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Business transformation, information technology and competitive strategies: learning to fly

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Abstract

'Business transformation' is an overarching concept encompassing a range of competitive strategies which organisations adopt in order to bring about significant improvements in business performance. These strategies include business process re-engineering, organisational development/learning, Total Quality Management and use of information technology. In this article different models of business transformation are explored. This is followed by a full case study analysis of how a leading aerospace company, Short Brothers (now known as Bombardier Aerospace—Shorts), have transformed themselves since privatisation from an organisation in crisis to a leading performer in their market sector. The findings identify the realities of business transformation and support the argument that true business transformation should be viewed as a multi-stage process which demands an integrated approach to the application of supporting competitive strategies.

Keywords: Business transformation; Re-engineering and IT; Competitive strategies; Aerospace

1. Introduction

"It will not be the brightest or the strongest who will survive but those who are most adaptive to change"

Charles Darwin

This is an age of fundamental and accelerated changes characterised by the globalisation of markets, ubiquitous presence of information technology, dismantling of hierarchical structures and the creation of new organisational forms and networks (Baden-Fuller & Volberda, 2001). Growing around these is a new information age economy whose fundamental sources of wealth

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are knowledge and communication rather than natural resources and physical labour (Kanter, 1994). Conway (1999) goes further to suggest that whilst the second half of the 20th century was about the revolution in technology, the challenge of the 21st century is to keep pace with the international time element as businesses move from local and regional to a truly global environment.

If history is a guide no more than a third of today's major corporations will survive in an economically important way over the next 25 years (Anon, 2001a). Those that do not survive will die a slow death of transformation as they are acquired or merged or liquidated. The demise of these companies will come from a lack of competitive adaptiveness, essentially most of these companies will die because they are too slow to keep up with the pace of change. The assumption of continuity, on which most of our leading companies have been based for years no longer holds.

In the field of managing change debate has ragged for some time as to whether industry is best served by continuous improvement or radical business transformation (Anon, 2001b; Wetlaufer, 2001). From research, theoretical and case based, the general conclusions would seem to be that both forms of change are relevant (Gallagher, Austin, & Caffyn, 1999). Examples of the former include Virgin Atlantic and General Electric (GE) Capital who continually innovate their services to keep ahead in their market. Examples of the latter include CISCO and Microsoft who re-invented computing/networking in the 1990s, displacing such incumbents as IBM, Hewlett Packard and Digital Equipment Company. Lessons from radical transformation include the fact that it leads companies into areas where the company have much to learn, the risk of continuous improvement is that it does not challenge companies to learn quickly enough (Hamel, 2001).

The key is knowing in practical terms which will achieve the overall goals best for the organisation at a specific time in the evolution of the company. For example, Reginald Jones presided over the change of GE in the 1970s primarily through a process of continuous improvement which netted significant revenue gains before handing over the reigns to Jack Welch in 1980 who proceeded to revolutionise both the structure and culture of GE in the succeeding two decades. Each could be argued was right for their times based on the levels of competition, demands from their shareholders and the abilities of there respective teams to sustain the change processes. Interestingly, during Jones' decade in charge GE lost approximately 8% of its stock value whilst Welch more than quadrupled the value in his first decade in office (Techy & Sherman, 1993).

Set against this background, this paper seeks to address two complementary and intertwined issues:

- Is successful business transformation a single stage or multi-stage process?
- Is it the application of independent competitive strategies or the integrated use of strategies most effective in bringing about successful business transformation?

To establish or discount these propositions, in-depth case studies have been undertaken on a number of organisations or business units which have demonstrably changed/transformed themselves and their bottom-line (profit, growth) performance. This paper discusses one such case study of an aerospace company namely, Shorts. However, in order to set the context, a brief review of the relevant literature on business transformation and the major competitive strategies is provided first.