



MANRES

CEO-Study 2020

In collaboration with

Executive School of Management,
Technology and Law



Universität St.Gallen

Inhalt /

1. Foreword	4
2. Introduction	6
3. A look back	10
4. Current transformations	14
5. Success factors for transformations	20
6. Identifying and avoiding stumbling blocks	27
7. Key lessons learned	34
8. Transformation processes over time: A look back on ten years of findings from our CEO Study	37
9. Literature	47
10. Contact	49

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1. Foreword /

Society and the economy are changing at a breath-taking pace. As a result, companies must constantly adapt to new challenges while also continuing to seize new possibilities. Change can be seen as a threat, but also as an opportunity.

On the one hand, transformation affects the productive value chain of a company. Through continual strategic change, we attempt to optimize and radically renew the production chain. The goal is always to improve the quality and quantity of value creation within the context of society as a whole.

On the other hand, corporate change affects the social system of the company and its people. After all, value creation takes place within a company culture that is constantly evolving. Just as the production chain can be measured in terms of its value added, productivity and innovativeness, the social system can also be evaluated. Key factors here include organizational energy, commitment, identification, trust, social reputation, observed psychopathologies and many other aspects.

Change in the business context also means transformation of the productive and social system towards better qualities and quantities, embedded in the social context. The strategic discipline of transforming production chains is mature and well established. However, there are still considerable gains to be made in assessing the psychological dimension of transform-

ing a social system. More than 95% of all corporate consultants specialize in the dimension of the production chain. And yet many companies still wonder why so many of their strategic initiatives fail. The answer is simple. Successful change requires a diagnosis on the behavioral level of the company. From top to bottom.

That is why we at Manres AG are proud of our 30-year history of working professionally with what we call the “psychology of transformation.” For the past ten years, this work has included our CEO study, “Transforming People and Companies.”

We want to thank everyone from the world of business and beyond, who has cooperated with us on our mission at Manres. We hope you will enjoy reading this study!



Even though large-scale transformation processes are taking place, the CEOs perceive their company`s situation to be more stable than in previous years. A type of learning effect has been established.

Manres AG

2. Introduction /

For the past ten years, we have conducted our “Transforming People and Companies” CEO-study in partnership with the Executive School of the University of St.Gallen (HSG). During this study, we ask CEOs about their convictions, values and direct experiences with transformation processes. The goal of this CEO-study is to gain an integrated view of fundamental perspectives and factors for success and to offer these to the public as a valuable guide. To date, we have conducted five editions of the study, surveying well over 600 CEOs and members of top leadership bodies. These leaders have shared with us their experiences with transformation processes, offering helpful insights on the topic of changing the business of their companies. For this tenth-anniversary edition, 15 CEOs have met with us for one-on-one interviews in which they offer in-depth insights into current transformations and the challenges and opportunities that these bring with them.

In total, 101 respondents took part in the online survey (data collection from May 2019 to July 2019). The respondents were CEOs of the highest-earning companies in Germany, Switzerland and Austria. In addition, 15 CEOs were personally interviewed by a partner or principal from Manres AG. Details of the interviewed persons can be found here:

Nine out of ten of the CEOs we surveyed were men. Five percent were women, and another five percent did not specify their gender. Four female and eleven male CEOs took part in the one-on-one interviews. All of the CEOs we surveyed were the head of a company in Switzerland (76%), Germany (22%) or Austria (2%). The Swiss companies employ 3,073 people on average; the German companies, 3,805, and the Austrians, 1,500. The average company size for all the countries combined was 3,087 employees. The average age of the participants was 53 years, with ages ranging from 32 to 79. The participants have been in their leadership positions for 8.5 years on average (with tenures ranging from 1 to 59 years). Almost half (48%) of the CEOs had worked for their companies prior to assuming the top position.

The participants in this survey have years of expertise and extensive business knowledge. Their statements provide solid, detailed information and insights into the everyday process of transformation in their companies. Looking back on the past ten years, we can now refer to answers from 637 CEOs in the German-speaking world in total. These surveys provide insights into how transformation processes can be successfully put into place.

The articles in the 2020 CEO study provide a wide range of perspectives, exploring the challenges that top managers face when dealing with transformation processes in general. We look back on investments in past transformations as well as current, pressing challenges in the present. We devote one article each to the topics of success factors for change, major stumbling blocks and key lessons learned by the CEOs.

