have to change to unlock new value.

71%

of the 10,000 companies
Accenture analyzed are
currently either in the
throes of or stand on the
brink of significant
disruption.

Face significant disruption



Transformation vs. Digital Transformation

How are they different?

	Transformation	Digital Transformation
UNDERLYING LOGIC	A change in value creation logic	A change in operating logic
THREE TYPES #1	Shock	Efficiency
THREE TYPES #2	Shift	Growth
THREE TYPES #3	Evolution	Platforms & ecosystems
TIMELINE	10 (7-15 years)	4 (2-6) years
CORE ACTIVITY	Shift in assets, shift in market value drivers	Shift in digital strategy, shift in digital capabilities
OUTCOME	New narrative to investor community and stakeholders. New market capitalization based on new value creation model.	Increased digital value creation. Potentially external recognition in capital markets. Potentially, but not always, new value creation.

For more insights into how we work on Digital Transformation, see our upcoming work on Disrupt! Q3 2020.

Companies, clusters and governments

Successful transformation matters. But it matters far beyond any single company.

In a recent speech FT's Martin Wolf discussed how **all stakeholders** suffer long-term damage by companies' failures. Today, should the German automotive industry fail to transform, more than 400,000 jobs are at risk in the short-term.

Building Transformational Companies matters to the shareholders, financial markets, employees, local communities, pension holders, industrial clusters, ecosystems, regions, nations and governments. It is a task far beyond any one single company.



Companies

Executives, Board, Employees, Shareholders need to build transformational capacity to be able to adapt and transform faster than we see in most industries today.



Clusters

Innovation clusters and Superclusters need to build deep transformational capacity across their members and ecosystem. Thanks to their unique position as trust-based collaboration platforms, clusters can support and accelerate this development.



Governments

Governments, from oil-rich nation states in the Middle East, regional governments in China, political leadership overseeing the energy transition in Norway, local governments dealing with the industrial manufacturing in Germany and virtually every modern industrial state is looking for ways to continuously transform and upgrade their economies. Failure to do so may spark a downward spiral of economic decline and loss of relative economic position (think: Detroit's former manufacturing glory days)

**Start before
you need to...by the
time the data suggests
you absolutely must
transform, it is often
too late to do so**

Scott D. Anthony
Strategic Advisor, Author,
Senior Partner, Innosight

THREE TYPES OF TRANSFORMATION

Three Types of Transformation

In our work we identify three types of Transformation: Shock, Shift & Evolution.



SHOCK

Shock is triggered by outside events or outside pressures that force the company to transform, or at least attempt to transform.

Burning platform.

Very hard to pull off.

Case: Nokia



SHIFT

Shift is a sudden strategic move that carries massive and abrupt changes to the business models and underlying value creation logic.

Exit a declining core.

Case: Adobe



EVOLUTION

Evolution is a long-term, planned and well-executed gradual change in resource allocation and business areas. The evolutionary transformation may play out over ten+ years. The Core-Growth-Explore playbook is virtually always followed.

Continuous reconfiguration.

Case: Microsoft

Shock

Shock is triggered by outside events or outside pressures that forces the company to transform, or at least attempt to transform. Burning platform.

Very hard to pull off.

Three signs to look for:

- Actively ignore weak signals and shifting context
- Double down on legacy core business
- Only fully realize it too late, new CEO, launching a flurry of initiatives at the last moment

Well-known cases:

Nokia

Blockbuster

Kodak

Emerging cases:

Volkswagen

GE



Shift

Shift is sudden strategic moves that carries massive and abrupt changes to the business model and underlying value creation logic.

Exit a declining core.

Three signs to look for:

- Strategy review kicking off a new era
- Bold leadership
- Willing to 'burn the lifeboats' and go all in, despite short-term fall in market cap

Well-known cases:

Adobe

Emerging cases:

Ørsted

Evolution

Evolution is a long-term, planned and well-executed gradually change in resource allocation and business areas. The evolutionary transformation may play out over ten+ years. The Core-Growth-Explore playbook is virtually always followed. **Continuous reconfiguration.**

Three signs to look for:

- Long-term process evolving over time
- Openly recognize and discuss the strategic dilemmas in the 'old vs. the new'
- Patiently guiding external stakeholders, media and financial analysts

Well-known cases:

Microsoft

Amazon

Schibsted

Fuji

Emerging cases:

Equinor

Shell



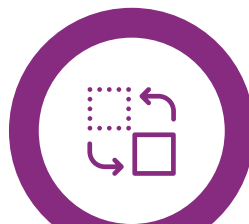
Implications for your firm?

What are the implications for your firm?



SHOCK

- Actively ignore weak signals and shifting context
- Double down on legacy core business
- Only fully realize it too late, new CEO, launching a flurry of initiatives at the last moment



SHIFT

- Strategy review kicking off a new era
- Bold leadership
- Willing to 'burn the lifeboats' and go all in, despite short-term fall in market cap



EVOLUTION

- Long-term process evolving over time
- Openly recognize and discuss the strategic dilemmas in the 'old vs. the new'
- Patiently guiding external stakeholders, media and financial analysts

**Don't be
constrained by
traditional industry
categories and
competitors**

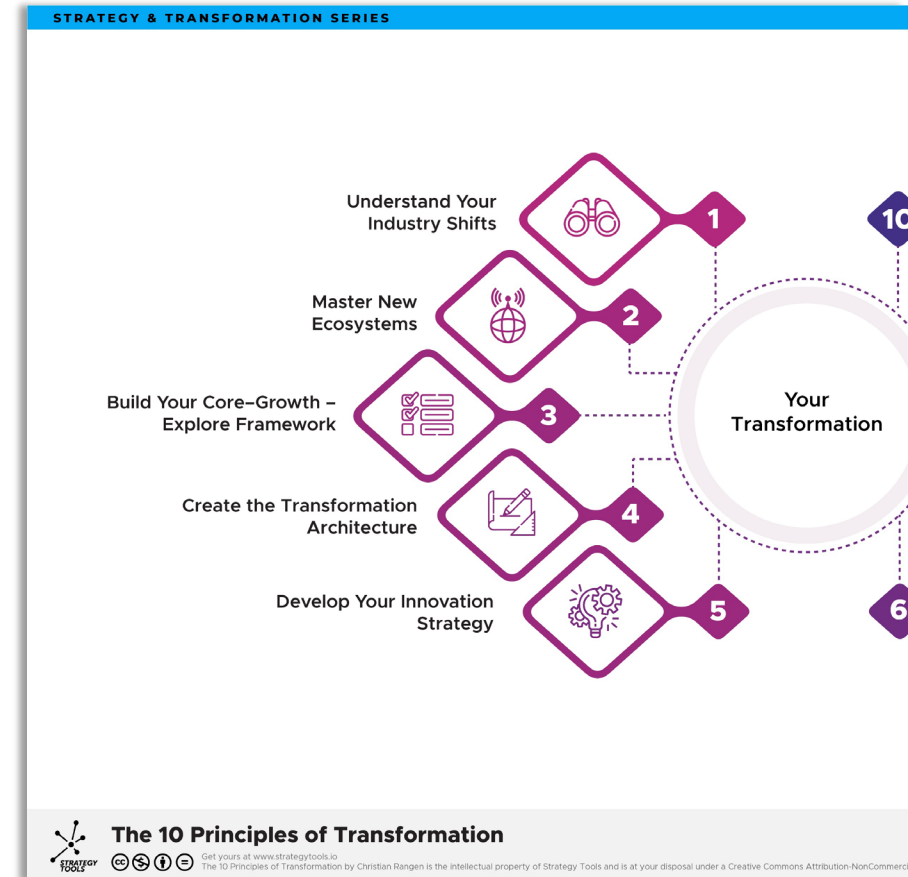
**Bill Fischer
Professor, IMD**

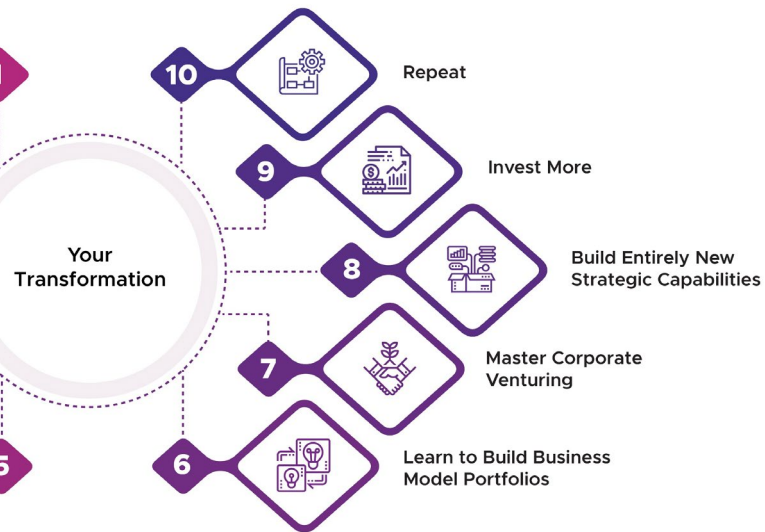
10 PRINCIPLES OF TRANSFORMATION

The 10 Principles of Transformation

In 2019 we first identified the 10 Principles of Transformation. As we kept looking into the research, interviewing transformation leaders and exploring the topic in-depth, 10 principles emerged as foundational to any transformation program.

Today, these 10 Principles have become a foundational framework and tool for our work on Transformation.





