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Reshaping Results Performance and  
Transformation Offices



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## More growth, less costs: sustainable performance improvement in companies is simple in theory but not in practice. This applies all the more in times of COVID-19, but also in the post-pandemic period.

In these times of ongoing volatility, large companies and global corporations in particular often have trouble achieving their ambitious goals in the face of budget and investment restrictions and implementing the necessary changes. This can lead to competitive drawbacks through to reduced business model reliability, and thus raises questions about the company's future viability.

In order to address this head on, companies need to not only work on their business model and performance in times of crisis but also use successful phases to prepare for future changes. Change, in turn, needs strong programs. Many companies initiate them, but do not achieve the desired results.

Why is it that in-house program management does not always produce the desired results? And what are the relevant success factors in practice? We surveyed numerous executives from a variety of companies to find out and have summarized the interesting survey results over the following pages.

Many of the responses match our experience as management consultants. Over time, we have identified very specific key factors that help some companies achieve outstanding performance improvements time and again. Also, we continually gain new insights that we incorporate into our **Reshaping Results Performance and Transformation Offices (PTOs)** on an ongoing basis.

We use these PTOs to advise and support companies of all sizes from mid-market through to large corporations in planning and implementing transformations, turnarounds and performance improvements. In integrative teams with in-house and external expertise, our consultants support companies on site in managing their strategic, operational and financial challenges in order to create added value and optimally prepare them for the future.

In our brochure we demonstrate how our PTOs future-proof companies and how change can succeed. Please do not hesitate to contact us if you would like to learn more about performance and transformation management.



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We wish you an interesting read!

# The fine art of achieving consistent success in uncertain times

There are many reasons why companies battle with strategic, operational and financial challenges. Although none of these have had such an enormous impact as the COVID-19 virus, external and internal factors have always forced companies to continually transform and improve performance. This is the only way companies can successfully transform change into a competitive advantage and future-proof their companies.



Companies are operating in an extremely volatile environment. What is a given today may no longer be tomorrow. We will show you how you can get your company ready to systematically tackle disruption and challenges head on and also consistently increase its adaptability and performance in these changing times.

Here are a number of examples of external challenges:

- ▶ Increasing volatility (the VUCA world), mainly driven by technological advancement

- ▶ Profound changes in customer demand and customer behavior, for example through greater emphasis on sustainability

- ▶ Political uncertainty and changes in geopolitical power structures

- ▶ Exogenous shocks such as COVID-19

Internal factors can also threaten business model adjustments as well as performance, for example:

- ▶ Growing complexity through diverse business models within major companies

- ▶ A lack of transformation and performance orientation in the company culture

- ▶ The need to act quickly in spite of rigid structures and processes

- ▶ Failure to harmonize different and partially overlapping performance improvement projects within the company

- ▶ A lack of central coordination and transparency for top management

- ▶ Insufficient availability of key personnel

# Program management - transforming ideas into reality

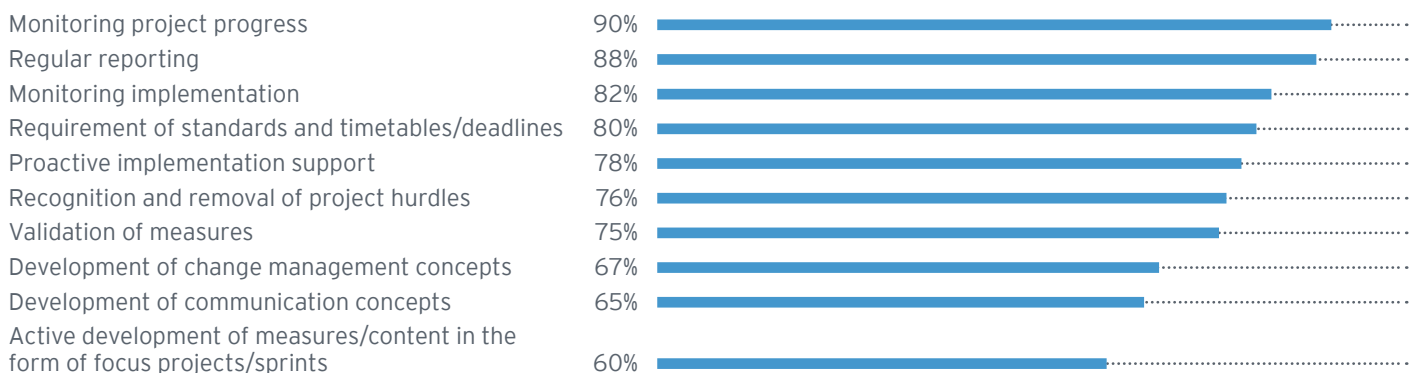
We surveyed top managers in companies from a wide range of industries and sizes about their experiences and expectations with regard to program and change management.

