The **5** new principles of transformational change

Maersk in partnership with Bloomberg Media, conducted by Sparkler

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MAERSK Bloomberg Media

Contents

Transforming While Performing garnered views of more than 400 senior executives with experience of business transformation in large companies (500+ employees) in Europe, North America and Asia. Conducted by research agency Sparkler (part of PA Consulting Group).

By analyzing responses from individuals at high-growth companies, the report is able to identify a series of common characteristics that comprise an aspirational mindset among today's successful business leaders.

METHODOLOGY

All companies featured in case studies have achieved a compound annual growth rate of more than 5% over the past five years, providing a total return of security of greater than 5% over a 1 year period, with a portion being delivered to shareholders.

Introduction

Over 2,000 years ago, the ancient Greek philosopher Heraclitus identified that the only permanent aspect of life is change. From ancient to modern history, industrial to digital revolution, the need to accept that change is constant is not a new concept.

We are living through an age where change is so fast, so unpredictable and unprecedented, that planning for certainties is all but obsolete. The global social and political landscape can be transformed almost overnight with the election of a new regime; stocks can rise and fall on the basis of a throwaway social media comment; news – real and fake – can reach billions of people simultaneously.

The global population is experiencing an age of instability that is unprecedented in modern times. With it, the needs of consumers can change overnight. As needs change so do the processes, systems and behaviors by which businesses must operate to meet those needs.

The digital age is not a new phenomenon: computing and the internet have been commonplace for almost two decades. We are seeing the second generation of children grow up with digital technology at their fingertips. But each year sees more progress than the last; each development has more reach and impact than before.

This places the consumer at a unique position in history. As individuals, we are at the mercy of natural and political global events. But together, we have the power to bring about social transformation on a massive scale. Global organizations can no longer dictate trends. They must anticipate them, adapt to meet the needs that result from them, and reflect on their own place in this ever-changing landscape. To do so, we need to re-think the way we approach change. What lies at the heart of successful change? How can we help ourselves and others to move forward?

With this in mind, we identified global leaders in business who are undergoing or have recently undergone significant change within their organization. We learned that the organizations that continue to experience growth (defined by a year-on-year increase in turnover) are led by those who embrace change. We uncovered a winning mindset of leaders who encourage continuous transformational change and found that the most successful leaders in real terms are those who display high levels of awareness and adapt quickly and decisively.