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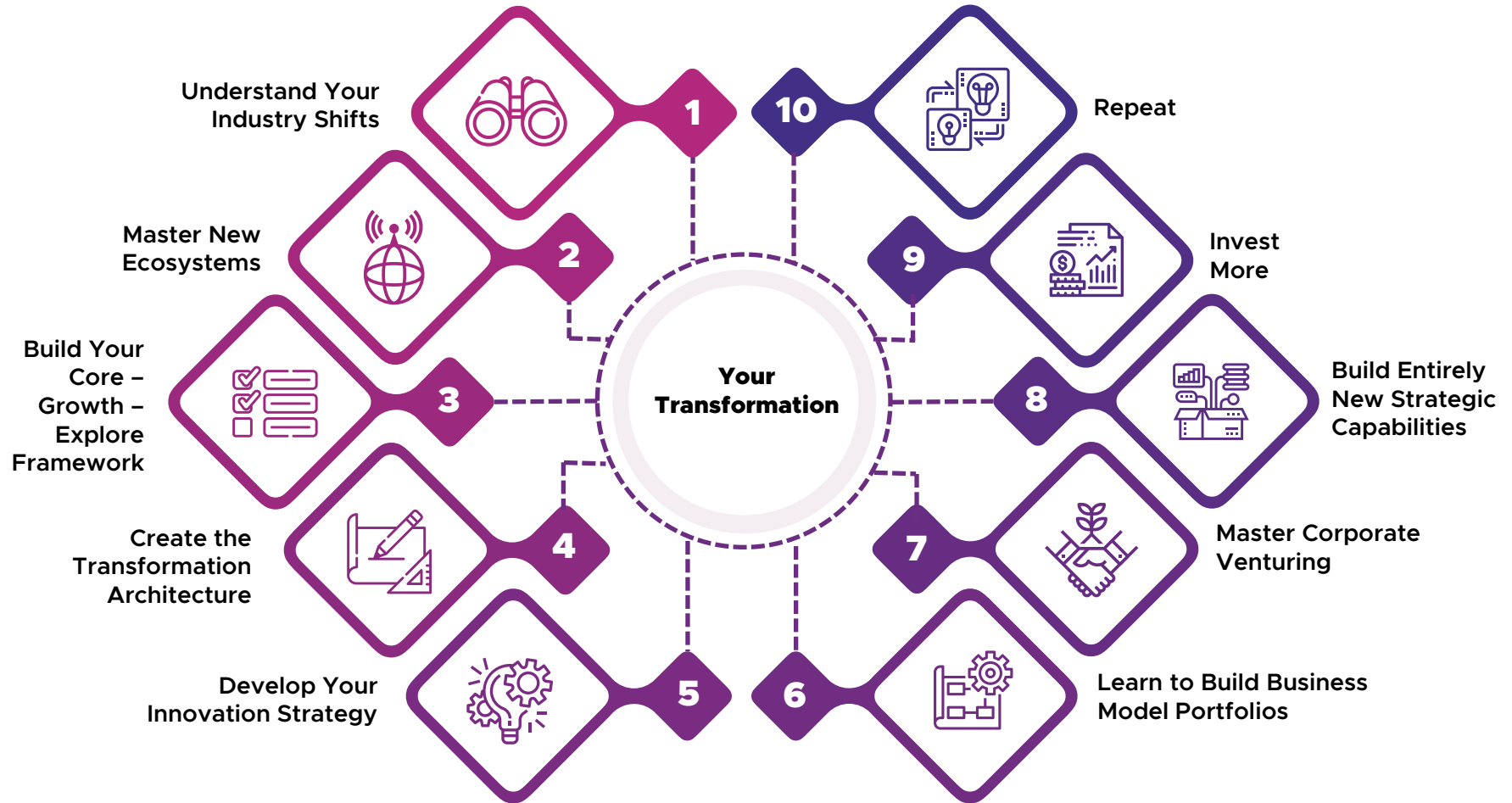
The **10** Principles of Transformation

The 10 Principles of Transformation is a complete end-to-end framework for leading a Transformation program. In our work we have mapped out and defined the 10 steps in detail. Beyond that, for every step, we have selected or developed one to two Strategy Tools to help guide your work in that specific step.

For every Principle we suggest a three action steps to guide you on the Transformation Journey.

These 10 Principles also make up the foundation for our latest Strategy Tools, the Transformation Roadmap and Transformational Company Index, both which can be found in the following pages of this report.

The 10 Principles of Transformation



10 Principles of Transformation

Learn More?

Do you want to dig deeper into the 10 Principles of Transformation?

This report is our first publication of our research and work in this field. We are currently writing a more detailed book, allowing us to share our findings and methodology in more detail.

If you are interested in exploring the 10 Principles of Transformation together with us, but do not want to wait for the book, we have developed a number of learning and development programs you may find suitable.



ONLINE LEARNING PROGRAM

5 Weeks
Online



EXECUTIVE MASTERCLASS

1 Day
On-site



TRAIN-THE-TRAINER

3 Days
On-site



CONSORTIUM

6 Months
Online & Off-site



PROJECT

Flexible
Online & On-site

CLOSING THE TRANSFORMATION GAP

What is... a Transformation Gap?

We define the “Transformation Gap” as the **gap between an organization’s understood need to transform vs. its own view of its capabilities to successfully execute and achieve that transformation.**

Understanding the Transformation Gap

The Transformation Gap is commonly measured in management sessions, strategy workshops and board engagements.

It is based on three questions and five steps:

- 1 **What will our company look like in ten years?** (future outlook)
- 2 **How significant a transformation will we require?** (on a 1-10 ranking)
- 3 **How ready (capable) are we for this transformation?** (on a 1-10 ranking)
- 4 **Measuring our transformation gap.** The gap between question #2 and question #3 is your transformation gap
- 5 **Closing the transformation gap.** Shift from analysis to action. Define key steps to close your transformation gap

A Transformation Gap of 1, 2, 3 is considered very low. A Transformation Gap of 8, 9, 10 is equally very high (let's call it extremely high). A Transformation Gap of 5, 6, 7 is considered high and generally demanding enough.


The Transformation Gap

During our work and various customer engagement sessions in 2019 we realized only a few groups or management teams had an intuitive grasp of the idea behind the ‘Transformation Gap’.

We iterated several exercises and – eventually – visual strategy tools to help create a better shared understanding and common view on this thing called the ‘Transformation Gap’.


In early 2020 we created the tool Transformation Gap. This canvas allowed us to quickly get groups introduced to the concept and – equally important – they got a clear and simple visual framework to work on the gap problem. Having run sessions with groups in Europe, South America and the Nordics, we see the Transformation Gap canvas can easily be applied by our key partners and quickly create both understanding and impact in any group.

STRATEGY & TRANSFORMATION SERIES



AMBITIONS

Strategic Ambitions
What will our company look like in ten years?



Transform! ?

How significant a transformation will we require to realize our ambitions?

1

2

3

4

5


6

7

8

9

10



Ready ?

How ready and capable is our organization for this transformation?

1

2

3

4

5


6

7

8


9

10



CLOSING THE TRANSFORMATION GAP

Building the Transformational Company
Following The 10 Principles of Transformation, how can we close our Transformation Gap?



Transformation Gap

Get yours at www.strategytools.io
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The Transformation Gap

AMBITIONS

Strategic Ambitions

What will our company look like in ten years?

Define and describe the long-term ambitions for the firm. This may be the 'official' strategy or a more patchwork of different perspectives emerging across a group or the organization.

Three metrics points give you minimum data for measuring your Transformation Gap

Transform! ?

How significant a transformation will we require to realize our ambitions?

1 2 3 4 5 6 7 8 9 10

Ready ?

How ready and capable is our organization for this transformation?

1 2 3 4 5 6 7 8 9 10



The Transformation Gap

Measuring our Transformation Gap

1 2 3 4 5 6 7 8 9 10

CLOSING THE TRANSFORMATION GAP

Building the Transformational Company

Following The 10 Principles of Transformation, how can we close our Transformation Gap?

From challenges to solutions. Using the 10 principles, how can you and your group start outlining various steps to close your Transformation Gap?



Transformation Gap

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Case Study: Telecom

The brief example below illustrates how a session on the Transformation Gap might look like for a Telecom operator. Notice the different views on Strategic Ambitions, a far too common sight.

AMBITIONS

Strategic Ambitions

What will our company look like in ten years?

5G investments required

Shifting from a 'pipeline' to a 'software' company

No clear strategy in place yet

Massive change needed just to survive

We need to develop new revenue streams outside of traditional telecom

Shorter payback time available on any major investment

Increasing number of non-telcos eating away at old profit centers

Transform! ?

How significant a transformation will we require to realize our ambitions?



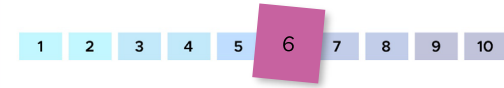
Ready ?

How ready and capable is our organization for this transformation?



The Transformation Gap

Measuring our Transformation Gap



CLOSING THE TRANSFORMATION GAP

Building the Transformational Company

Following The 10 Principles of Transformation, how can we close our Transformation Gap?

We need to build an explore business unit

Need a change of mindset at the Board level

Need to understand Industry shifts far better than we do today

Dedicated Transformation Officer and team

We should learn from new ecosystems

Need to tap new financing mechanisms to generate free cash for investments

Future investments should be in software, not in fiber and infrastructure

Urgent need to build a corporate venture unit, with aggressive mandate

Your Turn!

What does the Transformation Gap look like in your firm? Discuss with your team. Write in the report or use mini Statts to work with.



AMBITIONS

Strategic Ambitions

What will our company look like in ten years?



Transform! ?

How significant a transformation will we require to realize our ambitions?

1 2 3 4 5 6 7 8 9 10



Ready ?

How ready and capable is our organization for this transformation?

1 2 3 4 5 6 7 8 9 10



The Transformation Gap

Measuring our Transformation Gap

1 2 3 4 5 6 7 8 9 10



CLOSING THE TRANSFORMATION GAP

Building the Transformational Company

Following The 10 Principles of Transformation, how can we close our Transformation Gap?