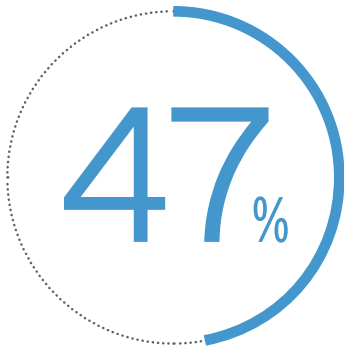
Word has obviously spread that smoothly running program management is a decisive factor for the success of a company, as around 77% of the survey respondents found this statement to be accurate or fairly accurate.

The survey respondents offered varying viewpoints on the core responsibilities of program management: 90%/88% believe the most important responsibilities relate to administration and reporting.

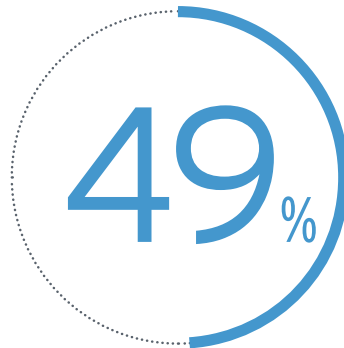
The survey findings suggest that only a smaller proportion of companies are leveraging the full potential of program management. While motivation hygiene factors are viewed as very important, success-related functions such as the development of a communication concept or active development of measures appear to carry less weight for the survey respondents.

## Core responsibilities of program management





Only 47% of the top managers surveyed achieved the targets.



Only half confirmed measurable added value.

While reporting is viewed as significant in both analyses, the executives interviewed consider the implementation focus even more important.

Around three quarters of the survey respondents see sophisticated change and communication concepts as important for the success of program management. At the same time, two thirds of the survey respondents (66.1%) would like to see change initiatives more firmly integrated into program management.

In summary, the survey shows that that leading decision-makers regard good program management as a key driver of a company's success even though the high expectations have rarely been met in practice.

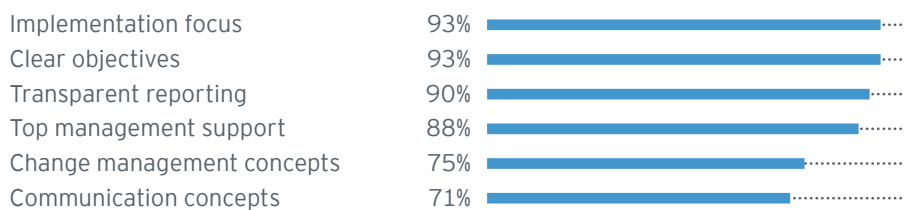
In order for companies to achieve the desired degree of measurable success in the future, they will undoubtedly have to secure the firm commitment of the company management, placing a strong emphasis on the implementation of measures and supporting these efforts with suitable change and communication concepts. In our opinion, these are the pillars on which the success of program management rests - central success factors that also form the foundation of our Reshaping Results Performance and Transformation Offices.

This unused potential could be a reason for the increased dissatisfaction with a view to program management, as only 47% of the top managers surveyed indicated that they actually achieved and met targets and expectations. Furthermore, only half (49%) confirmed that the measures ultimately gave rise to measurable added value.