73%
of senior managers agree that the days of businesses being in control are over: **the power now sits with the consumer.**
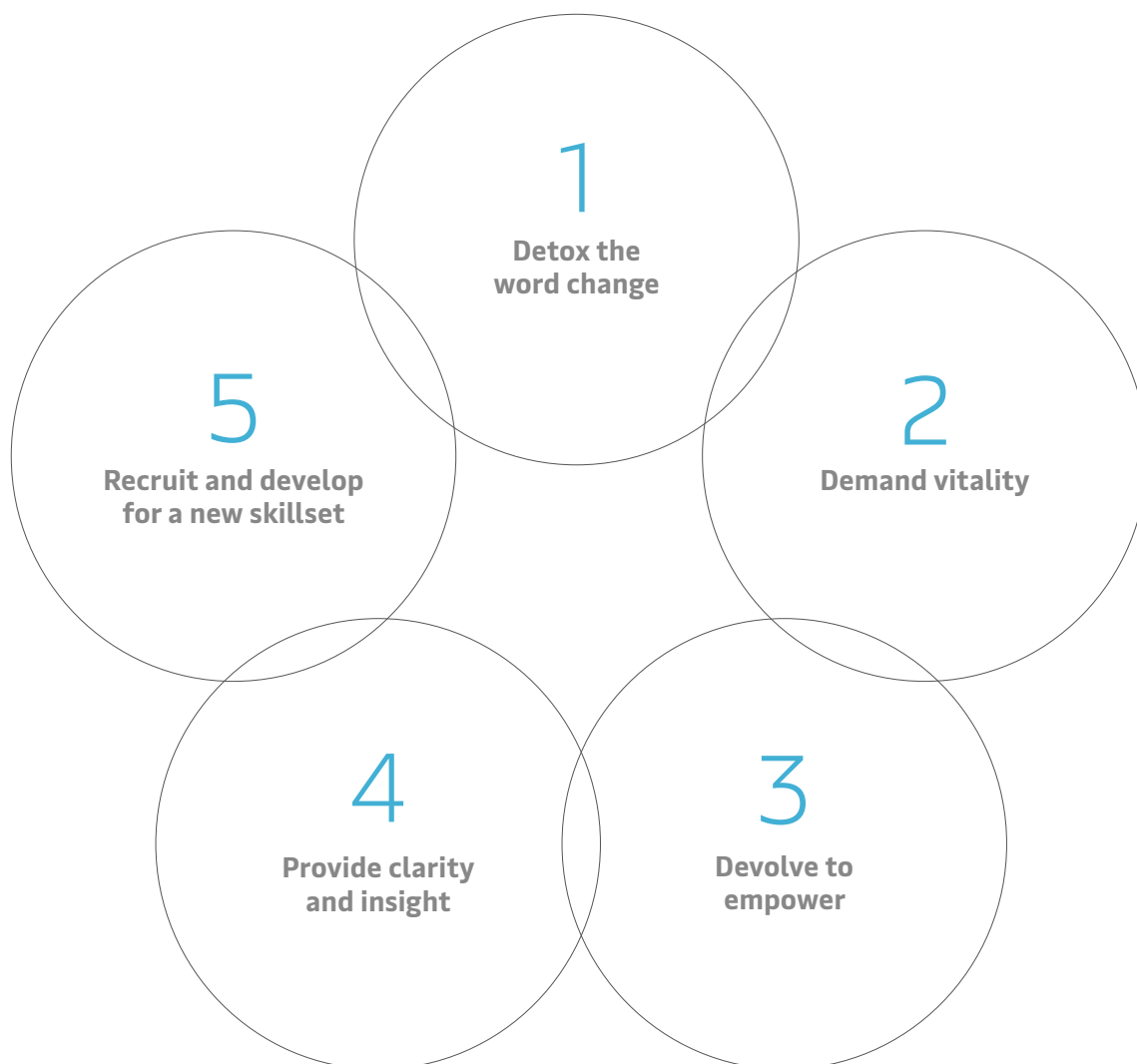
87%
agree that all businesses will need to **continuously adapt** as the empowered consumer and disruptive technologies transform the nature of consumption.

91%
of businesses which are currently experiencing an increase in revenue agree that **continuous change is essential for growth.**

> We're really led by consumer trends. It's no secret that digital has changed everything, but it's still been phenomenal how quickly it's happening.
>
> **Strategy Director, Global Apparel Brand**

We worked closely with these high-value organizations and their most senior leaders, gathering insight from those who consistently deliver results. We are sharing what we learned to drive and stimulate the conversation around change and help everyone to continue moving towards healthy and sustainable growth.

To help shape this transformation, we have identified the five new principles of successful change:

1

Detox the word change

2

Demand vitality

3

Devolve to empower

4

Provide clarity and insight

5

Recruit and develop for a new skillset

How we established the five new principles of change?

Our comprehensive multi-stage research approach combines primary research with an extensive review of published literature and expert thinking on change.

Crucially, we conducted in-depth interviews with global business leaders with a collected worth of $215 billion. This allowed us to gather fresh thinking from successful leaders with a winning growth mindset: those who continue to thrive in the face of adversity. We also spoke to hundreds of top level and senior managers with direct responsibility for driving substantial strategic business change. And, while the organizations we identified are global leaders with 500+ employees, the principles we identified apply to everyone: from the sole trader to the international household name.

90%

of growing businesses agree that **businesses that embrace the empowered consumer and disruptive technologies** will survive and thrive over the next 10 years.

What lies at the heart of successful change?

To find out, we spoke to:

- Global business leaders in the UK, US and China
- Senior decision makers at c-suite, director and 'head of' levels
- High value organizations with a collective worth of $215 billion
- 400 employers of over 500 people each

We have a mindset of 'there's nothing to lose'. We try things out. If it doesn't work, we as the co-founders tell ourselves to stop it within a month. Society teaches us that failure is bad, but we need to unlearn that. Failure is a good thing. You learn from failures.

Chief Operations Officer, Digital Start-up

Executive summary
What lies at the heart of successful change?

We spoke to global businesses who have successfully anticipated transformational change and worked closely with them to gather insight that drives and stimulates the conversation around change. We delved into the winning mindsets of leaders and learned from those who display high levels of awareness and agility; who quickly and decisively respond and adapt to shifting landscapes.