Transformation Gap



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WHAT IS THE IDEA OF THE FIRM?

What is ‘the idea of the firm’?

The question, “so, what business are you in” has promoted many CEO and CSO-level conversations, often leading into a deeper discussion around “what is actually your **‘idea of the firm’?**”.

In our work and research, we find that this simple question is a genuinely powerful way to start a conversation on transformation. We also find that successful transformation cases often point back to a specific time or event when they explicitly decided they had to, or already had, shifted the idea of the firm.

So, what is ‘the idea of the firm’?

At its most basic level, ‘the idea of the firm’ is who are we, why do we exist and who do we want to be, all bundled into one statement or one sentence. It should be deep, foundational, yet also simple, easily communicative and easy to grasp.

It should be aspirational, something to strive for. It should also be ambitious, something bold and future-oriented. In the foundational strategy tool, Strategy Intro, we call this “Ambitions”.

'Idea of the firm'

- Are we a newspaper company or a media company?
- Are we a media company or a tech company?
- Are we a publisher or are we a shaper of the media of the future – today?
- Are we a train company or a future-oriented mobility company?
- Are we a car manufacturer or a mobility solutions company?

You probably recognize some of these questions and the companies behind them. You may also have similar questions yourself.

Your 'idea of the firm'

These are just a handful of the foundational questions, the very 'idea of the firm' questions we have met in the last few years.

These are not easy to answer.

In fact, they can fuel explorative discussions, often stretching over years before the organization is able and willing to make a decisive choice. Even then, the choice is highly delicate, careful and deliberate.

In our framework, **the 10 Principles of Transformation**, we encourage the pursuit of strategic dilemmas (see, principles 1 and 2), as these strategic dilemmas may provide new lenses to unlock new perspectives and new growth opportunities far outside your traditional core business.

So, what is your 'idea of the firm' and how do you see it changing in the coming decade?

CASE: EQUINOR

From Oil & Gas Company to Energy & Technology Company

Case in point is **Equinor**, who shifted from being an **Oil & Gas Company** to become a broad-based **Energy & Technology Company**.

In 2018, CEO Eldar Sætre published a manifesto titled “From Oil Company to Broad Energy Major”. In this manifesto which was published both internally and externally in major newspapers, Mr. Sætre laid out a vision and high-level roadmap to transform Equinor into a leading global energy company.

With this publication, many on-going conversations on the future of the company aligned into a clear shift in ‘the idea of the firm’ for Equinor’s 20.000+ staff, aligning them around a three-step strategy to balance the Core, Growth & Explore areas of the company.

We have been privileged to follow this Transformation Journey closely over the past seven years. Today we are optimistic on behalf of the company, but also recognize there are a number of strategic dilemmas, accelerating shifting investor expectations and an overall rise in the market cap of pure play clean energy companies, all pushing into the transformation narrative at Equinor.

Equinor's 'Idea of the firm'



From oil company to a
broad energy major

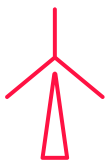
Seeing opportunity in the transition to a low-carbon future

Equinor CEO Eldar Sætre explains how his company is putting its weight behind the Paris Agreement and seizing the opportunities presented by changes in global energy markets. "We must be part of the response to the challenges facing the world," he says.

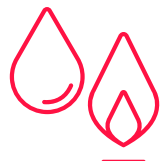


#transform

To succeed over time, the internal pace of change in a company must exceed the rate of change externally. Equinor is no exception, and three areas are important:



We will produce oil and gas that the world needs, competitively and with lower greenhouse gas emissions.



We will grow significantly within renewable energy with an ambition to invest around NOK 100 billion over the next few years.



We will actively stress-test our business to ensure that we are competitive in a low-carbon future.

By Eldar Sætre,
President and CEO, Equinor

Equinor has created substantial value and contributed to the development of society for almost 50 years. Today we supply energy to more than 170 million people.

Our strategy describes our development from a focused oil and gas company to a broad energy major. We are well underway, and the pace of change is faster than perhaps ever before. This is necessary, not temporary, and the pace of change will accelerate going forward. Some people will always argue that the rate of change is too slow but compare this to maneuvering a supertanker: sudden movements may be too hasty and risky, but constant adjustments to your course enable you to end up in a different place than if you had continued going straight ahead.

A DRIVER FOR CHANGE

The global energy markets are facing major changes. Equinor believes this to be an opportunity. We aim to help drive the important changes the world needs: more climate-efficient oil and gas production and strong growth in profitable renewable energy.

To achieve the goals of the Paris Agreement, demand must be reduced, and substantial fossil fuel resources will have to be left in the ground. First and foremost coal, but also oil and gas. It matters which resources are produced, how they are produced, and what is left in the ground. We rely on new low-emission production to avoid alternative production with high emissions. That's why it is important that we continue to make profitable discoveries that can be produced with low emissions. As we do in Norway.

Equinor is not exploring for heavy oil, nor will we consider entering oil sands resources. We aim to find and produce new resources with ever-lower carbon emissions. We are a global leader in this area. If we fail to meet oil demand with low-carbon production, it will be harder to achieve the Paris goals.

WHAT IS OIL USED FOR?

A growing number of people are switching to electric cars, especially in Norway, but also in other countries. This is positive but makes it even more important to avoid coal in electricity production.

Electrification of private cars can happen fast, while it may take longer to find alternatives for the growing road transport, shipping and air travel sectors. Oil demand from petrochemical and other industries will also increase, and we will all remain dependent on services and products made from oil and gas. Various types of fuels account for just over half of oil consumption, while the rest is used for products and services we all use, and where demand is on the increase: heating, plastic products, medicines, detergents, asphalt, clothes, fertilizers, to name but a few.

STRONG GROWTH IN RENEWABLE ENERGY

In Equinor, the process of establishing renewables as an important and profitable part of our business is well underway. We started with offshore wind. Our projects provide reasonable returns for us, and are on track to deliver renewable power to more than one million households in Europe.



equinor

#transform

This autumn our first floating wind farm will come on stream offshore Scotland. This has generated positive media coverage across the world, because of its potential to unlock opportunities in areas too deep for bottom-fixed wind turbines. Again, we are global leaders, with the technology being derived from our experience from floating oil installations, and many of the deliveries are from the Norwegian supplier industry.

Recently, we made our first investment in solar energy with Scatec Solar in Brazil. A small step that we hope will form the basis of a new growth area for Equinor.

Our ambition is to invest around NOK 100 billion in new renewable energy towards 2030. There will be no lack of willingness to invest. The challenge is to find good and profitable industrial projects.

TECHNOLOGICAL QUANTUM LEAPS

The story about our industry is a story about innovation and technology development. New resources can be produced in ever better ways. A technological shift that will change our industry forever is now underway.

Over the next three years Equinor will invest NOK 1 to 2 billion in gaining a global leadership position within digitalisation, and we are prepared to increase this further going forward. The dominance of the big oil platforms may soon be over. The production of the future will increasingly be subsea, with lighter installations, unmanned, robotised, remotely operated and standardised. Safer, more profitable, and with lower emissions. We use technology from other industries, and we contribute by investing in and maturing technologies, for the benefit of both of ourselves and other industrial clusters.

OPPORTUNITIES AND CHALLENGES

Climate change is not a question of what you believe in. It is science. Man-made climate change is happening, and will have dramatic consequences if we fail to stop it. This conclusion forms the basis for our decisions and investments. Statoil has the knowledge, the brains and the capital to help develop the solutions of tomorrow.

Source: <https://www.equinor.com/en/magazine/transitioning-to-broad-energy-company.html>

We have witnessed a growing debate about stress-testing the Norwegian economy against low-carbon scenarios. Equinor is already doing this, and we welcome the fact that Norway has now decided to do the same. Our tests have shown that Equinor is robust. Energy efficiency, oil and gas deliveries with low emissions, investments in carbon capture and storage, technology development and renewable energy are important parts of the answer both for Equinor and Norway. And this will also be Norway's main contribution to addressing the global climate challenge. A profitable oil and gas industry will also drive technology and competence development of importance far beyond our industry, and the continuous transformation Norway needs.

To be successful also in the next 50 years, we must be part of the response to the great challenges facing the world. We will therefore continue turning natural resources into energy for people and sustainable progress for the society we are part of."

From..... to.....

Where are you heading from... and to?

Are you able to clearly articulate your journey in three simple steps?

Do you have a clear Transformation Roadmap in place?

Is this fully understood by your organization and well-implemented with new KPIs, leadership behaviors, new talent development programs, strategic acquisitions and a clear story to the financial markets?

**If you want to transform,
you need to change the
fundamental ‘idea of the
firm’ across the
organization.**





THE TRANSFORMATION JOURNEY

What is... the Transformation Journey?

