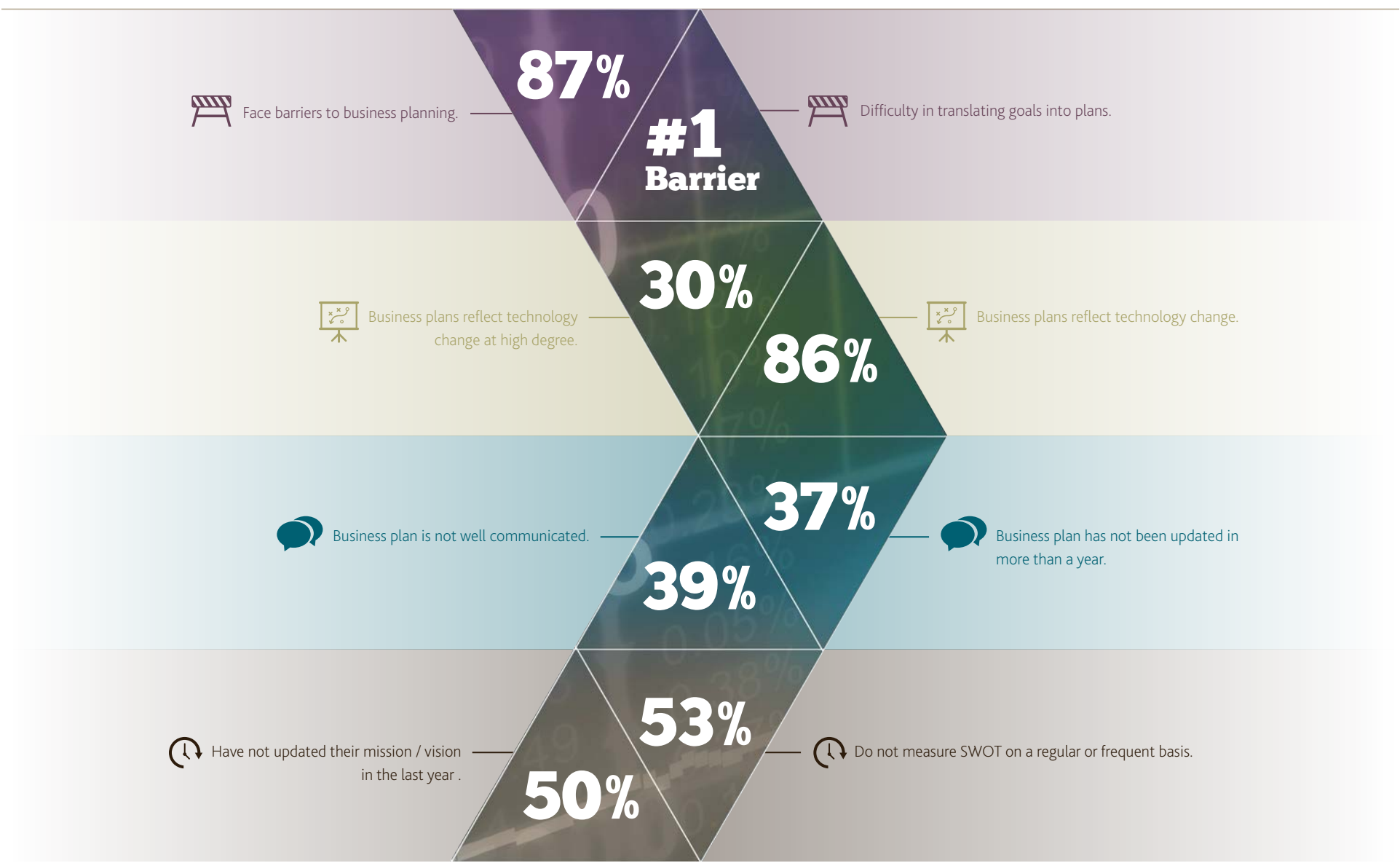




TRANSFORMATION AND TECHNOLOGY SURVEY

TACKLING TRANSFORMATION: Strategic Approaches to Change in Canadian Business

Key Findings



"In times of rapid change, experience could be your worst enemy."

– J. Paul Getty

"Create a compelling vision, one that takes people to a new place and then translate that vision into a reality."

— Warren Bennis

The current business transformation wave is unlike any other. As technology rapidly becomes cheaper and more widely available, Canadian businesses and organizations are looking at what they must do to adapt. As a business decision maker, what you did before is probably not going to work this time around.