In the section "Transformation processes over time: A look back on ten years of findings from our CEO Study" we summarize the findings regarding our CEO surveys. It must be stated that this data does not allow for a long-term view in terms of causal relationships, because the groups who participated in each year's study were not the same. However, the findings of the past ten years do produce one clear result: transformation processes are a fundamental part of every leadership team's job, and successfully directing these processes is an important criterion for the long-term success of the companies. The company's strategic focus and the restructuring and optimization processes it entails are also in the hands of the companies' top management. Through their leadership, the CEOs provide guidance and orientation to their employees precisely when they need it most: during times of transformation.

Sources /

We are proud of the wide range of companies whose CEOs, managing directors and partners were so kind as to meet with us for a personal interview:

Real Estate

Wincasa
CEO Olivier Hofmann
www.wincasa.ch

Apleona HSG AG
CEO Michael Rohner
www.ch-hsg.ableona.com

Media & Corporate Consultancy

CT Cinetrade AG
CEO Wolfgang Elsässer
www.cinetrade.ch

Hkp /// group
Senior Partner Dr. Christine Abel
www.hkp.com

Information technologies & Telecommunications

Sharpist Startup
Founder & CEO Fabian Niedballa
www.sharpist.com

Swisscom
CEO Urs Schaeppi
www.swisscom.ch

Visionary AG
CEO & VRP Olivier Willi
www.docbox.ch

Machines & Chemicals

Bucher Industries
CEO Jacques Sanche
www.bucherindustries.com

WMK Plastics
CEO Martin Aeschlimann
www.wmk-plastics.lehmannundvoss.de

Banking & Insurance

Graubündner Kantonalbank
CEO Daniel Fust
www.gkb.ch

Hypothekarbank Lenzburg
Vorsitzende der Geschäftsleitung Marianne Wildi
www.hbl.ch

Helsana Versicherungen
CEO Daniel Schmutz
www.helsana.ch

Retail

IKEA Schweiz
CEO Simona Scarpaleggia
(until August 2019)
www.ikea.ch

Spar Handels AG
CEO Hans Beer
www.spar.ch

PKZ
CEO Manuela Beer
www.pkz.ch



3. A look back /

Once again in 2019, CEOs and members of company leadership and supervisory boards invested heavy amounts of time and finance into changing the business.

In the final interview month of the year alone, 33 of the CEOs we surveyed told us they have invested up to one-fourth of their time in workshops, strategy meetings, consultancy sessions or similar activities. All of these activities were directly related to a transformation process. Another 32 of the CEOs invested up to half of their time, while 13 said they had invested as much as 50 to 100 percent. As such, more than half of the CEOs currently involved in a change process spend at least 2.5 hours of a regular work day (and in most cases, significantly more) working on transformation-related topics. If we look at the entire calendar year, the pattern becomes even more striking. Twenty of the CEOs devoted between 50 and 100 percent of their time to transformation processes; 29 of them spent 25 to 49 percent of their time; and 30 of them spent up to one quarter of their time.

When we look at the amount of time spent by company leadership and supervisory board members throughout one year, it is clear that CEOs are not the only ones who devote a considerable amount of their resources to transforming the company. What this tells us is that a transformation process uses a heavy amount of resources at all levels of the upper leadership

team. At seven of the organizations we surveyed, the company leadership was spending more than half or even all (!) of its time on transformation activities. At another 31 of the companies, they devoted between 25 and 49 percent, while at 38 of the organizations, they devoted up to one quarter. There was a similar pattern among supervisory boards. Twenty of the supervisory boards were devoting more than half or up to all of their time for transformation activities; another 19 supervisory boards spent between 25 and 49 percent, and 37 more of them spent up to one quarter of their time.

In addition to the substantial amounts of time invested, the companies also devoted a heavy amount of financial resources to transformation processes. Around one quarter of the companies we surveyed were spending between 25 and 50 percent of their profits on transformation plans. Ten percent of the companies spent even 50 to 100 percent of their profits on efforts to change the business. Two-thirds of the companies were investing up to one quarter of their profits towards transformation.



As CEO, I have to show that I am always happy to do new things and put them into practice. That is encouraging for others to see..