Together, we identified new principles to help global business of all sizes adapt to a world that is experiencing change and instability at an unprecedented level. The needs of consumers are changing seemingly overnight and with them the processes, systems and behaviors by which organizations must operate.

Leaders across the world recognize that consumer empowerment and the ever-shifting demands caused by the digital revolution are forcing continuous, transformational change within organizations. And while the principles we have identified apply to organizations of all shapes and sizes, we recognize that change means very different things to different people.

Critically we must **detox the word change.** Change is no longer something that is decided in a boardroom and then delivered through the ranks. Change is constant, fluid and unpredictable. It requires organizational alignment, strong positive leadership and individual empowerment. We should **demand vitality** and continually change to adapt and thrive, reacting quickly to changes in customer demand.

We need to **devolve to empower:** trusting people to perform within their roles and giving them the freedom to make decisions in line with organizational values. We need to move forward with **clarity and insight;** recognizing our pasts, listening to and accepting people's lived experiences in order to learn and move forward. And finally, we need to **recruit and develop for a new skillset;** leading with agility and positivity and hiring people who thrive on change and pushing boundaries.

Those who are guided by these principles are more likely to thrive than those who resist change: our research uncovered a clear correlation between leaders with a positive growth mindset and successful companies.

Business leaders who feel positively about change, encourage an evolving work environment and have a mindset that embraces these new principles continue to steer their organizations towards revenue growth. Employees within these successful organizations are more likely to feel empowered, are more willing to take risks and have a stronger belief in the power of teamwork.

In stark contrast, our research revealed that those operating in stagnant or declining companies were more resistant to change, slower to adapt and had little affinity with the guiding principles of change.

We believe leaders can adopt this winning mindset. We believe it is possible to welcome change, to feel comfortable with being uncomfortable, to embrace the opportunity to motivate and inspire. For leaders who want to drive their organizations towards sustainable growth, this high level of agility is not just desirable – it's essential.

We learned from the world's leaders and we're sharing it with you

Leaders and managers across the world recognize that consumer empowerment and the ever-shifting demands caused by the digital revolution are forcing continuous, transformational change within organizations. Management change models with set finish lines are obsolete: leaders of growing businesses recognize that change is constant.

Senior managers of successful organizations are leading the way in embracing change so they can survive and thrive. Agile leaders with a positive growth mindset recognize that adapting to continuous change is the new reality. These senior managers agree that adopting the new principles of change is essential to achieve sustainable growth.

And yet, while these principles apply to organizations of all shapes and sizes, change means very different things to different people. Our research identified the importance of devolving decision-making to those who are best placed to meet the immediate needs of consumers: empowering employees at all levels with positive leadership, clear guidance and strong frameworks from where decisions can be made safely.

These frameworks, strategically agreed at a senior level, should allow people to constantly adapt to what works and what doesn't: stretched, not pushed to their limit; trusted to grow individually within their roles, with responsibility and accountability.

87%
of employees who can see the **bigger picture of change** can see the personal benefit for their own career.

Your employees need to be able to see the bigger picture when it comes to change. They need to be able to see how it brings new skills and competencies for them.

Head of IT Change Management, Global Retail Brand

What does need to change?

The digital revolution continues apace, and with it the ability to instantaneously share information across the world. For the last two decades, this revolution has enabled access to information on an unprecedented scale. In turn, this has brought about and speeded up societal change. Every member of the public with access to the internet has a right to reply and a tweet to a global corporation can quickly go viral and make headline news.

At the same time, the world is undergoing a shift in global economic power from the West to the East. The cultural impact of this shift should not be underestimated. Understanding and respecting the cultures of your global partners is a well-established principle of business. But rapid globalization and the balance-shift from West to East means that observing cultural differences is no longer simply the preserve of a polite senior leadership team on a business trip. It means recognizing the ways that markets need to change to accommodate the local context: to anticipate their needs and to meet them in ways that are welcomed and valued.

Even before the Covid-19 pandemic devastated many industries, the World Trade Organization forecast no growth in global trade in the coming years. At the same time, the World Economic Forum acknowledged that foreign investment has become a key element of trade between countries, with companies buying stakes in foreign organizations.