Why is this percentage so low? It cannot reflect a lack of knowledge of the critical success factors as they are clearly specified by the survey respondents:

However, it seems that the factors classified as critical for success differ considerably from the functions viewed as core responsibilities.

### Success factors



# Committed to achieving the best possible result

In order to improve their financial and strategic performance, large companies generally use individual performance improvement initiatives. Company-wide planning, coordination and implementation as well as a systematic follow-up review are critical to success. Our Performance and Transformation Offices (PTOs) specialize precisely in this.

Wherever changes are needed to adjust business models or improve results and tap unused potential, our PTOs draw on the experience and know-how gained from numerous successfully implemented transformation projects to make the results more measurable.

As the main control center, the PTO reports to management or the management board, and thereby acts as the extended arm of top management.

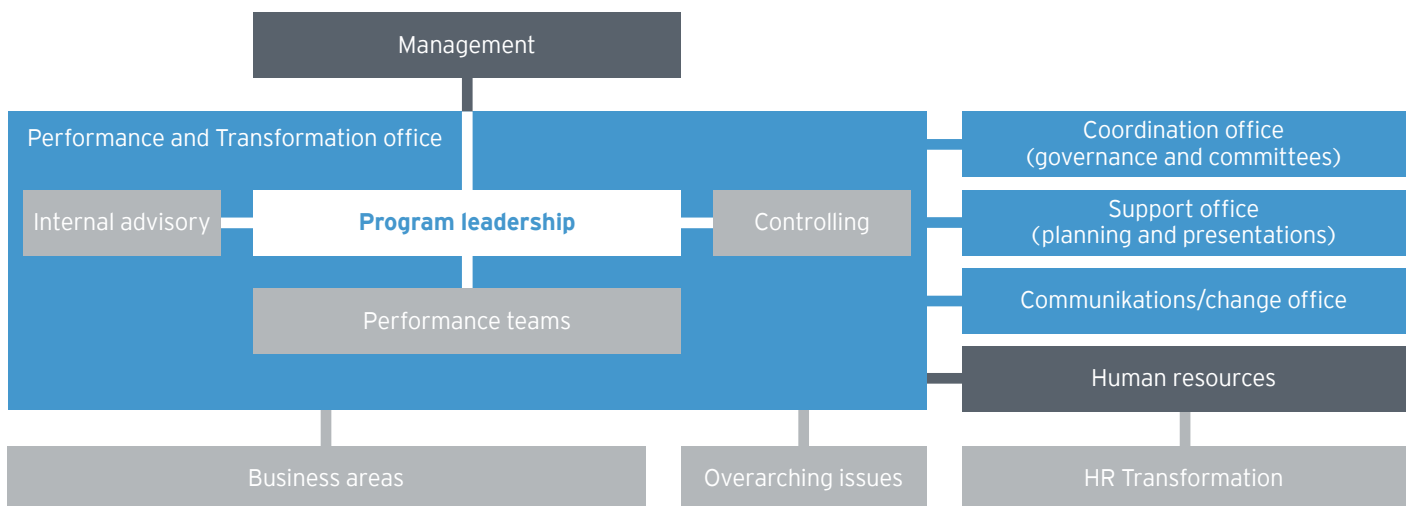
Fortified by this strong mandate, the PTO can coordinate the change process centrally and implement it with the necessary emphasis. In doing so, the PTO leadership takes responsibility

for the management and coordination of the overall project, while special performance teams handle performance projects in the various divisions. As sparring partners, they provide support in detailing and implementing the measures and pave the way to achieving the company's desired performance improvements.

Key to the success of our PTOs is their focus on the implementation of the planned measures as well as their holistic approach that takes into account all aspects relevant to the change process. This enables separate teams to focus on overarching cross-disciplinary issues such as variable management

and complexity management or personnel implementation including HR transformation.