Marianne Wildi

Chairwoman of the Executive Board of
Hypothekebank Lenzburg

Looking back on the past, the CEOs we interviewed one-on-one were very proud of how steadfast and persistent their strong, dynamic employees and teams had done their part to keep the process moving and continually enable transformation plans to be put into practice. The CEOs also reported that these processes brought a new dynamic into their business model and produced new impulses for further development. They perceived these as some of the enriching effects of transformation.

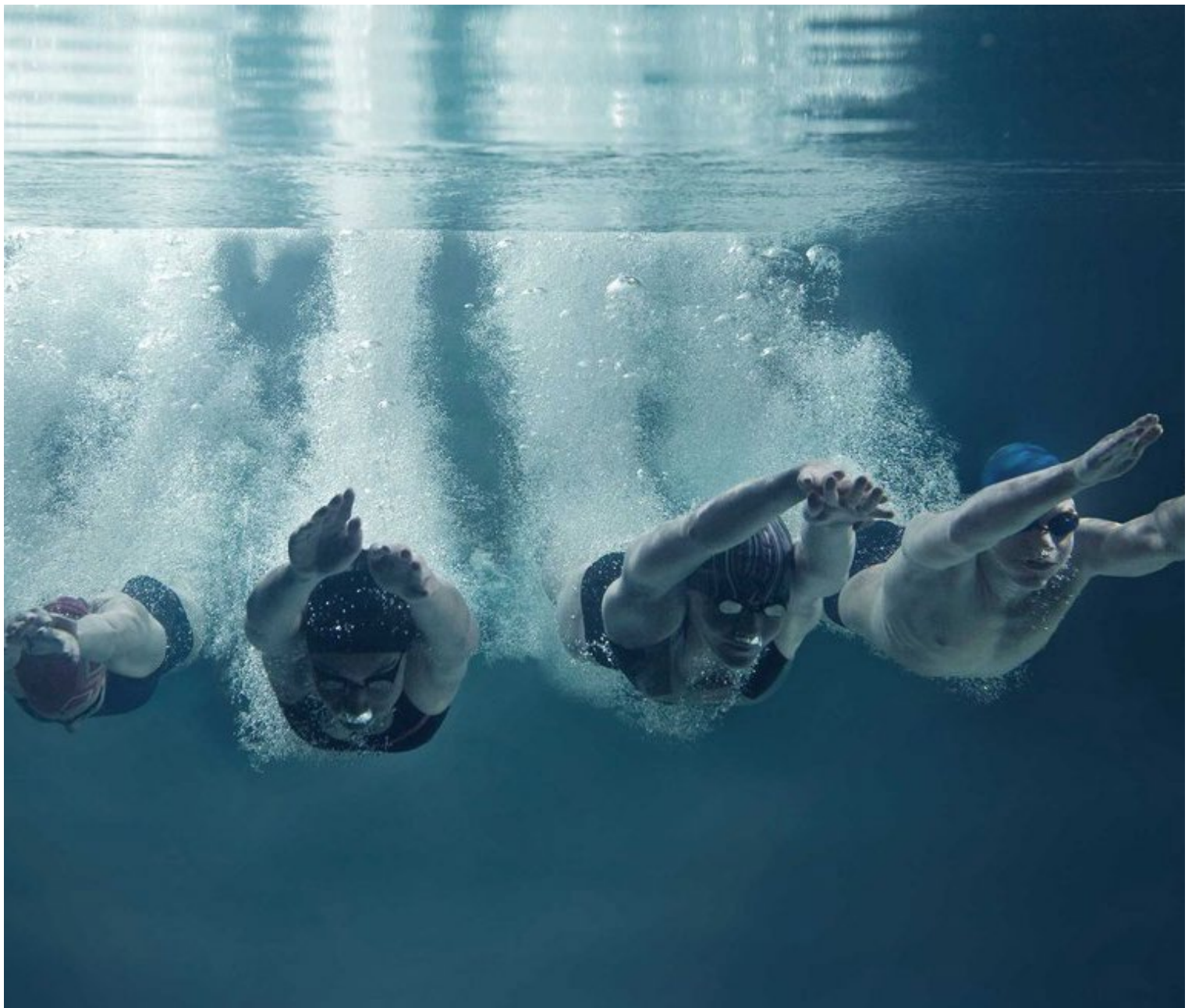
On the other hand, they found it especially difficult to deliver results and stand up to the pressure placed on the business. This places great strain on them because of the high investments and expectations of various stakeholders, as well as the inability to immediately see and measure performance. Specifically, they found it deeply challenging to stay true to themselves during hectic circumstances and despite uncertainty and internal tensions, while also conveying trust, courage and inspiration. Marianne Wildi, CEO of Hypothekarbank Lenzburg AG, said that it is decisive to overcome these challenges and consciously perform her duty as a role model. She said:

