

Learning Transformation: Building the Capacity for IT Supported Change

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EXECUTIVE SUMMARY

Information system (IS) transformation initiatives generally present a wide range of challenges for organizations. These challenges are, however, heightened considerably within organizations that have not traditionally pursued such initiatives. In addition to the many difficulties associated with developing and implementing radical business innovation, inexperienced organizations are simultaneously faced with the need to rapidly acquire the underlying competencies necessary to successfully execute a transformation. This case thus presents a mid-sized, globally oriented organization that is in the early stages of developing its transformative capacity while it undertakes a transformation of its human resources (HR) function. The reader is placed in a position to evaluate the challenges and learning achieved thus far in the process and to offer recommendations aimed at ensuring a successful transformation. Recommendations can also be made in relation to how organizations can foster the growth and development of their transformation competencies.

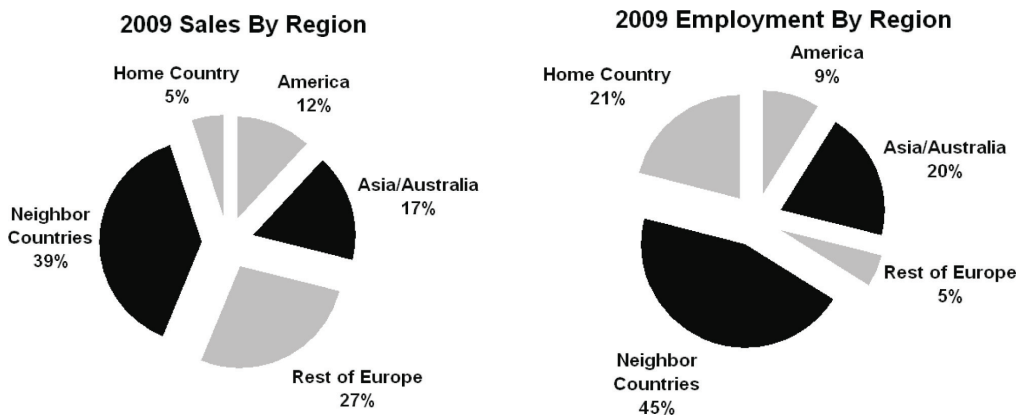
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ORGANIZATION BACKGROUND

Tri-Divisional¹ is a mid-sized multinational organization headquartered in Western Europe. Founded more than 150 years ago, the organization has since grown to encompass three independent lines of business operating in three very distinct industries. Although somewhat weighted toward neighboring countries, Tri-Divisional's revenue base and workforce are globally distributed (Figure 1). In the five years leading up to 2008, the company experienced

relatively consistent growth in both sales and profitability. Sales over this period rose from approximately 4.2 billion USD to almost 6.3 billion and profitability moved from a loss of 150 million in 2002 to a profit of 322 million by 2007.² However, the 2008 financial crisis hit the organization hard with 2009 sales falling to 3.4 billion. This precipitous decline in sales resulted in a loss for the year of almost 330 million. In an effort to respond to the situation, substantial restructuring and cost cutting was undertaken that led to a workforce reduction

Figure 1. Sales and employment by geographic region



of approximately 12.5% and a reduction in operating expenses of approximately 35%. Despite their apparent severity, these changes placed the organization on a solid trajectory for recovery in the 2010 fiscal year (Table 1).

Historically, Tri-Divisional has placed considerable emphasis on exploiting and improving its existing competencies (Kim, Song, & Nerkar, 2012; March, 1991). Over time this has helped it to establish itself as a product leader in a number of its key markets. Concerns are, however, beginning to emerge that excessive attention to exploiting existing knowledge and competencies is creating rigidities that may limit future growth potential (Atuahene-Gima, 2005). Such concerns have been underscored by the increasingly global nature of the competitive threats being faced and the challenges encountered in responding to the 2008 economic crisis. As a result, there

is growing recognition concerning the need to improve transformative capacity as part of efforts to prepare for the future. Knowing that a significant majority of transformation projects fail (Gardini, Giuliani, & Marricchi, 2011; Whittington, Molloy, Mayer, & Smith, 2006), those working within the organization have come to understand the challenges that they will face. They must be able to successfully execute on a transformation while simultaneously learning how to be successful with such initiatives.

As part of a desire to improve Tri-Divisional's transformation competency and increase the likelihood of future success, the corporate development manager undertook to monitor one of his organization's transformation initiatives as it unfolded. Plans were made to scrutinize this initiative at key intervals in collaboration with academic and industry partners. It was hoped that this effort would improve the outcome of

Table 1. Corporate financials

	2006	2007	2008	2009	2010
Sales (millions USD)	5,785	6,270	4,996	3,406	4,353
EBITDA (millions USD)	635	647	466	106	424
Net Profit (millions USD)	330	322	71	-328	163
Return on Equity (%)	24	17	6	-20	14
Employees (Year End)	12,900	14,000	14,500	12,700	13,300

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