As good communication is key to successful change, the change management office oversees communications for the program. The office is responsible for mobilizing the staff and the leadership team, strengthening its willingness to accept changes and reduce any resistance. In our experience, a company's ability to attract employees and executives is one of the main pillars of any transformation's success.







## Three steps to measurable results

The performance and transformation project is divided into two phases, the first of which is further divided into two sub-phases:

	<b>Concept phase</b> <b>A. Definition of the program framework</b>	<b>B. Derivation of measures</b>	<b>Implementation phase</b> <b>Results achievement</b>
<b>Qualitative</b>	<ul style="list-style-type: none"> <li>▶ Agreement on the project scope</li> <li>▶ Comparison of the project scope with current programs</li> <li>▶ Integration of current programs</li> <li>▶ Review of lessons learned from previous programs</li> </ul>	<ul style="list-style-type: none"> <li>▶ Detailed description of the target state</li> <li>▶ Definition of guidelines and premises</li> <li>▶ Conduction of measure workshops</li> <li>▶ Discussion of lever lists</li> <li>▶ Description of individual measures</li> </ul>	<ul style="list-style-type: none"> <li>▶ Operationalization of the measures</li> <li>▶ Content support and proactive implementation support</li> </ul>
<b>Quantitative</b>	<ul style="list-style-type: none"> <li>▶ Definition of baseline</li> <li>▶ Collection of data and creation of transparency</li> <li>▶ Derivation of the entire module-specific savings requirement</li> <li>▶ Derivation of initial hypotheses</li> </ul>	<ul style="list-style-type: none"> <li>▶ Conduction of internal and external benchmarks</li> <li>▶ Quantification of measure impacts</li> <li>▶ Defining and prioritizing KPIs</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continuous tracking and reporting of the implementation status</li> <li>▶ Thorough description of compensatory measures</li> </ul>
<b>Procedural</b>	<ul style="list-style-type: none"> <li>▶ Detailed planning of project organization</li> <li>▶ Development of overarching and module-specific timetables</li> <li>▶ Definition of cooperation guidelines</li> </ul>	<ul style="list-style-type: none"> <li>▶ Installation of measures-tracking software</li> </ul>	<ul style="list-style-type: none"> <li>▶ Coordination of the individual business areas</li> <li>▶ Communication/definition of deadlines</li> </ul>
<b>Stakeholder-Management</b>	<ul style="list-style-type: none"> <li>▶ Stakeholder mapping and valuation</li> <li>▶ Inclusion of initial key personnel</li> </ul>	<ul style="list-style-type: none"> <li>▶ Development of a communication strategy</li> <li>▶ Project-related committee preparation</li> <li>▶ Preparation and conducting of talks with the works council</li> </ul>	<ul style="list-style-type: none"> <li>▶ Mobilization of the workforce and management</li> <li>▶ Proactive internal and external communication</li> <li>▶ Stakeholder monitoring</li> <li>▶ Project-related committee preparation</li> </ul>

From idea to realization

# Finally an advisor who acts as an entrepreneurial partner

The key to every transformation and performance improvement program is the management of measures, in the course of which the potential for earnings improvement is assessed and realized. The professionals in our Performance and Transformation offices are not just advisors but aides with the relevant industry know-how, functional expertise and the implementation orientation.

## The targeting

As part of the targeting, we define the total earning improvement requirements. The earnings target is fixed and invariable. It is derived from internal and external benchmarks and/or stakeholder expectations.

We then divide the improvement requirements among the individual divisions. For this, we use different methodologies, depending on the situation.