„As CEO, I have to show that I am always happy to do new things and put them into practice. That is encouraging for others to see.“

Marianne Wildi

Chairwoman of the Executive Board of
Hypothekarbank Lenzburg

In addition to this rather emotionally draining aspect, the CEOs also emphasized what an amount of energy it takes to get the process moving and keep it going. Many of our partners underline the necessary persistence and doggedness that it takes to initiate developments in their companies and to successfully communicate them and make them easy to understand beyond the silos. Many perceived of the process as difficult and slow, even though they also found it profound and promising for lasting success.



4. Current transformations /

Change is the only constant. For the CEOs we surveyed, these words of wisdom are as true today as when they were first written by the ancient Greek philosopher Heraclitus. Five out of six of the companies we surveyed are currently in the midst of a transformation process. Nearly half of the companies are even undergoing transformations that involve the majority (more than 60 percent) of their employees. Only 17 of the CEOs we spoke to said their companies are not undergoing any transformation at this time. These are remarkable figures, considering that we human beings live our daily lives in the illusion that there is such thing as a status quo or at least a certain degree of constancy. The fact that 84 percent of the companies we surveyed are in a state of transition shows that intelligent handling of uncertainty and change is an essential competency for successfully maneuvering a modern company through our VUCA-world.

Interestingly, when asked about their assessment of the current market situation, their competitors and topics such as globalization, around two-thirds of the CEOs said that, despite the high rate of transformation, the situation at their own company was still stable or even very stable. One might assume that there is little need for cost-intensive and culturally demanding change processes within stable companies.

Nevertheless, an overwhelming majority (75%) of the CEOs of these companies who say that the economic climate as well as their own company situation currently poses little cause for concern are still investing heavily in internal transformation processes. Twenty-four of these CEOs even said that their companies are currently in stable condition even though over 60 percent of their employees are involved in transformation. Based on the data we collected, it cannot be clearly concluded whether a reliable assessment of the current economic situation is a result of a proactive approach to the future. In any case, it is clear that these sweeping transformation processes were initiated less out of perceived pressures from the outside (push) and more out of a far-reaching vision and desire to pro-actively shape the future (pull). These CEOs appear to have taken personal responsibility for leading their companies boldly into the VUCA-world and facing external challenges by actively shaping company processes and cultures one step in advance.

On the other side of the spectrum, 38 CEOs view the current situation of their own company in the economic landscape as predominantly turbulent or even very turbulent. This presumably results in a pressure to transform which is reflected in the number of employees within the company who are affected by the transformation.



*As head of company, you have to provide certainty even you yourself
are uncertain.*

Olivier Willi
Owner/CEO Visionary AG

Twenty-four of the CEOs said that over 60 percent of their employees are involved in transformation, while another eight said more than 30 percent are involved. Despite the perceived turbulence, five of the CEOs report only a smaller process (with fewer than 30 percent of employees involved) and one company reported none at all. Oliver Willi, Owner/CEO of Visionary AG, says that, precisely in turbulent times, CEOs are faced with a decisive task:

„As head of company, you have to provide certainty even you yourself are uncertain.“

Olivier Willi

Owner/CEO Visionary AG

Motivations behind current transformation /

The qualitative findings of the online polls and the CEO statements during one-on-one interviews show that there are many different motivations for transformations.

From cost pressures to the need to strengthen customer focus and the necessity of omnichannel as a modern business model, a wide range of push and pull forces were mentioned. As in the CEO study from the last year, the following two aspects stand out in particular as primary motivations:

1. adjusting to changing customer needs and competition
2. organizational restructuring and process optimizations related to digitalization

This view is backed up by the in-depth interviews with 15 CEOs from a wide range of different industries. Rising customer expectations and the demands of digitalization (new technologies and processes) are by far the most frequent drivers of transformation.