We define the
“Transformation Journey” as
**a multi-year journey of
sensing, exploring, learning,
gradual reinvention and –
eventually – successful
Transformation.**

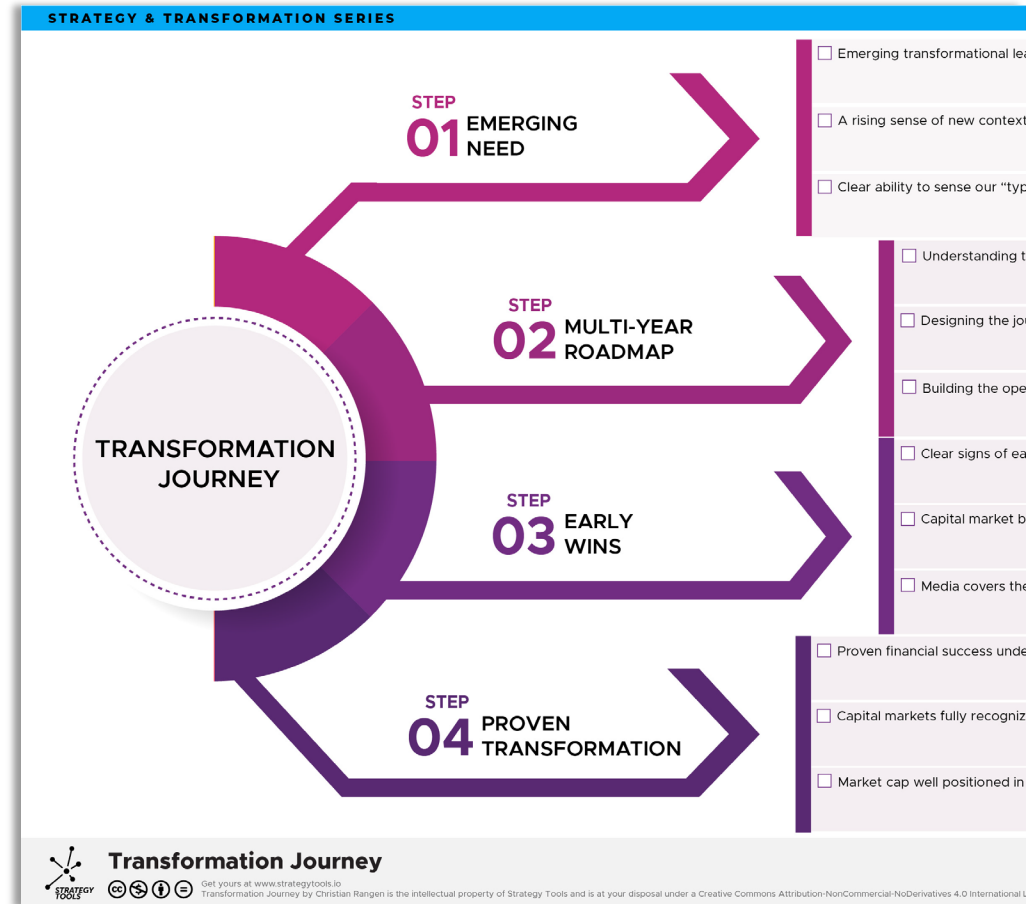
The Transformation Journey

How does a company get started? What are the first few steps? What is the process – before there even is a roadmap, transformation office or even a mandate?

We view the Transformation Journey as the mandatory foundation. This four-step process is designed to guide you through a multi-year journey of exploring, learning and reinventing. It is a high-level journey framework but allows you to take a broad helicopter view before diving into the many strategic and people challenges you may be facing.

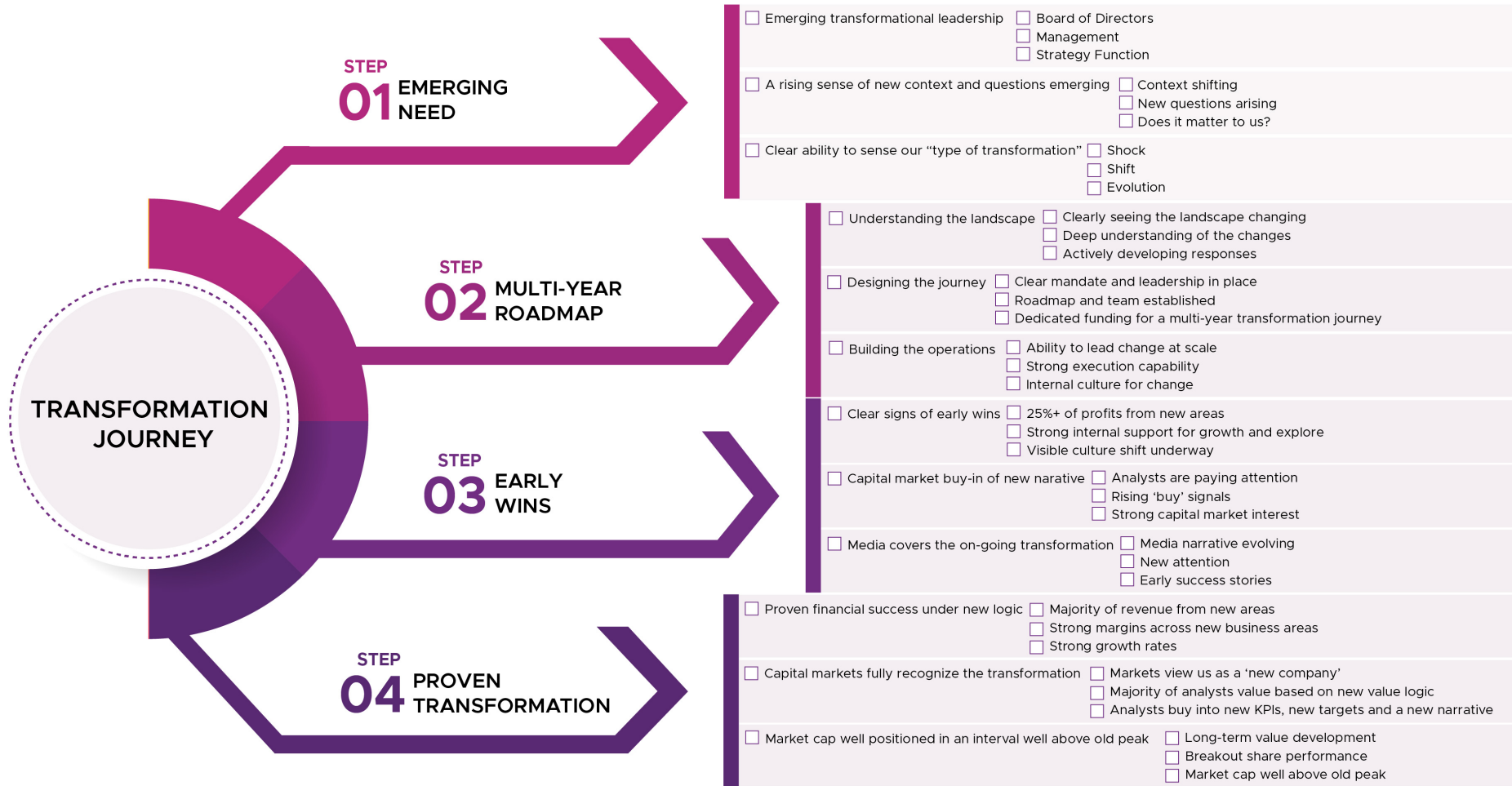
Once this Journey has started and step one is completed, it makes sense to get started on the Transformation Roadmap – but it may not make sense to start on the Roadmap before you have a minimum of alignment among your key stakeholders.

Step one, start the journey.



Your Turn!

What does your Transformation Journey look like? Try it here.



Transformation Journey

Get yours at www.strategytools.io
 Transformation Journey by Christian Rangen is the intellectual property of Strategy Tools and is at your disposal under a Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License.

**It's a journey that is
measured in years.**



Rick Rasmussen, Industry Fellow, Berkeley

THE TRANSFORMATION ROADMAP

What is... The Transformation Roadmap?

We define the
“Transformation Roadmap” as
**a clear, actionable plan for
leading an end-to-end
Transformation.**

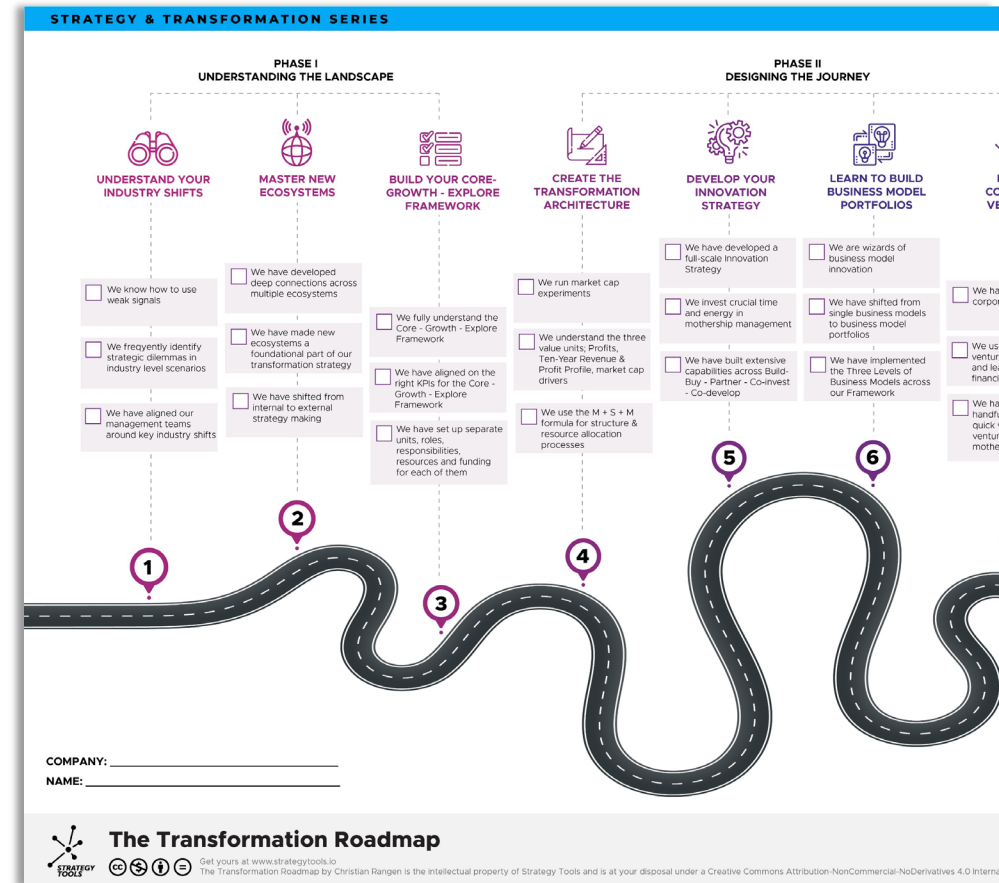
The Transformation Roadmap

The Transformation Roadmap emerged during late 2019 based on work and insights with a large number of transformation cases in Europe, Asia and the Nordics.