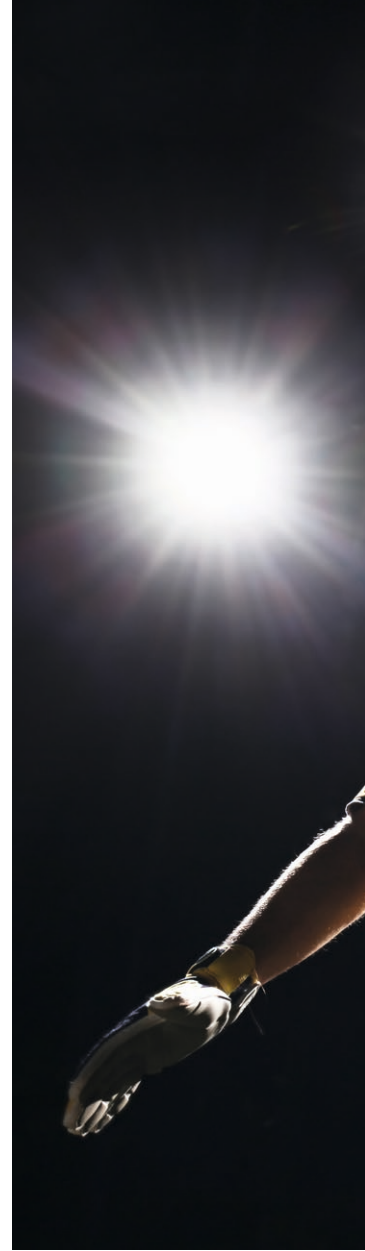
## The maturity degrees

The measures management uses a maturity degree logic, with which we can transparently present progress with detailing - and later the implementation - for all performance improvement projects.

The maturity degrees are represented in such a degree of granularity that they clearly reflect the measure detailing and implementation progression. Further, Controlling and HR department resources are systematically incorporated in the maturity degree tracking to bundle all necessary perspectives in the measures assessment process.

An additional benefit: the management board and the PTO can not only gauge the progress of the measures using the maturity degrees, but also benefit from it as a central management element. As the project progresses, we communicate requirements the units must fulfil in terms of measures fill grades and average maturity degrees at regular intervals. Tracking these specifications right from the outset of the project provides information on progress with the measures, potential delays and need for action.

We also continuously forecast the maturity degree development in order to present the company with a clear idea of the program's robustness and target attainment.





## Integration in the income statement

We create measurable values during the implementation phase, which we already initiate in the detailing phase. In our PTOs, we attach particular importance to accurately embedding each measure in the income statement; through cost types and cost centers or - if not possible otherwise - by analogy through appropriate KPIs. Only then can the actual effect of the measures be tracked and presented in the income statement. And only then can the implementation be measured and managed effectively.

## Prioritizing measures

We prioritize and categorize all measures prior to implementation, so that we can filter out immediate measures and quick wins to achieve initial savings effects quickly.

## Tools and reporting

Comprehensive performance programs in large companies are highly complex. In order to effectively control them at all times, we install a software-based measures management system at the beginning of the project.

We ensure that the software solution has the highest level of automation possible in order to keep most resources unimpeded for the actual work.

Digital advantage: with these sophisticated tools, we guide the persons responsible for the measure through the measure management process in an almost completely automated procedure - starting with a step-by-step walkthrough of measure detailing including automated plausibility checks through to the creation of interactive dashboards in real time for the highest possible implementation transparency.



## How sustainable change is achieved

To make a company future-proof, changes must be made. Most people are hesitant and skeptical about changes, all the more when they fear personal or financial disadvantages or when the significance of the change is not self-explanatory.

We therefore engage in an intensive dialog with all participants - whether it is the workforce, middle management or the employer-side - to actively include all persons involved in the process and thereby change mindsets.

Many executives mistakenly believe that their employees will perceive the planned changes just as they do. However, the reality is usually different: while the reasons and the context for financial decisions or transformations are presented logically at the executive level

and are based on data, the workforce usually does not have the same insight into or understanding of the background and exact objectives.

We therefore recommend reviewing management decisions and thus the planned change measures in terms of their communicative impact. Based on our experience, asking "How does it come across?" is at least as important as asking, for example, "Which structural changes lead to which savings potentials?" It is therefore important to clearly explain to all persons concerned what the management intends to achieve with the planned changes in order to:

- a) win the support of stakeholders; or
- b) reduce the resistance of potential opponents.