However, cultural shifts in the workforce and/or cultural aspects related to changes, changes of ownership, the reinvigoration or realignment of their own corporate identity as well as maintaining team spirit in the face of heavy workloads were all also named as reasons for internal change processes.

Notable financial and time investments /

Looking back on the past ten years, there is a clearly visible trend with regard to investments of finance and time. Even though for the first time this year there was a decline in the total number of companies currently involved in transformation processes, the number of sweeping processes involving more than 60 percent of the company's employees has increased each year (see also the article "Long-term observations").

The future is agile. Increasingly, it requires comprehensive involvement of many people. Accordingly, this has a high priority in the calendars of the top levels of company leadership. A decade ago, "change the business" activities took up just 20 percent of a CEO's precious time. Today, that number has reached 29 percent. There is a growing tendency to see cultural change as part of a CEO's job description. In 2019, more than half of the CEOs surveyed devoted at least one quarter of their own time (often much more) to transformation projects. The supervisory board and members of the company leadership invest at least equal amounts of their time as well. Along with this increase in time investment, there has also been a similar, slight increase in financial investment. On average, CEOs currently invest 25 percent of company profits in transformations. In the previous five surveys, this number was 20 percent on average.



Transformations are always about people.

Daniel H. Schmutz
CEO of Helsana Group

5. Success factors for transformations /

During times of transformation, a company's leaders are responsible for actively shaping the organizational culture and mindset, selecting the right leadership team and ensuring internal communication. A strong leadership team and good employees who are prepared to help enact the change are often the key to success. The CEOs we surveyed said that leadership skills, persuasiveness and integrity are key competencies for them during times of transformation. Eighty-four percent of them said that they use specific measures to nurture and support their own leadership teams in acquiring these transformation competencies.

Which critical factors does it take to ensure the success of a transformation? The CEOs we interviewed all described these factors differently, yet they were strikingly consistent in terms of the overarching, recurring themes.

Nearly all of the answers fall into one of two categories: people and culture. Daniel H. Schmutz, CEO of the Helsana Group, put it this way:

„Transformations are always about people.“

Daniel H. Schmutz

CEO of Helsana Group



When talking about people, the CEOs either refer to a successful leadership team or to an engaged, strong employee base. The successful change culture becomes visible by focusing on the goal of the change, a strong “winner” mentality and perseverance, as well as open communication and a culture of learning from mistakes.

The results of the quantitative survey show a similar trend. When asked about which of their tasks are decisive for ensuring successful transformation, the following three tasks topped the CEOs’ lists:

- shaping a company culture/mindset,
- recruiting the right people for the leadership team and
- internal communication

These aspects all reflect the psychological side of the change process. Number-four on the list is **defining the strategy and vision/mission**, which relates to the content-logical aspects of change as important guarantors for success.

The CEOs were asked to rate each of the following tasks on a scale of one to five:

- Defining the vision/mission statement
- Defining the strategy
- Shaping the company culture/mindset
- Defining the incentive system
- Recruiting people for the leadership team
- Internal communication
- External communication
- Cultivating strategic relationships (customers, mergers, suppliers)
- Budget, cost management and controlling
- Risk management
- Other

During the interviews, the CEOs also mentioned other success factors, such as having a clear strategy, focusing on customer benefits and monitoring what is economically viable. However, these topics came up far less frequently than the aforementioned psychological aspects of a strong leadership team and motivated employee base.

Peggy Johnson, Executive Vice President for Business Development at Microsoft, described it as follows: “When a culture is broken, the cracks show – morale is weakened, but so are profit and performance. That’s why culture has to be at the core of any business.” Referring to times of digitalization, Bill Aulet, Managing Director of the Martin Trust Center for MIT Entrepreneurship at MIT, expanded the famous quote from Peter Drucker “Culture eats strategy for breakfast,” to include “... and technology for lunch.” That means that the CEOs we surveyed are not the only ones who see company culture as a key ingredient for a successful transformation. During times of transformation, stabilizing structures change. Past habits and processes can no longer be used effectively. And familiar processes break away only to be redefined. It takes clear guidance from leaders and trust in people and the culture in which the change can be effectively put into place.

Leadership competencies & company culture /

What are the characteristics of a strong leadership team? And how can leaders shape a transformation-friendly company culture? The CEOs we surveyed rated leadership competency as their most critical tool for success, followed by persuasiveness, integrity, entrepreneurial competency as well as perseverance and persistence.

