



13 Lessons for SME Business Transformation

by Dr TR Madan Mohan



Browne & Mohan has had the privilege to work with Small and medium companies that pursued business transformation to improve their market relevance and financial sustainability. They took heads on the winds of commoditization, falling margins and technological change. Their leaders braced cynics, grouse and abuse on social media, frustration of seeing things move at snail pace, senior level exits who could not commit for long haul and sometimes self-doubt. They have emerged stronger and mean businesses by productizing services, creating new services and organizations, and expanding into newer markets.

My engagements have centred on helping these businesses customize their transformation plans and simultaneously improve their capabilities. Walking arms in arms in their “orchestrated transformation” journey has offered me a ringside view of the triumphs and tribulations the businesses go through. As a result I have learned a great deal about what works in business transformation.

Here are the key lessons I now share, though not in any particular order of business transformation.

1 Work on your Business Model

Successful business transformation starts with asking why the Company should be in the business and how to reach the success milestone without bruised and bleeding. Companies must evaluate why they are in business, how they make revenues, how many different ways can they make revenues, their position in the customer value chain and dependency on other actors. If the company is a last mile player or intermediate, even if they run marathon, their principals may benefit lot more than themselves. They may be underwriting their principals business without realizing it.

Successful transformation is all about picking up the right friction to address in the market and working on sweating just enough to make the right moolah!!

More the recurring revenue better it is. Identify scalable revenue opportunities so that transaction costs of managing the business does not linearly increase with the scale of operation.

2 Focus on strength and deepen expertise

Playing what one is good at yields better predictable outcomes. If Knowing customer intimately, understanding their latent needs and serving them with delectable offerings is the strength, building on the customer experience management sure way to prosperity even in service business. Deep domain expertise, multiple market exposure and deep insights in the workings across the markets can be a stealth mode weapon. Productize the services and sustainable platforms to grow.

3 Plan big, firm on direction but be flexible in actions

To pursue transformation companies need to get to the big picture to see which way the markets are treading, catch the cues early and cast the direction firmly. Business transformation is a multi-period event and lots of time may see twists and turns before one reaches the goal. Companies must realize which goal remains constant, iterative changes may be required in tactical areas including business development, marketing and delivery functions.



4 Work hard on only few things at a time

Business transformation requires the company to focus on fire in few fronts. Marshalling the right resources to douse the flames on few fronts allowed them to control the tides. From a board perspective, the transformation agenda required complete agreement on maximum three areas and two measures for each area to be reviewed quarterly and half yearly.

5 Cut flab, Unwind quickly to transform

Some time to scale up, companies may need to scale down. Business transformation requires companies to consciously contain low EBIT offerings and if required cut the arm completely. Closure or downscaling can be painful and bring lots of emotional baggage. Revisit requirements and outcomes, align them better for improved productivity and cost advantage.

6 Build capabilities of People & infrastructure

Key to business transformation is all about increased capabilities of people. Hire new resources to complement gaps in capabilities and build an effective knowledge transfer mechanisms so that skills set remain even in times of attrition. Hire resources for their attitude, and hire slowly. Allow them to fail and learn, if found waxing and waning, fire quickly. Invest in mid and senior levels for long haul and empower them to own and drive outcomes. Cultivate internal talent by creating newer platforms for the incumbents to extend and stretch their capabilities. Build stronger and hungry team by hiring cohorts of fresher and align them to right mentors. Complement external training and development with coaching and mentoring

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8 Steering team

Business transformation requires converts and champions who need to drive the implementation. Unlike their large counterparts, SME requires only a few committed generals who can lead a pack of soldiers for a long haul. They absorb the agenda, align the resources and marshal the pace required to reach the goals. Nothing disturbs the transformation motion like the entry and exit of expiry date leadership. Select the leaders wisely and set them with explicit goals of outcome management.

7 Create new organization, empower through systems and process

Business transformation is also about unlocking the hidden value of the company. Create newer organizations to bring more focus and market alignment, create space for newer leadership to emerge to own and direct growth and importantly, de-risk the company from vagaries of markets and offerings. Create sub-divisions for increased focus and align shared services to contain cost. Key tenet of business transformation is not just bringing new talent at key roles, but the incumbent leadership progressively stepping back so that the new leaders own and manage their areas of operations. Build systems and process that promote data driven decision making, ownership of tasks and outcomes. Sales operations can bring in transparency and sense of urgency in acquisition, and limit the tendency to operate at one level below. Adopt frameworks that work for you. Do not ape large companies and their approaches. If Balanced score card (BSC) requires too much administration, instead adopt a simplified common objective methods. Process and procedures must be chosen for their effectiveness and ease of working. In short follow KISS principle.



9 Transform the complete organization

Business transformation requires all functions to tango in tandem. HR may have to move beyond recruitment, attendance and salary ledgers. HR needs to move to the role of custodian of the organization culture, leading in defining and adopting routines and programs beyond monthly birthday cake cutting. Marketing too has to move beyond peekaboo at some industry event. Marketing must employ all the available marketing assets (social media, offline and PR) to improve branding. Sales needs more curated meetings ably supported by inside sale that adopts intelligent mining and campaigns. Persistent and clever acquisition and deeper account engagements drive sales revenue. Pricing must move from a single point to a stack based pricing. Bundling services and features intelligently uncovers the value of the solution and often helps in addressing various customer segments.

11 Invest wisely

Business transformation requires investments tied to measurable outcomes and impact. Invest in people, their development and product development. Investments in jazzy front office can be better spent on building your organization unique culture. Winning and sometimes investing in an industry or analyst enabled award helps in building the brand recall and positioning. Investments in customer experience management, quality and delivery make a huge impact during transformation. They help to life the +WOM and bring in new accounts to table.

13 Over communicate, inform, influence and advocacy

Business transformation can be messy, disruptive at many levels. Leaders must communicate the agenda, the outcomes and motions often at various platforms. Leaders must inform and influence various layers of the organization. Continuous and consistent information and advocacy on the transformation state and outcomes achieved improve transparency and commitment

10 Wind up slow, Pace it right, stick to play

A good sugarcane crop needs sufficient time to harvest. Hastening the process may lead to low quality cane without much juices. Business transformation is a cultural shift, not just addition or deletion of some products and services. By providing sufficient time to for all the stakeholders involved in the transformation and creating pre-wiring sessions at crucial transformation stages, a constant pace can be managed where small wins motivate and life the complete organization to embrace the next steps.

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12 Invest in key relationship

Business transformation in essence is improving predictability and de-risking the revenues. Convincing existing clients with improved or new offerings are easier than new clients. Deepen the relationships with key clients, pursue lighthouse programs to iron out the new service and product offerings, improvise them and assiduously build a platform where the clients could refer and promote the company. Nothing works like a peer referring a service provider to another.

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Business transformation like any change initiative is risky and challenging. There has been many moments of despair and few moments of exhilarations. Many a times the drawing had to be revisited to recoup resources and re-plan strategy. Some changes have been smooth, while continue to be overwhelming. While it has been easier to change process and systems, most challenging would be the people part. However, the outcome is significant, some may be realized very early in the business transformation, while some may require longer time to hatch. Companies have improved their product ranges, significantly de-risked their businesses, improved delivery and emerged stronger wholesome organization. It was worth doing.....

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