Our first survey report, *Capturing the Change Wave*, found that 83 percent of Canadian businesses are currently adopting technology-based change. And nearly four in 10 reported the changes they are implementing will be more impactful on their business model than any transformation initiative they have undertaken in the last three years. Business decision makers told us they are concerned about a lack of people, skills and resources to execute successful transformation initiatives.

It is clear from our survey responses that Canadian businesses decision makers recognize this wave of change is different. Their responses also suggested they are feeling the pinch when it comes to accessing special skills and expertise and making careful resource decisions.

Navigating these change waters requires a vision and plan of action. MNP's Technology and Transformation Survey asked business leaders across Canada how they are approaching change. This second survey report, *Tackling Transformation: Strategic Approaches to Change in Canadian Business* shares their experiences dealing with change and offers guidance how to prosper in this time of rapid transformation.

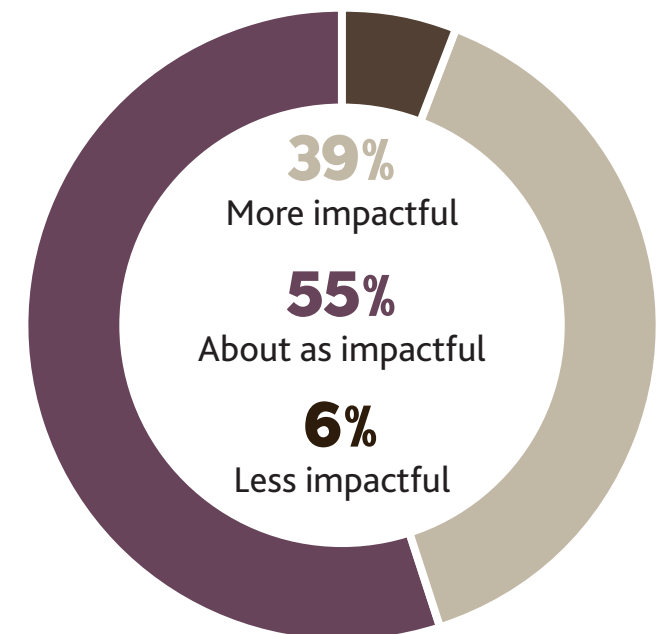
Survey Methodology

In October 2017, MNP engaged Ipsos to conduct a quantitative online survey of 1,200 Canadian business decision-makers. The sample was divided equally between smaller businesses (5 to 99 employees) and larger businesses (100+ employees) and weighted by gender and region.

The precision of Ipsos online surveys are calculated via a credibility interval. In this case, the total sample is considered accurate to within +/- 3.2 percentage points, 19 times out of 20, had all Canadian business decision-makers been surveyed. Subset credibility intervals for industry samples are + / - 10.0 percentage points and smaller/larger businesses at + / - 4.6 percentage points.

THIS CHANGE IS DIFFERENT

How significant do you anticipate the impact of this change will be to your business model, as compared to other changes you've made in the previous three years?



Make Transformation Meaningful to Your Organization

“As you decide on your change initiatives, the business’ vision is ultimately what you look at to determine whether or not those initiatives will get you to where you want to be in the short, medium and long term. If you start a change without knowing where you want to end up, it will typically fail because it isn’t aligned to anything,” says Trent Bester, Senior Vice President, Consulting at MNP.

While there is no single model for success when it comes to implementing significant change, based on MNP’s experience working with companies, it is clear that making transformation meaningful for employees is perhaps the most critical step in the right direction. People will put in the extra effort for a vision or cause they believe in and feel a part of. Articulating the aspirations and purpose of the organization and aligning that vision with a mission statement encapsulating what, why and how you do what you do are key to inspiring and engaging employees throughout a transformation.

Most Canadian businesses are guided by mission or vision — only one-third of Canadian businesses (32 percent) do not have a vision or mission statement. However, surprisingly fully half report their mission and vision was updated within the past year — a very strong indicator of the scope and depth of change currently impacting Canadian businesses.

“While it’s true that no company ever stays exactly the same, a vision statement is ultimately about the long-term. When you develop a vision, you want it to have some longevity,” says Bester. “The purpose of a vision is to point to where you want to get to. These data are clearly telling us that a significant number of Canadian organizations are reassessing their true north position.”