During the interviews, the CEOs provide us with a clearer view of how they define high leadership competency and a strong leadership team during times of change.

According to the survey results, such a leadership team shares a common philosophy and sticks together. Leaders get their team members on board by communicating clearly and consistently with them, serving as role models for change and convincing them of the common goal. As Jacques Sanche, CEO of Bucher Industries AG says,

„Transformation originates in dialog.“

Jacques Sanche

CEO of Bucher Industries AG

Only an ongoing exchange can lead to a shared, transformative impact on everyone. The interviews make clear that not only the leaders but also the employees themselves are a decisive success factor during the multi-layered implementation process. Only motivated employees who are willing to push forward the change, to commit to it and to get out of their comfort zones can ultimately lead to the successful implementation of what the leadership level has initiated.

The leadership characteristics which the surveyed CEOs consider relevant for success are very similar to the means of persuasion that Aristotle described in his work Rhetoric, which is often cited in modern theories of leadership (Antonakis & Day, 2017):

- the character/credibility of the speaker (ethos),
- the emotions (pathos) and
- the argument (logos) (Krapinger, 1999).



It is important that the ways of thinking and acting become so self-evident and understandable for everyone, so that ultimately no CEO communication is necessary.

Marianne Wildi

Chairwoman of the Executive Board of
Hypothekarbank Lenzburg

Leaders convey credibility by communicating consistently and serving as a role model for the transformation. At the same time, they build trust and offer security and stability, especially considering the upcoming and ongoing changes and the uncertain conclusion. By creating a picture of the shared goal and the possibilities and opportunities for development that it brings, and getting the employees involved in the change process, leaders create an emotional impact and clarify the purpose behind the transformation. Proper transfer of information and clear communication also address the need for rational arguments. Marianne Wildi, Chairwoman of the Board at Hypothekarbank Lenzburg, understood this and put it into practice. She says,

„It is important that the ways of thinking and acting become so self-evident and understandable for everyone, so that ultimately no CEO communication is necessary.“

Marianne Wildi

Chairwoman of the Executive Board of
Hypothekarbank Lenzburg

In addition to rational arguments and external incentives, the CEOs emphasized the importance of creating an emotionalized and purposeful vision so that everyone involved sees how meaningful their work is. If the leaders succeed at conveying the purpose of the desired change and enabling their employees to identify with the goals they are pursuing, it leads to a demonstrable increase in motivation and the willingness to expand existing patterns of behavior and invest energy in the transformation (Bono & Judge, 2003). To equip leadership teams for these tasks and strengthen their skill set, it takes training and time to reflect. That is why the CEOs also invest in training their leaders. Eighty-four percent of the CEOs we asked said that they support and foster their own leadership team during transformations. The support measures they mentioned most often were internal training programs and specific one-off training sessions.

6. Identifying and avoiding stumbling blocks /

Stumbling blocks and obstacles test the strength of a company's transformation skills. These situations call for plenty of perseverance, persistence, engagement, team spirit and focus on the goal. It soon becomes clear whether everyone involved is really on board with the putting the transformation into place. According to our survey, the number-one reason why transformation processes fail is a lack of understanding for the transformation on the part of employees. This happens whenever goals are unclear; communication is inadequate; and/or there aren't enough structures and role models in place. It is also a sign that there is too much concentration on management instead of leadership.

Transformation is always about lasting change. It requires for companies to modify their structures, processes, behaviors and habits. It often affects large numbers of employees at a time. Sometimes, leaders have no choice but to make complex decisions and act on them, even when faced with uncertainties. At the same time, day-to-day business must go on, even as new technologies and restructuring activities change the way things are done. It's no wonder that this process presents so many stumbling blocks and obstacles to overcome.

Especially during phases that require an extra investment of energy and time, it becomes clear whether the transformation is based on a firm foundation and backed by conviction and motivation. The CEOs we surveyed told us the main reasons why transformation processes fail, in their experience. These are listed in order of importance, as follows:

1. lack of understanding among employees,
2. lack of a clear goal,
3. lack of communication,
4. inadequate structures,
5. failure of management to adequately lead by example, and
6. too much management instead of leadership.