### Shaping change

Change management workshops are an excellent tool to promote the changes on a wide platform. We can use them to define success stories and objectives for change management with you. Further, we will support you in establishing an overarching purpose and vision in the workforce, in which the medium and long-term values of the company are reflected in a strong, authentic and honest story.



## Communicating change

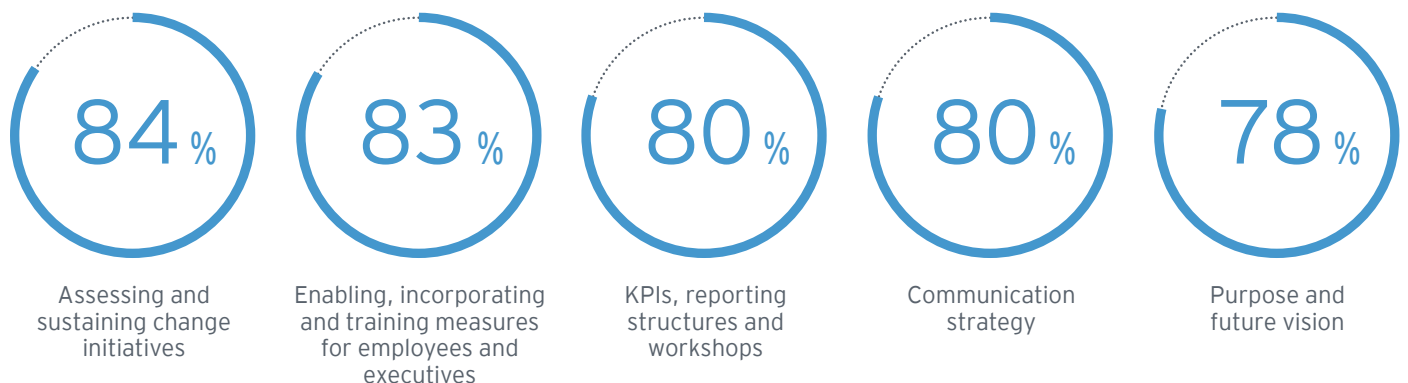
For any kind of transformation, it is not just about sharing facts and figures but also about the emotional accessibility of the affected person. The connections required by the change process must be created and the consequences must be considered. We assist you in finding the right tone at the right time.

## Creating change competence

Existing opposition by the stakeholder must be identified, taken seriously and managed. Executives are ambassadors of change; they must therefore be enabled to implement change. We help your executives to understand which dialogs on change they should conduct with their teams and colleagues.

Our survey respondents also confirmed the importance of the above change management aspects for transformation plans in the following order (percentage of responses "Agree" or "Mostly agree"):

### Importance of change management aspects for transformation plans



# Transformation as a management paradigm

While in-house program management frequently does not yield the desired results, our PTOs can make full use of their strengths: instead of independent improvement measures, we centrally coordinate all performance management projects and follow a holistic approach.

With professional planning, management, implementation and performance monitoring from a single source, we can precisely align the measures to management's objectives and systematically tap into potential. Our aim is to lead your company back to sustainable growth together with you.

When the room to maneuver grows smaller, pressure increases steadily and swift and decisive action is called for, we will be at your side. We provide your decision makers with the required support and backing to take on responsibility and make swift, independent decisions in the context of a transformation, turnaround or performance improvement framework.

The long-term establishment of a PTO enables you to secure your position in a volatile environment and successfully manage challenges.

By anchoring the transformation paradigm in the company methods and culture, you will create an opportunity to set yourself apart from the competition in the medium term and use your new strengths in the long term.

Companies act wisely by implementing programs for transformation and performance improvement early and proactively and not when the crisis is already there. The best programs are implemented in the company independent of the situation and for the long term and can thus become the drivers for continuous transformation.