The other notable finding is the large number of businesses facing change without the guidance of a vision or mission. Among those businesses facing a strategic level transformation - representing a new course or direction - one quarter indicate they do so without a vision or mission statement. These are companies contemplating their future and at risk of becoming overwhelmed by change rather than leading it. For organizations that could benefit from the direction a vision / mission provides, Bester offers four steps to get started:

- 1. Start with a series of one-on-one interviews with key stakeholders in the organization to understand where they think the organization is heading, what the barriers are to getting there and to gain a sense of the landscape in terms of what’s going on in the business and the industry.
- 2. Consolidate these findings into themes with an eye to the opportunities they represent and the strengths and weaknesses of the business.
- 3. Understand what others in your industry are doing in terms of vision, what customers want to see and where industry is heading.
- 4. Armed with this information, bring the stakeholders together to gain consensus on where you want to go as an organization.

To discuss transformation in your business with one of our advisors, contact MNP at transformation@mnp.ca

HAVING A COMMON ORGANIZATIONAL GOAL

Do you have a company vision or mission statement? When was the last time your vision or mission statement was updated?



Companies in the real estate/construction and manufacturing/trade sectors are the least likely to have a vision or mission statement.

How to Move Forward

"The biggest story on the ground is the angst among business leaders who know that the landscape is changing, but they are unsure of how to best move forward," says Bester. "You have to start by instilling a culture and leadership for change. There has to be a recognition that what you are doing now will not cut it in the short to medium term, let alone 10 years out. You also have to know who you are as an organization and you have to have a road map that stays true to your core values as you face and implement change."

The good news is our survey found most (81 percent) organizations indicated they have a formal business plan in place. The bad news is four in 10 total respondents (39 percent) admit the business plan is not well communicated or known throughout the organization; and 37 percent say their business plan hasn't been updated in more than a year.

"In many cases, a business plan can serve as a road map and be a motivator for change. However, if you are going through a transformation you need a plan that is current, shared and understood, otherwise you will run into problems with people not knowing where you are headed and how and therefore likely not to be fully on board. The plan is your roadmap to executing successful change," says Bester.

Only a quarter of Canadian businesses report business plans that are up to date as of the last six months – a long time during times of rapid innovation. "Organizations should be asking themselves frequently where they stand relative to their plans and looking a whether they can still realistically achieve their goals," says Bester.

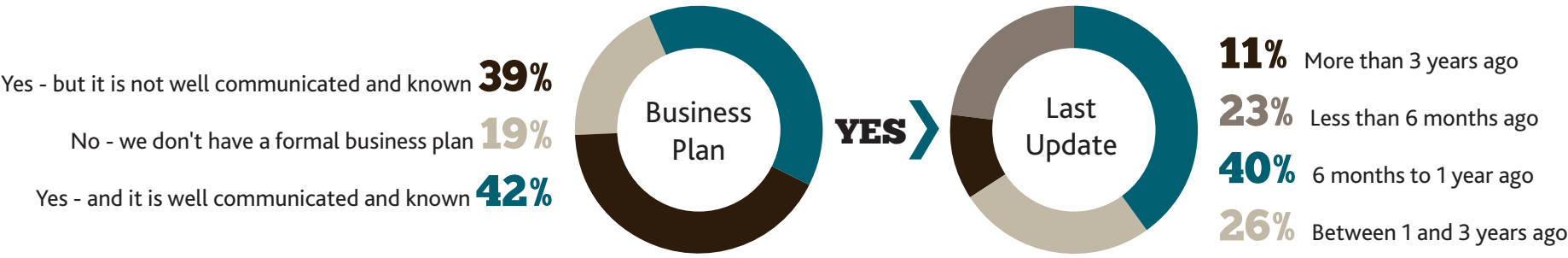
"The 12-month update cycle may have been the established organizational practise for many businesses, but many organization are adopting an agile approach to planning – this approach is more adaptive and evolutionary in the development of an approach or plan focusing on early delivery and continuous improvement and encourages rapid and flexible response to change. It doesn't need to be a whole-scale planning commitment every quarter, but for those areas seeing high levels of change area – like technology, regulation, trade – you need to be looking ahead and rapidly turning ideas and use cases into tactics and action to achieve results."

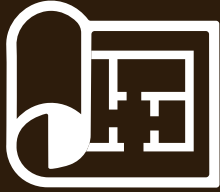
The value of this type of planning is particularly well understood in the energy and natural resources sector. Due to the volatile nature of commodities, 93 percent of businesses in this sector indicate they have a formal business plan; 70 percent of which have been up dated in the last year. Organizations in this sector recognize the need for plans that are adaptive to a rapidly changing environment.

A potential warning sign among the survey data is the finding that, among organizations that indicate they are not facing an imminent change, only 60 percent have a business plan. The combination of the lack of thinking about opportunity or need for change and the lack of any form of road map represents a potential problem. When the change wave does hit these organizations, not seeing it coming combined with the lack of a forward-looking action plan represents a potential stumbling block.