Across our research, interviews and client projects, we started sensing a pattern, a repetitive step-by-step process emerging. While we previously had only seen bits and pieces, for the first time we started to see the entire picture.

The process was greatly fueled by conversations and collaboration with Ian Pallister. With more than 25 years of strategy consulting from firms like Strategos, Palladium and Innovaro, Ian brings a wealth of knowledge in understanding the challenges by CEOs and Boards in navigating through major industry shifts.

Today, the Transformation Roadmap is helping companies navigate their strategy challenges. Over the next few pages you can get started on your own Transformation Roadmap.



The Transformation Roadmap

STRATEGY & TRANSFORMATION

PHASE I UNDERSTANDING THE

For most companies, this whole section on 'mastering new ecosystems' is new and difficult. Even with an innovation outpost in Silicon Valley or two, few firms have structured processes in place for fully dealing with or mastering new ecosystems.

Transformation architecture combines financial market outlook, organizational (re)design, culture and leadership. In its essence, it deals with the big question of 'are we set up for this?'

Corporate venturing is on the rise globally. Up 35% in 2019 to 773 globally. US & Chinese tech firms are leading the pack. Expect to see more CVC emerge in Europe.

We get a lot of questions on 'the soft sides, like leadership and culture'. In our Roadmap, they fit straight in here. A Transformation is not a minor change program. It will require fundamentally new mindsets (see Microsoft's new Growth Mindset), new people and new culture emerge. Hard work indeed.

PHASE II BUILDING THE

UNDERSTAND YOUR INDUSTRY SHIFTS

MASTER NEW ECOSYSTEMS

BUILD YOUR CORE-GROWTH - EXPLORE FRAMEWORK

CREATE THE TRANSFORMATION ARCHITECTURE

DEVELOP YOUR INNOVATION STRATEGY

LEARN TO BUILD BUSINESS MODEL PORTFOLIOS

MASTER CORPORATE VENTURING

BUILD ENTIRELY NEW STRATEGIC CAPABILITIES

INVEST MORE

REPEAT

- We know how to use weak signals
- We frequently identify strategic dilemmas in industry level scenarios
- We have aligned our management teams around key industry shifts

- We have developed deep connections across multiple ecosystems
- We have made new ecosystems a foundational part of our transformation strategy
- We have shifted from internal to external strategy making

- We fully understand the Core - Growth - Explore Framework
- We have aligned on the right KPIs for the Core - Growth - Explore Framework
- We have set up separate units, roles, responsibilities, resources and funding for each of them

- We run market cap experiments
- We understand the three value units: Profits, Ten-Year Revenue & Profit Profile, market cap drivers
- We use the M + S + M formula for structure & resource allocation processes

- We have developed a full-scale Innovation Strategy
- We invest crucial time and energy in mothership management
- We have built extensive capabilities across Build-Buy - Partner - Co-invest - Co-develop

- We are wizards of business model innovation
- We have shifted from single business models to business model portfolios
- We have implemented the Three Levels of Business Models across our Framework

- We have a world-class corporate venturing unit
- We use our corporate venture unit for scouting, and learning strategic & financial investments
- We have developed a handful of early exits or quick wins to validate the venture unit to the mothership

- We have aligned strategy, structure, resource allocation, leadership and culture
- We have avoided traditional mass-scale HR-led retraining "change management"
- We have developed deep capabilities in new small units and teams in Growth and Explore areas

- Our transformation roadmap matches our funding model and capital allocation process
- We have developed our story; communicate proactively with financial markets and financial analysts
- We have shifted our capital allocation process to Growth and Explore business models

- We are building continuous industry shifts and transformation into our new strategy
- We have established a strategy & transformation unit to grow deep capabilities over time
- We expect transformation to become the new normal

2

Alignment is the big key here. We find many executives see the industry shifts from afar, but do not have the team, backing or organizational capacity to deal with them. Top management alignment is urgently required.

3

This one is easy on a high, conceptual level, but gets more challenging as we dig into KPIs, allocation of funding and dedicating people and time. A Danish life science firm has 25+ new growth teams, fully dedicated to entirely new explore options. How many does your firm have?

6

Ask any employee, 'what's your firm's innovation strategy', and you are bound to get a zillion different answers. Not the best ones. Leading firms develop a very clear, concise innovation strategy. We highly recommend using the Build-Buy-Partner-Co Invest- Co-Develop framework.

7

Leading a transformation? Never lose track of your capital markets and financial analysts. Develop your story, present and repeat, guide on a new narrative and new metrics. 'Over-communicate', says Mark Garnett, CFO at Adobe when guiding Adobe through its shift to the cloud.

8

9

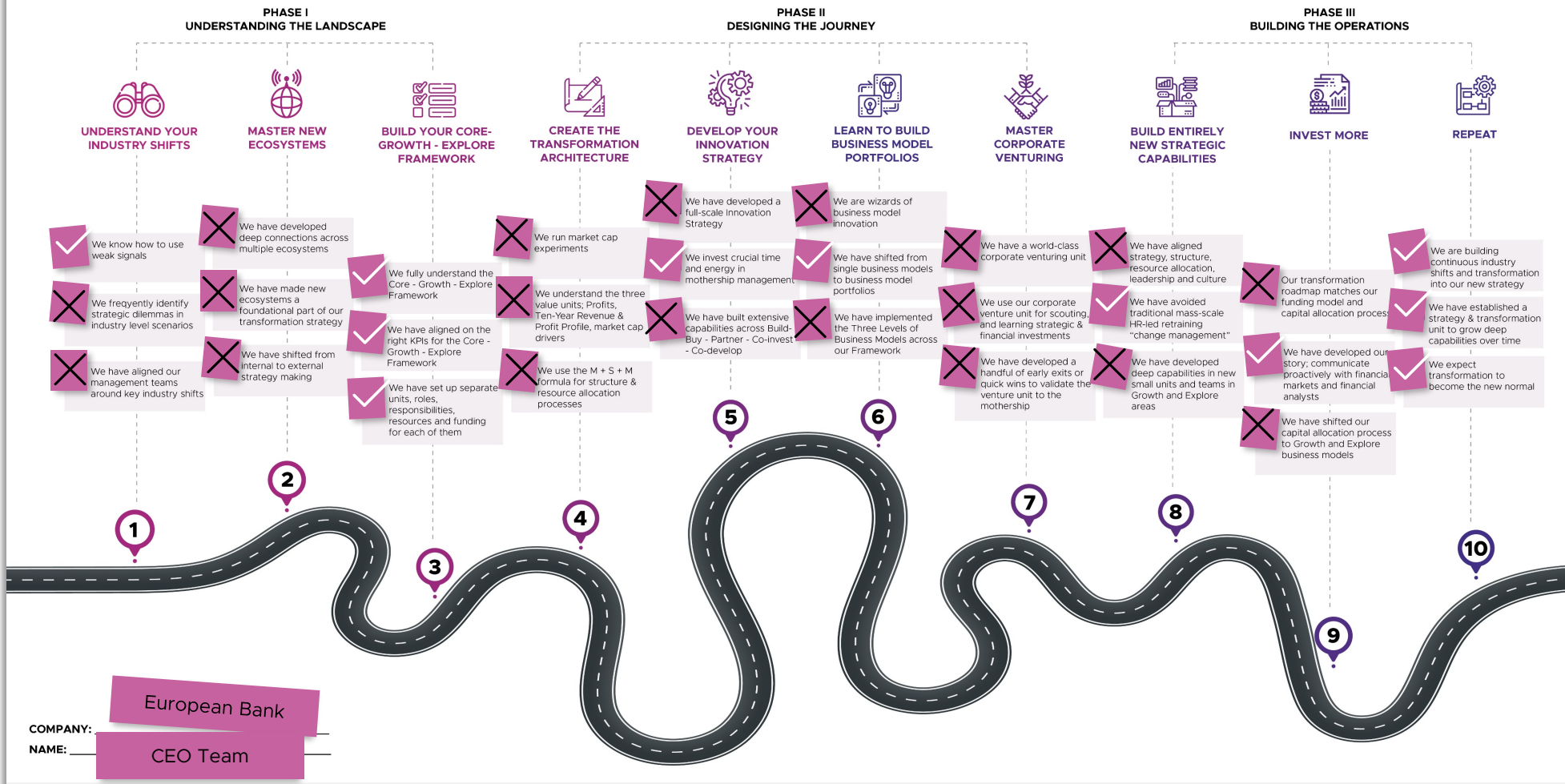
Don't expect your transformation to end. Most firms we studied showed a 'rinse and repeat' attitude, fully expecting this to become the new normal.

COMPANY: _____
NAME: _____

Case Study: Bank

Mini-case on a bank. Download the tool or use the next page to get started on your own company.