There are four key factors that mark a successful PTO:

1. A robust mandate for program management – clear objectives and top management support
2. Deep functional know-how and flexible handling of changed conditions without deviating from the overall financial objective
3. Objectivity as an essential basis for steering and 'leading by numbers' - consistent, error-free and promptly generated by adequate tools
4. Pro-active stakeholder management and comprehensive communication, both internally and externally



The best programs are established independent of the situation and for the long term.



# “What our customers need is measurable success”

Companies these days must stretch the limits of their performance in order to stay ahead of the competition. We talked to two experts who have successfully assisted their clients to stay in top form for many years: Milan Knarse, Partner, and Marc-André Sanden, Director, responsible for the Performance and Transformation Offices at EY.

## Reacting to change, opening up new paths and even adjusting the business model: why are only a few companies able to master these challenges themselves?

M. Sanden: Actually, almost all large companies are able to develop concepts for transformation and performance improvement programs. However, they often lack a consistently holistic approach and early consideration of the implementation. I have to plan ahead for this in the preparation phase of the program itself and accordingly set the course for successful implementation early on.

## Do you have a better view of your clients' potential from the outside?

M. Knarse: Not directly. Our task lies more in integrating ourselves quickly in the company structures in order to familiarize ourselves. Only then can we identify opportunities for growth, precisely calculate optimization potential and get changes off the ground. Our advantage is that we are constantly executing large transformation projects in global corporations. We therefore definitely have a keener eye for the key functions involved. Additionally,



Milan Knarse (l.) and Marc-André Sanden

as external consultants, we often find it easier to state hard truths and make discussion possible.

## Speaking of key functions: according to you, which points are decisive for a successful transformation?

M. Knarse: The secret to success is certainly a combination of different factors. Firstly, there must be a stringently managed holistic program. Not only do we have the necessary digital tools and methodologies, but also the required experience. Overall, our Reshaping Results initiative is committed to decisively and sustainably supporting our clients in all time-sensitive, precarious and complex situations. In doing so we particularly draw on

the know-how of our people in the relevant disciplines of our EY network: operations, tax, legal or strategy. In addition, as external consultants, we bring added momentum to the measures. A robust mandate by group management is key. Ideally, this goes hand in hand with a cultural change: “performance as an attitude.”

## You are expected to deliver momentous results. How do you deal with it?

M. Sanden: Indeed. Unfortunately, companies often first approach us only when they need to quickly and significantly improve their earnings and profitability. This can only succeed if everyone in the company does their bit and becomes part of the solution. Therefore, as a PTO, we depend highly on communication with the workforce and try to find the best possible solution for all concerned. The fact that we are able to deal with sensitive issues is definitely a distinctive quality.

## What sets you apart from your competitors?

M. Knarse: To add to the above points, we also distinguish ourselves through our focus on implementation. Frequently, there is a very strong focus on strategy, which is necessary but not sufficient. The right operating model, in-depth understanding of the market and a strategic direction are equally important. Our clients, however, especially appreciate that we are actively involved in the implementation, ensure its success and tangible results and measure our performance by this achievement.



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EY-Parthenon teams work with clients to navigate complexity by helping them to reimagine their eco-systems, reshape their portfolios and reinvent themselves for a better future. With global connectivity and scale, EY-Parthenon teams focus on Strategy Realized – helping CEOs design and deliver strategies to better manage challenges while maximizing opportunities as they look to transform their businesses. From idea to implementation, EY-Parthenon teams help organizations to build a better working world by fostering long-term value.

EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit [ey.com/parthenon](http://ey.com/parthenon).

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### About the global EY organization

The global EY organization is a leader in assurance, tax, transaction and advisory services. We leverage our experience, knowledge and services to help build trust and confidence in the capital markets and in economies the world over. We are ideally equipped for this task – with well trained employees, strong teams, excellent services and outstanding client relations. Our global purpose is to drive progress and make a difference by *building a better working world* – for our people, for our clients and for our communities.

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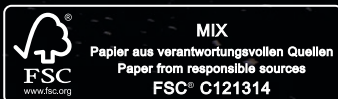
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