IS YOUR ROADMAP RELEVANT?

Do you have a formal business plan? When was the last time your business plan was updated?





"In an environment of rapid change, business plans are only effective if they are dynamic and designed to engage your people in the activities required to achieve your objectives. You don't have to rewrite the full plan every year, but you should take a look at your priorities, what you've done, what has been achieved and what pivots are necessary to adapt to your environment."

— Trent Bester
Senior Vice President, Consulting
MNP



Know Your Strengths and Weaknesses

"Investor concern over the threat of new technologies is overstated."

—1999 Blockbuster Analyst Report

Preparing for future change requires the ability to not only recognize the coming wave but also understand your ability to adapt. Yet our survey found that less than half (47 percent) of business decision-makers report their companies are proactive about evaluating their strengths and weaknesses in this area on a regular or frequent basis. "This lack of awareness is where many business transformations will fall down," says Bester. "Organizations often need outside help assessing the strength of their adaptive abilities – they typically don't have the internal expertise to do so. If you don't have the capacity, you need to look externally."

Businesses that know they are facing a transformation need to be even more aware of their competitive environment, yet for this group the result is nearly the same. Only half (49 percent) of businesses undergoing or anticipating a transformation are regularly or frequently measuring their organization's strengths and weaknesses relative to competitors.

"Transformations can fail because organizations make incorrect assumptions – especially about their capability and capacity to undertake change. You need to be hyper self-aware. Undertaking a regular analysis of your ability to adjust or adapt your plans is critical in today's environment given the pace of technology advancements and disruption. You need to be aware of new entrants to your market and new technologies so you can get ahead of them and identify new opportunities. This can only happen if you are assessing for any gaps in your ability to change and addressing them on a continuous basis," says Bester.

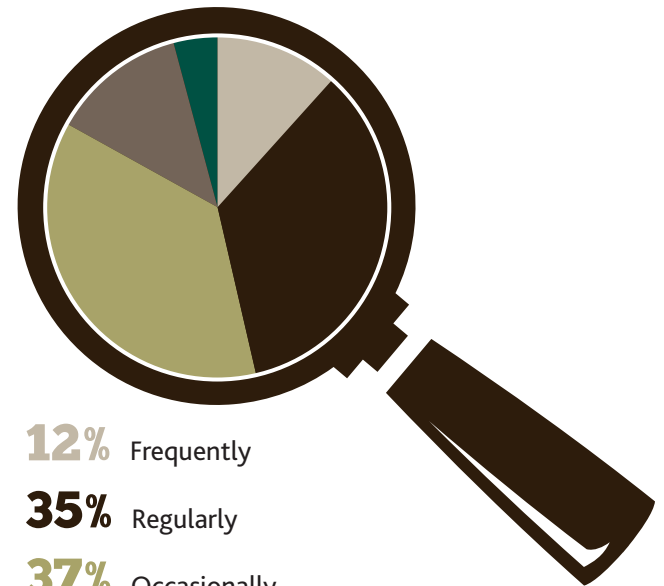
Once again, respondents from energy and natural resources companies show a deep understanding of the reality of competition in an environment of change. Fifty-five percent of energy and natural resources organizations are regularly or frequently measuring strengths, weakness and their ability to adapt relative to their environment. By comparison, only 44 percent of respondents from the non-governmental organization, health and education sectors are actively measuring their ability to respond to changes in their environment.

"The drop in oil prices has had a ripple effect on the entire industry. Production companies are focused on cutting costs and that directly impacts service companies, which compete on the lowest cost. Business models have been challenged and business leaders have to find a way to generate the same level of returns with less. A business plan can help point the way forward because every decision has to be scrutinized. What do your people generate in terms of revenue? Who are your customers and what are they doing? What are you doing to attract new customers? What are you keeping score of and how well do you know what's happening on a month to month basis? The key is to have an engaged management team and workforce that understands the business in order to carry out the vision."

— Jeremy Rondeau, National Leader, Oilfield Services, MNP

OBJECTS IN MIRROR MAY BE CLOSING IN

How frequently do you measure your strengths and weaknesses relative to your competitors?



13% Rarely

4% Never

More than half (52 percent) of total respondents from organizations with more than 100 employees proactively benchmark their strengths and weaknesses as compared to 41 percent of respondents from smaller organizations.

Reflect Technology Change in Your Business Planning

As reported in Capturing the Change Wave, Canadian organizations cite technology as the primary external force driving change in their organizations. Technological breakthroughs are the new normal facing Canadian businesses and innovation is pushing businesses to adapt and change to compete.