STRATEGY & TRANSFORMATION SERIES STRATEGYTOOL



The Transformation Roadmap

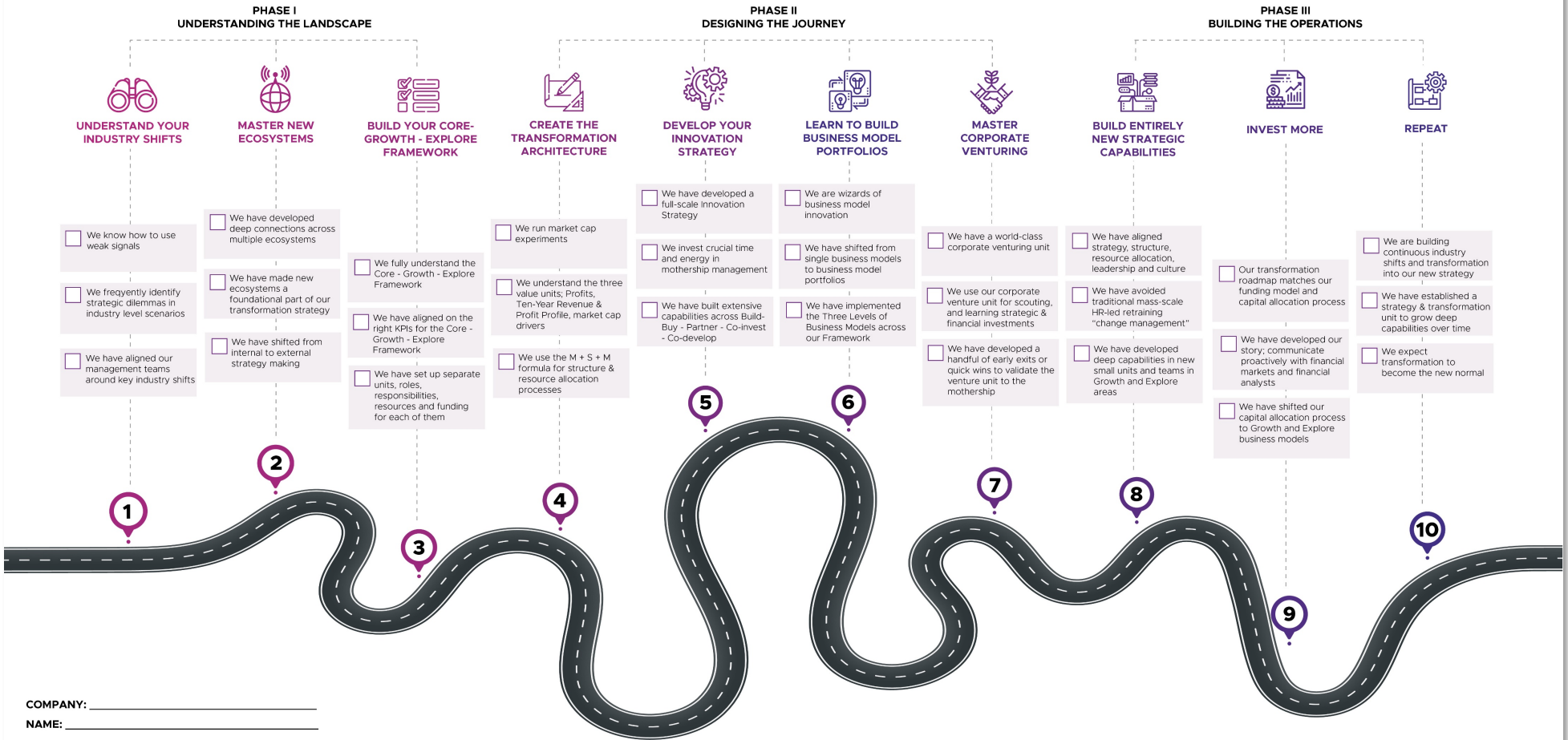


Get yours at www.strategytools.io

The Transformation Roadmap by Christian Rangen is the intellectual property of Strategy Tools and is at your disposal under a Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License.

Your Turn!

What does the Transformation Roadmap look like in your firm? Discuss with your team. Complete it right here or start outlining your first few steps.



The Transformation Roadmap

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**Very few have a
strategy grounded in
a clear view of what
they expect the
future to look like.**

Scott D. Anthony
Strategic advisor, Author,
Senior Partner, Innosight



TRANSFORMATION AND STRATEGIC DILEMMAS

Exploring Strategic Dilemmas

How do we create a new strategy when there is no clear path forward?

How do we create a new strategy when all analysis point to a rapidly shifting landscape and a declining room to maneuver?

How do we create a new strategy when our core business is barely able to sustain itself and we have few options for funding new growth options?

Recently we have been working with customers and partners to gain a deeper of what we call 'Strategic Dilemmas'. Wicked, complex strategic challenges that seemingly have no obvious best path forward. In many of the industries mentioned in this report we find multiple Strategic Dilemmas at work.

At a recent Strategy Tools Master Trainer Program 12 participants spent a full working session exploring Strategic Dilemmas for the German automotive industry. Shifting through a number of articles, interviews, data points and newspaper clippings, the Master Trainers came away exhausted. *"This is difficult. Very, very difficult"* said one. We would concur.

When VW's CEO Herbert Diess talks about the entire German automotive industry needing to wake up and avoid its own Nokia-moment, it is time to pay attention.

Watch out for many Strategic Dilemmas emerge here in the coming few years.

**Emphasize the
transformation
opportunity!**

Ian Pallister
Strategy & transformation advisor

ASSESS USING THE TRANSFORMATIONAL COMPANY INDEX



The Transformational Company Index

Building on the 10 Principles of Transformation, we have developed a data-driven assessment tool, the TCI or **Transformational Company Index**.

Use it in 1:1 conversations, with small groups or across the entire organization. The TCI gets you a clear index score on where you stand in your Transformation Journey. Over time the TCI will allow you to track and measure the changes in your company's overall TCI score. This tool could become a vital data point and assessment of your on-going transformation.

If you are just getting started, we recommend running a small engagement session with your corporate strategy team or Transformation Office to involve them early in your TCI work. You can run the TCI as a group work "in the room" or "data-driven assessment" across a global organization. The choice is yours.

STRATEGY & TRANSFORMATION SERIES **STRATEGYTOOLS**

COMPANY: _____ **DATE:** _____

Understand Your Industry Shifts	1 What shifts?	2 I don't think this is very relevant to us.	3 We struggle with the concept, but we do realize the world around us is changing faster than it used to.	4 We deeply understand industry shifts but find it difficult to do anything about them.	5 We are experts in dealing with industry shifts.
Master New Ecosystems	1 Why would we want ecosystems?	2 We don't need ecosystems. We have moats.	3 Sometimes we go outside, to visit places like Silicon Valley and Tel Aviv. It can be very useful.	4 We understand ecosystems and engage with a handful of external partners, like accelerators and VC firms.	5 We map and scout more than ecosystems around our emerging market opportunities. We have deep personal ties in each of these ecosystems.
Build Your Core - Growth - Explore Framework	1 Our business is booming. Why would we want to change?	2 Our present core business is going to be the future of this company.	3 We see a growing need to find and develop new growth options outside our core business.	4 We have a good structure for dealing with Core-Growth-Explore, and we do it pretty well.	5 We are masters of balancing Core-Growth-Explore, with focus, metrics and resource allocation processes.
Create the Transformation Architecture	1 We are structurally undervalued by the market.	2 Financial markets are generally positive to us.	3 We understand the connection between our strategic choices, market capitalization and how we are organized.	4 We run multiple scenarios on our market cap, and have a deep understanding of what drives our market cap.	5 We are world-class in value development. We optimize our strategy, structure and value drivers to unlock massive stakeholder value.
Develop Your Innovation Strategy	1 Innovation is not very relevant to us.	2 We have creative people and a good innovation culture.	3 We have a mixed innovation strategy, doing a lot of different things, inside and outside.	4 We have a clearly defined innovation strategy, with both internal and external innovation programs.	5 We have a very well implemented, world-class innovation strategy. It is probably one of the best in the industry.
Learn to Build Business Model Portfolios	1 What is a business model?	2 We have a very strong business model.	3 We see a growing need to build out new business models, and we have a basic solution in place.	4 We have multiple business models, and a portfolio-based approach to managing them.	5 We are recognized as best in industry. We have a robust business model portfolio framework in place.
Master Corporate Venturing	1 What is corporate venturing?	2 We don't really have a need for corporate ventures.	3 We have made some minor investments. I guess we are doing okay.	4 We have a clear method in place, owned by the CEO and CFO, to acquire emerging companies and interesting startups.	5 Our corporate venture arm is world-class. We are widely recognized as a strategic and capable investor. We deliver significant growth and impact.
Build Entirely New Strategic Capabilities	1 We are actually just really, really busy.	2 We have some HR-led programs, like leadership development.	3 We have a good learning and development culture, but not using it strategically.	4 We invest in our people. We build out new capabilities allowing us to comfortably get into new growth areas.	5 We invest significantly in new capabilities. We have a proven track record of building out core capabilities.
Invest More	1 We really preserve our cash.	2 We have little need for investment, we have mature business lines with strong cash flow.	3 We understand how to invest in new and interesting areas. We use business case templates in place for management approval.	4 We have strong resource allocation processes, allowing us to easily shift resources away from declining core and into new growth opps.	5 Our resource allocation process is truly world-class. We have multiple strategic financing options in place.
Repeat	1 Change is not relevant to us.	2 Our business and industry are relatively stable, so we see little reason to change things.	3 We expect the future to be dynamic, and expect a lot of changes to our market, industry and business model portfolio.	4 Our management team really sees the need for continuous transformation, and we have the tools and processes in place to make this happen.	5 We compete on transformation and aim to be one of the winners when the new industry pattern settles in. In 10 years, we will not look anything like we do today.
TOTAL: _____					

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The Transformational Company Index

Your company; The 10 Principles of Transformation and 1-5 scale. Good luck!