There is no longer a clear horizon of international integration. The future of change is less a neatly paved road, more a modern game of Tetris, with constantly moving shapes that need to be guided into place so a unit can function effectively as a whole.

This is the future of transformational change, and these are the rules to navigate it.

76%

of senior managers agree that **rapid urbanization is driving a global economic power shift** from the West to the East.

80%

senior managers agree that a shift of global economic power from the West to the East means that there will be **new global powers and centers of influence.**

> Our local team in China recognized that Chinese consumers needed something else [to what Global was dictating]. The growth we've seen in China is really strong so now we're trying to empower our markets to do what's right for them. Local teams need to activate change for themselves.
>
> **Strategy Director, Global Apparel Brand**

The five new principles of transformational change

1
Detox the
word change

2
Demand vitality

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Devolve to
empower

4
Provide clarity
and insight

5
Recruit and develop
for a new skillset

You need to work on the bridge
while walking on it.

Stakeholder, Global Shipping Company

1 Detox the
word 'change'

Change must be redefined as constant

We acknowledged that change has been identified as constant for over 2,000 years. But in today's climate, this takes on a new meaning.

The new change isn't replacing crumbling buildings or developing sophisticated engineering processes. Change as a constant is a vision that should be embedded throughout every organization, from the leadership team to the frontline workers and everyone in between.

Create a vision that motivates the company based on ongoing performance (not just financial performance) (88%)

Leaders and senior managers need to be closely aligned on the company trajectory, but the rest of the workforce won't automatically fall into line. A clear vision and strategy are needed to allow people to connect their individual output with the goals of the organization and contextualize their actions.

It's this context that motivates individuals to be part of the ever-shifting goals of the organization. Knowing why they are there and how they are aligned with the wider targets gives them a perspective. And from within this perspective, it's possible to see how one individual action can have an impact on the organization as a whole.

You can't just talk about finances. For most people, the finances mean nothing. It's not the thing they see and feel every day, it's not what they're emotionally connected to. I see change programs and they are always very high-level and don't mention the need to connect to the real people working there.

VP of Marketing and Technology, Electronics Company

Ensure the vision of change is representative of the core values held by the company (87%)

Encourage individuals to identify changes in patterns, trends and processes. Have supportive systems in place that allow these changes to be reported, discussed and acted upon. Establish a network of influential individuals within the business who proactively bring about positive change.

> Look for ambassadors, set up a network to spread knowledge and connect people across different silos.
>
> **Head of IT Change Management, Global Retail Brand**

Ensure leadership show passion and conviction when repeating the core message and vision (86%)

Change is no longer something that is decided in a boardroom and delivered through the ranks by a series of memos and performance targets. Change is constant, fluid and unpredictable. It requires organizational alignment, strong positive leadership and individual empowerment.

> When change comes from peers rather than from leaders, people hear it in a different way.
>
> **General Manager, Drinks Brand**

Case study

PRINCIPLE IN ACTION

TESLA

MARKET CAP
$805B

Tesla, the U.S. electric vehicle and clean energy company, has been a disruptive force for change ever since its formation, 18 years ago. Founded by a group of engineers who challenged conventional thinking around our reliance on fossil fuels, the company has embedded the ethos of change within its workforce, which has grown from fewer than one thousand people 10 years ago to more than 48,000 strong today.

Working together, Tesla produced more than 500,000 vehicles in 2020 and continues to make products more accessible and affordable, accelerating real change within mobility sector based on clean energy.

2 Demand vitality

Embedding incremental changes allows the business to fail fast, course-correct and maximize performance

To acknowledge that change is constant is to accept that risk is real. Organizations that have been happily producing the same product for years, decades or even generations may see no need to adapt. There may be a handful of household names which can lay a claim to this quality. And yet, even though their brands may appear familiar to the consumer, how many changes have they undergone with little fanfare?

Computers replaced typewriters in their factory floor; one ingredient replaced another; production lines were motorized and then automated. A visitor to the production plant of the seemingly unchanged brand which prides itself on its traditional image will find it unrecognizable from 50, 20 or even 10 years ago.

Monitor changes, allocating resource to successful initiatives while quickly extinguishing failing ones (90%)

The difference now is that these changes aren't taking place over decades, years or even months; they're happening almost daily. Monitoring and reacting to changes, whilst embracing risks and a 'fail fast' attitude, is central to success.