To steer the right course for businesses in this environment, technology innovation needs to be a significant part of every organization's thinking. Nearly all business decision makers we survey understand this to a degree: 86 percent report their business plans include current technology advancements. What the survey uncovers, however, is technology plays only a moderate part in establishing their road map. Only 3 in 10 Canadian businesses say technology is reflected to a high degree in their planning activities. Considering the broad awareness among respondents that technology is driving business change, these tepid results point to a potential technology planning gap for many Canadian businesses.

"Technology is a great business equalizer. The barriers to adopting technology are substantially less than they used to be. You don't need a huge budget to put up a website and use Google AdWords. As a result, technology is changing the nature of the competitor. Today's competitor does not have to be a well-funded multinational. It could be somebody with a really neat idea. When you understand technology is a lever for change, then it becomes clear that it is most effective when it is significant part of the overall road map, guiding the change you want to achieve," says Scott Greenlay, Technology Solutions National Director at MNP.

Steady As She Goes

Successful business planning isn't easy, given the speed of change today. Nearly all decision makers (87 percent) in our survey report facing barriers to defining a viable road map. The number one reported barrier is the difficulty in translating their goals into plans—a quarter of businesses (23 percent) rank this as the top challenge in business planning.

Other prominent barriers include not enough time and a lack of support (listed as the biggest barriers by 19 percent and 15 percent respectively).

"The business planning process is not easy or intuitive. It is difficult coming up with a viable road map that will get you to your desired goals. That's where people struggle," says Bester. "Business leaders may not know where they want to take their businesses but can't break out manageable steps to get there and then embed those steps into the change management piece. That's where professional consultants focused on this area can help. The complexity, especially in larger organizations where there are many moving parts and interdependencies, can be overwhelming. It's hard to map everything out. Steps can be missed, bad assumptions can be made and everything grinds to a halt because important connections have not been taken into account."

TECHNOLOGY'S IMPACT ON PLANNING

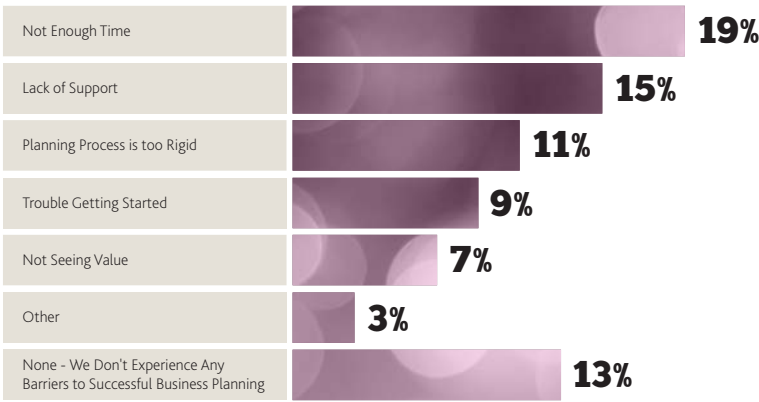
To what degree are current technology advancements in your organization reflected in your current business plan?



Financial and professional service firms are the most likely to include a high degree of technology advancement in their business plans (38 percent). Manufacturing and trade companies are the most likely (20 percent) to have only a low degree of technology in their plans.

THE STRUGGLE TO GET FROM A TO B

What is the biggest barrier you face to successful business planning?



Top Barriers to Success by Industry

Organizations in the energy / natural resources sector are significantly more likely to say translating goals into plans is the top barrier to successful business planning (32 percent). As noted earlier, businesses in this sector are actively using business planning to improve in their ability to manage the boom-bust cycles, yet as these data indicate, they struggle to turn their business goals into action steps when facing a high degree of uncertainty.

For business decision makers in the real estate / construction, manufacturing / trade, health / education and NGOs, the number one barrier is not enough time to plan. This is particularly true for respondents in the health, education and NGO sector, where more than a quarter (26 percent) report not have enough time to develop and successful plan. For public sector organizations with complex management structures and multitude of stakeholders, the time commitment to the process of planning for change can be higher. The realities of a lack of capacity and decreased government funding require decision makers in NGO, health care and education to focus on daily operations rather than planning.

For more information and additional insights from MNP's Transformation and Technology Survey, visit [MNP.ca/transformation](https://mnp.ca/transformation). To discuss transformation in your business with one of our advisors, contact MNP at transformation@mnp.ca

EACH INDUSTRY PATH IS UNIQUE

What is the biggest barrier you face to successful business planning?