COMPANY: _____ DATE: _____

	1	2	3	4	5
Understand Your Industry Shifts	What shifts?	I don't think this is very relevant to us.	We struggle with the concept, but we do realize the world around us is changing faster than it used to.	We deeply understand industry shifts but find it difficult to do anything about them.	We are experts in dealing with industry shifts.
Master New Ecosystems	Why would we want ecosystems?	We don't need ecosystems. We have moats.	Sometimes we go outside, to visit places like Silicon Valley and Tel Aviv. It can be very useful.	We understand ecosystems and engage with a handful of external partners, like accelerators and VC firms.	We map and scout more than 20 ecosystems around our emerging market opportunities. We have deep personal ties in each of these ecosystems.
Build Your Core - Growth - Explore Framework	Our business is booming. Why would we want to change?	Our present core business is going to be the future of this company.	We see a growing need to find and develop new growth options outside our core business.	We have a good structure for dealing with Core-Growth-Explore, and we do it pretty well.	We are masters of balancing Core-Growth-Explore, with focus, metrics and resource allocation processes.
Create the Transformation Architecture	We are structurally undervalued by the market.	Financial markets are generally positive to us.	We understand the connection between our strategic choices, market capitalization and how we are organized.	We run multiple scenarios on our market cap, and have a deep understanding of what drives our market cap.	We are world-class in value development. We optimize our strategy, structure and value drivers to unlock massive stakeholder value.
Develop Your Innovation Strategy	Innovation is not very relevant to us.	We have creative people and a good innovation culture.	We have a mixed innovation strategy, doing a lot of different things, inside and outside.	We have a clearly defined innovation strategy, with both internal and external innovation programs.	We have a very well implemented, world-class innovation strategy. It is probably one of the best in the industry.
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Build Entirely New Strategic Capabilities	We are actually just really, really busy.	We have some HR-led programs, like leadership development.	We have a good learning and development culture, but not using it strategically.	We invest in our people. We build out new capabilities allowing us to comfortably get into new growth areas.	We invest significantly in new capabilities. We have a proven track record of building out new core capabilities.
Invest More	We really preserve our cash.	We have little need for investment, we have mature business lines with strong cash flow.	We understand how to invest in new and interesting areas. We use business case templates in place for management approval.	We have strong resource allocation processes, allowing us to easily shift resources away from declining core and into new growth opps.	Our resource allocation process is truly world-class. We have multiple strategic financing options in place.
Repeat	Change is not relevant to us.	Our business and industry are relatively stable, so we see little reason to change things.	We expect the future to be dynamic, and expect a lot of changes to our market, industry and business model portfolio.	Our management team really see the need for continuous transformation, and we have the tools and processes in place to make this happen.	We compete on transformation and aim to be one of the winners when the new industry patterns settle in. In 10 years, we will not look anything like we do today.

A very common reply to this item. We realize the world is shifting but are not able to adapt accordingly.

Often, by the time this happens, management does not have space to move or available resources to invest in a transformation program. Structurally undervalued firms may find it exceedingly hard to transform.

We recommend tracking 20+ ecosystems across your emerging opportunity spaces. Very few firms currently have capabilities in place to do that. Some use CB Insights for desktop research. Strategic Foresight teams and personal relationships is a more powerful, but expensive option.

This one is interesting, because we need to be able to align our resource allocation with new capability development. This requires a strategic CFO, a fully aligned management team and a clear Transformation Roadmap.

Can you name five companies that have this in place?

Aspirations...but we don't see many firms at this end of the scale either. Expecting this to change.

We don't really see this very often, but if we did, we would ask some very hard questions.

What is your total TCI Score?

TOTAL: _____

Your Turn!

Go to www.strategytools.io/TCI to assess your TCI Score today.

Or visit www.strategytools.io/BTC to download the TCI tool for offline use.

For full data-driven assessment, analytics and data-driven recommendations, contact us or a local Strategy Tools partner today.

COMPANY: _____

DATE: _____



Understand Your Industry Shifts

1	2	3	4	5
What shifts?	I don't think this is very relevant to us.	We struggle with the concept, but we do realize the world around us is changing faster than it used to.	We deeply understand industry shifts but find it difficult to do anything about them.	We are experts in dealing with industry shifts.



Master New Ecosystems

1	2	3	4	5
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Build Your Core – Growth – Explore Framework

1	2	3	4	5
Our business is booming. Why would we want to change?	Our present core business is going to be the future of this company.	We see a growing need to find and develop new growth options outside our core business.	We have a good structure for dealing with Core-Growth-Explore, and we do it pretty well.	We are masters of balancing Core-Growth-Explore, with focus, metrics and resource allocation processes.



Create the Transformation Architecture

1	2	3	4	5
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1	2	3	4	5
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Learn to Build Business Model Portfolios

1	2	3	4	5
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Master Corporate Venturing

1	2	3	4	5
What is corporate venturing?	We don't really have a need for corporate ventures.	We have made some minor investments. I guess we are doing okay.	We have a clear method in place, owned by the CEO and CFO, to acquire emerging companies and interesting startups	Our corporate venture arm is world-class. We are widely recognized as a strategic and capable investor. We deliver significant growth and impact.



Build Entirely New Strategic Capabilities

1	2	3	4	5
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Invest More

1	2	3	4	5
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Repeat

1	2	3	4	5
Change is not relevant to us.	Our business and industry are relatively stable, so we see little reason to change things.	We expect the future to be dynamic, and expect a lot of changes to our market, industry and business model portfolio.	Our management team really see the need for continuous transformation, and we have the tools and processes in place to make this happen.	We compete on transformation and aim to be one of the winners when the new industry patterns settle in. In 10 years, we will not look anything like we do today.

TOTAL: _____

LEARNING TRANSFORMATION

Transform! the Strategy and Transformation Simulation

- ✓ Learn strategy & transformation – by ‘doing’
- ✓ Experiential-based learning method
- ✓ Hands-on mastery of a new strategy paradigm

As educators, it has always been a positive challenge to us, how can we help people get deeper into strategy and transformation – without actually being in the C-suite?

The answer emerged as we developed Transform! The Strategy & Transformation Simulation. First developed in early 2019, the advanced-level learning simulation soon found its way into management teams, clusters and business school education. Quickly, we realized we had developed a powerful learning and development tool; a tool that would allow active participants to get hands-on, physical training in Building Transformational Companies.

Since the first pilots in early 2019, we and our global partner network in places like Sao Paulo, San Jose, London, Zurich and Copenhagen have run sessions across countries and continents. Today, Transform! is being used in corporate strategy, top management, Boards, MBA & Executive MBA programs to build and develop a deeper appreciation and mastery of how to build Transformational Companies.



#transform



Team Learning: recurring value-creation forums where multiple teams present their value propositions for 3-5 minutes and get team feedback from across the enterprise

Curtis Carlson
Professor, Executive in Residence

CONCLUDING REMARKS

Three key steps to help you get started

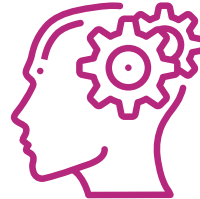


Transformation is becoming the “new normal”.

Our number one finding; Transformation is becoming more and more prevalent across industries. This trend is only expected to continue to accelerate.

Even heavy-asset industries (think, GE) and slower moving industries (think, energy and utilities) are facing an unprecedented level of industry shifts and disruption.

It is very clear to us that transformation, to many viewed as a complex, painful and deeply challenging leadership task, is about to become the “new normal”.



It will force us to rethink and relearn how we build and operate companies globally.

When Transformation becomes the “new normal”, companies will need an entirely new playbook on strategy and transformation.

We have moved through ‘strategy as analysis’ to ‘strategy as innovation’. Next, we need to write the playbook that can guide companies well into the 21st century. Many of the pieces are already on the table but need to be assembled into a complete Transformation roadmap.

Mastering ecosystems, extensively exploring portfolios and world-class corporate venturing will become cornerstones of a new operating model.



Transformation is the 21st Century #1 leadership challenge.

The ability to successfully build transformational companies will be the premier leadership challenge for the 21st century.

Failure to do so will lead to massive value destruction as dominant companies and entrenched industry leaders fail to transform in time.

One of our key findings; most organizations can see industry shifts coming but are structurally unable to address them.

We propose the 10 Principles of Transformation to help companies prepare for the future – today.

Conclusion

In conclusion, we can reflect on a few key observations from the work, research and insights on transformation we have gathered so far.



Not an easy journey

The first one, for most companies, this is not an easy journey to embark on. The multitudes of pressure; from shareholders, financial analysts, employees, board, fellow members of the c-suite and outdated mindsets are significant.

Even in some of the most mature and successful cases we studied, divergent views in the c-suite were apparent.

Even for the most obvious cases, the need, the journey and the roadmap is still not clear to everyone. For anyone embarking on an early transformation journey, expect rough waters ahead.



New maps need to be created

A successful transformation is not 'business as usual'.

New strategy canvases and maps must be created. The commonly used tools in most companies today are insufficient to guide a successful ten-year transformation program.

New skills, new capabilities and new narratives must be developed. New roles and functions, like Chief Strategy Officer or Chief Transformation Officer must be equipped to guide the long-term reinvention.



A fundamental rethink of 'strategy'

Beyond the challenges and maps, we find a deeper need to fundamentally rethink 'strategy' in many firms.

Our view echoes management thinkers like Rita McGrath, Gary Hamel and the late Clayton M. Christensen.

The deeply-seated view on strategy today in most firms, C-suites and board rooms is incompatible with the speed and dynamics most businesses operate it.

What is needed today is a fundamental rethink of the future of strategy.

Special Thanks



This report has only been made possible thanks to the clients, communities and people we have been privileged to work with over the past eight years.

First, sincere thank you to our clients, trusting us to work side-by-side with them as we guide through the whitewaters of strategy & transformation challenges. From *extreme energy transitions* to *urgent national level transformation challenges*, these 1000's of hours have helped shape our emerging understanding of how to Build the Transformational Company.

Second, a deep thank you goes out to the entire community at **Strategy Tools – the Modern Strategist's Platform**. From **Strategy Tools Master Trainers, Strategy Tools Global Coaches** (12th cohort starting this March) to the 1000's of people helping shape the future of strategy.