We're trying to learn from what our colleagues in China do. They try things out, they make things for their market and if it doesn't work, they get rid of it quickly and move on. It means when things do work, they really work.

Strategy Director, Global Apparel Brand

Continually change to adapt and thrive: change must be re-imagined as 'business as usual' (88%)

The mindset for change must move towards the acceptance that every new idea carries with it a potential risk. Planning, modelling and forecasting all have their very valid places within the organization structure, but rather than looking at five-year projects, or even 12-month projects, they should be reassessed constantly.

React quickly to changes in customer demand (87%)

There is no longer a fixed planning cycle, or finish line of a project. Every project, every building block is a smaller part of a continuous review of what the next change will be.

We need to become open to constant change. Change is constant and the competition keeps changing too.

Strategy Director, Global Apparel Brand

Case study

PRINCIPLE IN ACTION

zalando

MARKET CAP
$30.5B

Zalando SE, the e-commerce company in Germany, is a poster child for continuous evolution as it shapes its fashion and lifestyle products to customers across its European markets. The company regularly talks about continuously shaping the best possible experience for its customers. Its platform strategy has allowed the company to unite behind one vision: to become the Starting Point for Fashion.

"To get there, we continuously evolve our assortment, our digital experience, and our convenience proposition," reported Zalando's Management Board in 2019. "Today, 31 million active customers find their inspiration on Zalando, and we continuously work on bringing styles to them faster and more conveniently."

3 Devolve to empower

Knowing how best to distribute power will lead to more effective change implementation

For successful change to be implemented, employees must be empowered with responsibility and trust. Leadership and senior management must be closely aligned with their shared vision for the organization. This vision should be formalized in a strategy and accompanied by actionable plans which provide clear guidance for employees at all levels.

88% of senior managers try to empower and trust their employees to make quick decisions so they can be agile and responsive

Within this strong framework, trust is essential. With the correct training, strong positive leadership and the freedom to make decisions, people are empowered to make fast decisions without fearing consequences. Suspicious management stifles change. An employee who feels constantly watched and monitored will deliver exactly what is expected of them – nothing more. They'll tick boxes and meet outcomes, but fixed performance parameters don't allow for agility.

It's all about giving your staff confidence. You can set the bar high and have high standards, and in fact the younger generation of workers are demanding this. They want to be challenged and have responsibility. You let them make mistakes and that's fine, they will learn from this.

Head of Sales and Exports, Sustainable FMCG Brand

Acknowledge the need to adapt to suit the local context (87%)

Organizations much strike a balance between centralized goals and localized implementation of change. Listen to the people who are implementing those changes; learn from them; recognize their knowledge and use it to adapt.

Case study

PRINCIPLE IN ACTION

logitech®

MARKET CAP
$17.6B

Logitech, the Swiss computer accessories manufacturer, is one of the world's largest hardware companies, and distributes products, including keyboards, remotes, speakers, and smart-home devices, in more than 100 countries.

President and CEO, Bracken Darrell, has placed the focus on people and communities, believing 'together we can drive big change.' In its 2020 Sustainability Report, Logitech, states: "As a company, we're small and flexible enough for every person to take the initiative and make things happen. But we're big enough in our portfolio and reach for those actions to have a global impact. That's a unique position to be in and we will always try to keep it that way."

4 Provide clarity and insight

Planning and insight are key for navigating change: accelerating performance, not distracting from it

Every organization needs a solid foundation. Knowing the legacy business and where it came from is crucial to successful change. Whether the organization was built on solid values that still apply today, or outdated and even outlawed practices, we must understand the old to embrace the new.

87% of senior managers believe you must have a strong knowledge foundation from both within and outside your sector

A strong leadership team should be aware of the legacy business and evaluate this against the ongoing social and political landscape, both within and outside of the organizational sector. Mistakes don't need to be new for us to learn from them – we can look back and observe that parts of our history may appear unfavorable in a modern climate. We must acknowledge these issues, examine the circumstances that allowed them to come into being and put plans in place to ensure they don't happen again.

Know your employees to share and communicate the vision most effectively (89%)

We need to listen to the people within our organizations and accept their experiences to be true. We can't assume that events we haven't lived through are not relevant, neither can we expect those who have lived these negative experiences to provide all the answers. We must have clarity and insight, but we must be prepared to act on it in a positive and structured way.