Third, the community of partners, collaborators and fellow travelers in this journey of exploration and learning. The Global Peter Drucker Forum has been instrumental in shaping our thinking. Rita McGrath, Richard Straube, Holger Nils Pohl, Gary Hamel, Bill Fischer, Costas Markides, Alex Osterwalder, Scott D. Anthony, Mark W Johnsen, Kristian Fjelde, Roger L. Martin, Curtis Carlson, Mikko Mannila, Karl-Erik Sveiby, Verna Allee, Jean-Philippe Deschamps and of course the entire team at both Strategy Tools and Engage // Innovate.

A special appreciated goes to the 6th Global Drucker Forum, the Great Transformation and the great management thinker Clayton M. Christensen. The 2014 Forum and Christensen's keynote greatly shaped our thinking in some key areas as in late 2014 and early 2015. At the time we did not fully realize how impactful the Forum and Clay's keynote would be to our later work.

As we look ahead, we hope to continue to learn and also give back as we get a chance to share our own learning as we achieve a deeper understanding of how to truly build the Transformational Company.



A handwritten signature in black ink, appearing to read "C Rangen".

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X2 INC**

**Indeed, the pace of
disruption and
transformation
will only increase
over time.**

**Tendayi Viki,
Author *Pirates in the Navy*,
Associate Partner, Strategyzer**

Recommended Reading

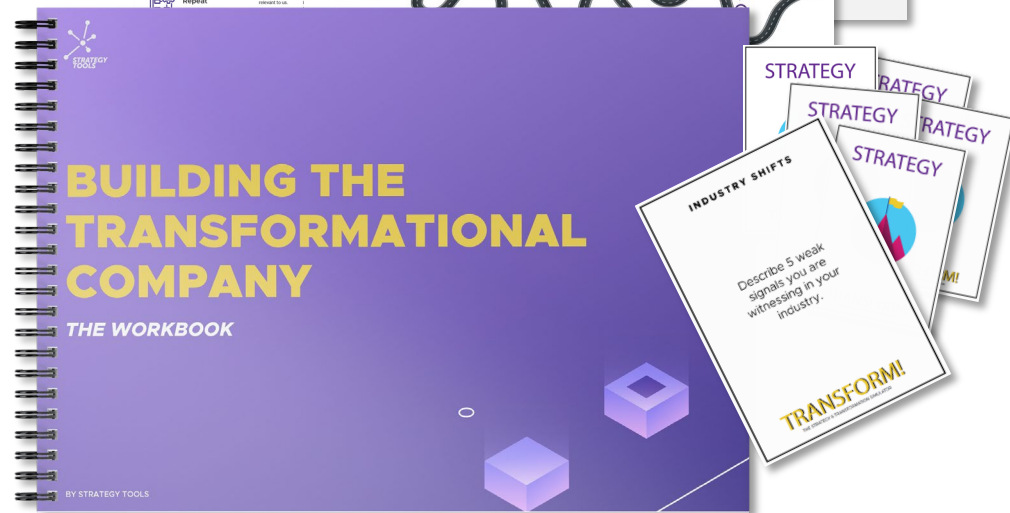
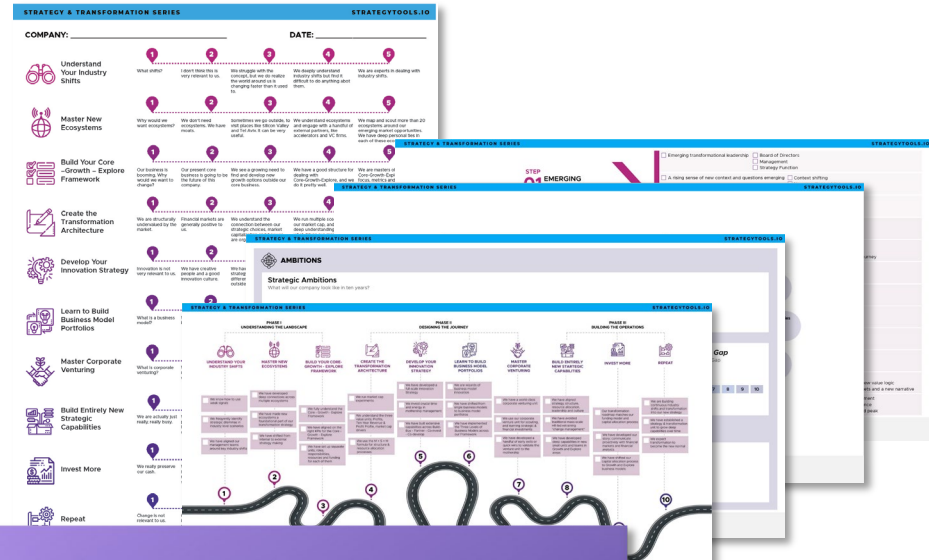


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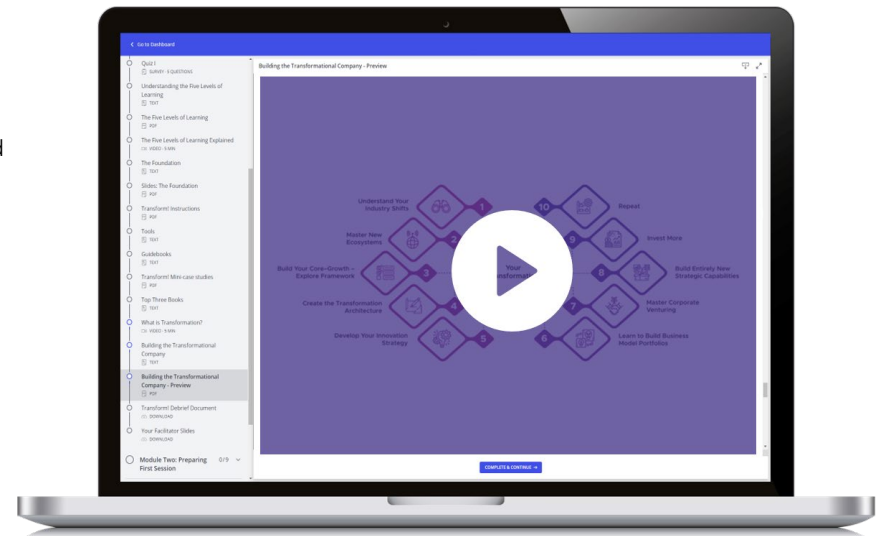


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Contact us at adelina@strategytools.io

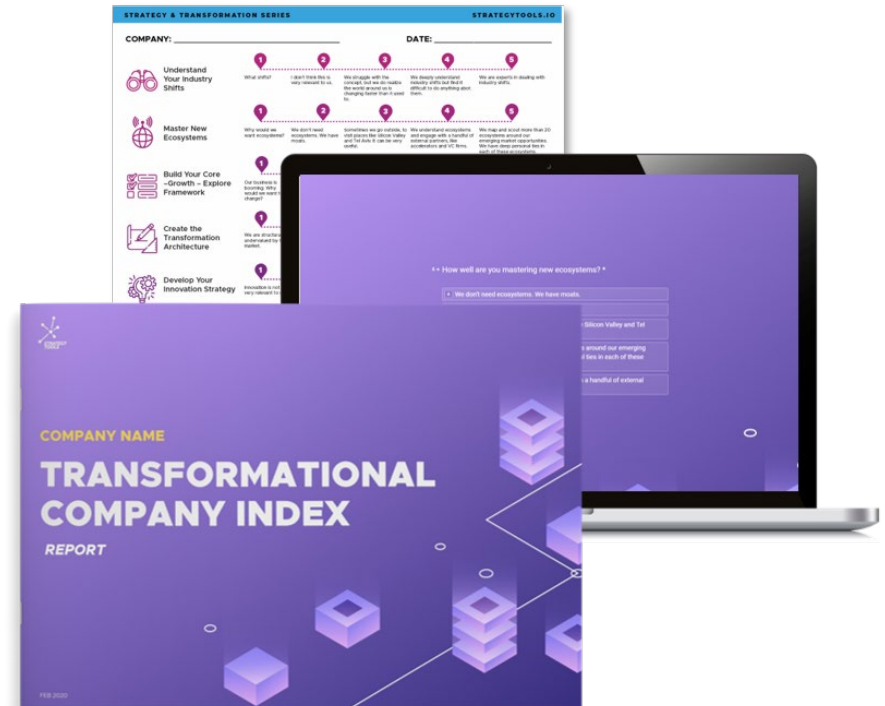


The Transformational Company Index

How can you deal with disruption, industry shifts and the rise of new digital competitors? A rapidly changing strategy landscape requires a new strategy playbook. Companies need to build deep transformational capabilities and a new approach to strategy. The Transformational Company Index is a data-driven analysis that allows you to launch targeted development programs and projects to succeed with your transformation.

- 
 Use the TC Index to get first level insights into your own company. Map and assess your current Transformation Gap and TC Index.
- 
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CHRISTIAN RANGEN LEAD AUTHOR

Over the past 19 years, Chris has advised companies and governments globally on strategy, transformation, innovation, and developing innovative ecosystems. He has worked extensively on corporate transformation programs across a range of industries, working closely with CEOs, Boards and strategy leaders to navigate transformation journeys.

Over the past decade he has developed 75 new strategy tools (canvases), four advanced learning simulations and trained 1000's of people in the Strategy Tools methodology. Today, the strategy tech platform has users in 100+ countries and customers in 65+ countries. Looking ahead, he is working to develop a strong global community and scale the Strategy Tools platform globally.

Chris is also business school faculty or visiting faculty, teaching strategy, transformation and the clean energy revolution at five business schools. He is an active public speaker and presents frequently at international management and strategy conferences

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Strategy Tools is a global strategy tech platform that helps companies rethink and change how they work on strategy.

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With our global partner network, we serve clients and projects globally.

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