Your employees need to be able to see the bigger picture when it comes to change. They need to be able to see how it brings new skills and competencies for them.

Strategy Director, Global Apparel Brand

Plan methodically, measure success and failure and monitor milestones (87%)

Acknowledging the past is important to plan effectively. Examining legacy business from a social and political standpoint, widening the scope to include a cross-sector analysis, shrewdly evaluating the current state of the organization and being honest about what is needed to transform are essential.

Provide clarity on the core vision and purpose of change (91%)

With a comprehensive evaluation of the past and the present, you can effectively plan and pave the way for the desired future. This future must be a shared vision from a strongly aligned leadership team, filtered down throughout the organization to empower employees to share and communicate it effectively.

Case study

PRINCIPLE IN ACTION

lululemon | **MARKET CAP**
$4.6B

Lululemon Athletica, the Canadian athletic apparel retailer, has come a long way since starting life as a yoga wear specialist 22 years ago. Since inception, the company has fostered a distinctive culture around a clear vision of itself as an "experimental brand that ignites a community of people living the sweat life through sweat, grow and connect."

Its core values include "nurturing entrepreneurial spirit, taking personal responsibility, valuing connection, honesty and courage, and choosing fun."

Lululemon credits these values for its ability to attract passionate and motivated employees who are driven to achieve personal and professional goals.

5 Recruit and develop
for a new skillset

87% of senior managers subscribe to the idea that you must recruit people who thrive when presented with the challenges of continuous change

To succeed, new recruits need to thrive on change and leaders need to feel comfortable feeling uncomfortable. Every good leader needs a well-established set of core skills, but to drive transformational change requires agility, humility and the ability to influence.

Employees who can see the bigger picture of change can see the personal benefit for their own career (87%)

Those who are most motivated to drive change will recognize the personal benefits of change beyond the business goals or the effort involved in the upheaval: for them, change is not a burden. They thrive in an environment of uncertainty, always pushing new agendas and challenging assumptions.

I'm inspired by leaders who drive change and are prepared to stand for it even when it's uncomfortable. Surely, for all of us to be happy, we have to get used to the idea of constant, regular change.

Head of Sales and Exports, Sustainable FMCG Brand

Ensure leadership lead the way in feeling comfortable with being uncomfortable (89%)

Leaders who drive transformational change encourage and develop others to do the same. A strongly aligned leadership team uses positive leadership to encourage teams to explore their limits and supports them to be stretched, not pushed.

Recruit personnel who are able to drive change and keep up with continuous change (89%)

'A new skillset' doesn't necessarily mean 'a new team'. Recruit people who thrive on change but at the same time help your loyal employees to develop the skills they need to adapt.

We're a 70-year-old business and we have a lot of people who have been here for a very long time. It's human nature to become a bit too comfortable. But you need to feel uncomfortable. Nothing is ever quite right or perfect, you should be constantly changing things.

Head of Sales and Exports, Sustainable FMCG Brand

Case study

<table>
<tr><td colspan="2">PRINCIPLE IN ACTION</td></tr>
<tr><td>GAMES WORKSHOP®</td><td>MARKET CAP
$3.5B</td></tr>
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Games Workshop Group, the listed British manufacturer of miniature wargames, has a strategy to "recruit the best staff we can by looking for the appropriate attitudes and behavior each job requires."

In July 2020, Kevin Rountree, CEO of Games Workshop, celebrated "the best year in Games Workshop's history" in a report that stated: "It is also important that everyone we employ has a real desire to learn the skills needed to do their job and has a great attitude to change. We offer all of our staff both personal development and skills training."

In conclusion

Change is constant. We don't sit back and watch change or read about in a newspaper printed once a day. We live it and we feel it as it shifts and disrupts, and we must be agile enough to move at its pace.

For business, this means new rules. They are the rules that successful organizations have already recognized, embraced and adapted to.

We identified the leaders of these successful global organizations and, together, we coined the new rules that we all need to navigate constant change: to transform as we perform; to perceive the changes around us even as we achieve our goals.

If you would like to know more about how we're now deploying these foundations into logistics, empowering our clients and colleagues to shift from problem solvers to opportunity seekers by transforming supply chain management into competitive advantage, visit maersk.com/connected.

Because truly integrated logistics connects the world, all the way.