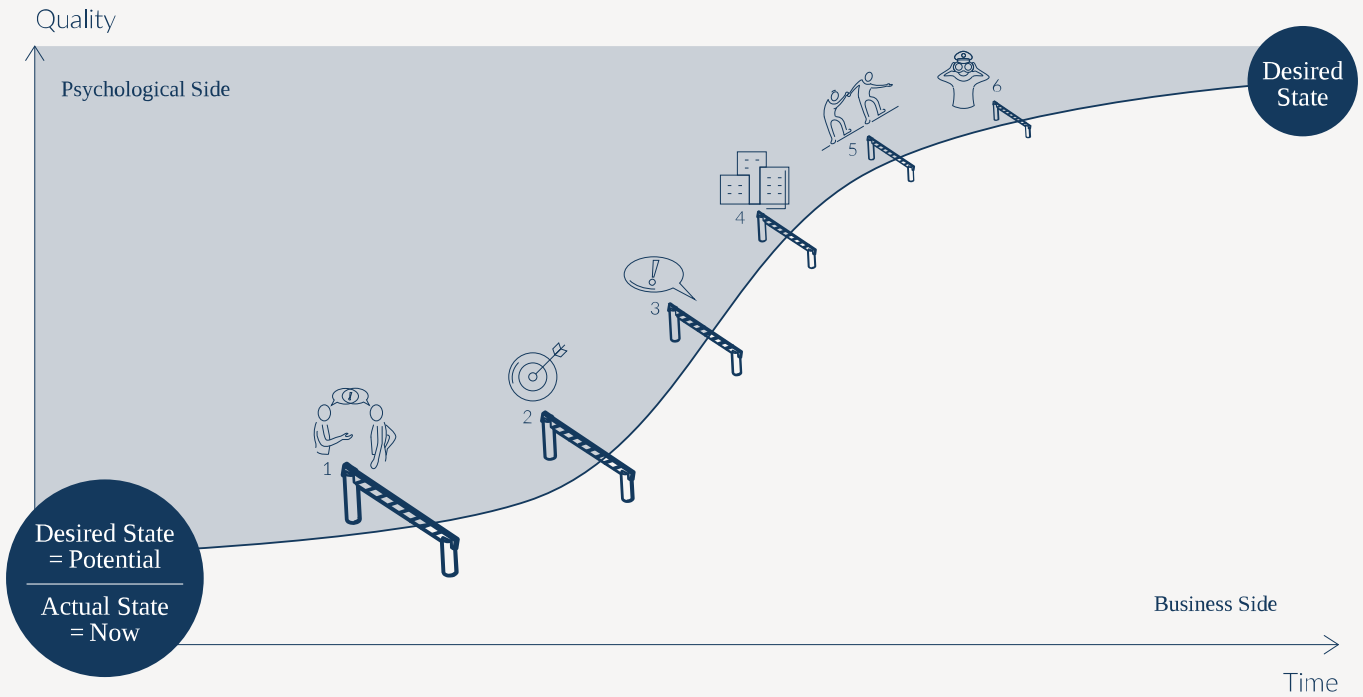


Figure 1: Reasons for the failure of transformation processes

Getting employees involved: From knowing to wanting /

To eliminate these reasons for failure, we must first understand why they have such an impact on the change process in the first place, and how everyone can work proactively to prevent them. Many of the CEOs we interviewed told us about critical situations in which it became clear to them that the change would take longer than expected.

There were numerous factors that made this clear, such as internal resistance to change, a feeling of misunderstanding within the team, an increase in departures, and difficulties in adapting to new challenges and the changes in behavior and mentality that go along with them. As long as this resistance exists and there is a lack of understanding for the change, it is difficult to put the change into practice. It is like fighting against windmills. Transformation can only succeed if all or at least most of the people involved are prepared to adopt new skills and knowledge themselves, to proactively tackle challenges and not to always wait for a helping hand from above. Putting (transformational) knowledge into practice requires for everyone to want it. The main challenge here is that you cannot delegate “wanting.” It is up to everyone to decide for themselves what they would like to do. No matter how badly the leaders want the change to occur, their own colleagues and employees must want it for themselves. And the decision to want something is in the hands of each individual involved.

However, it is possible to pave the way towards reaching that decision, and to put the necessary preconditions in place to improve everyone’s commitment. This is actually a decisive task for the leadership team, and it is crucial to success.

The psychological motivators that move us towards deciding that we want something are pain, pleasure and purpose. We justify our motivations in terms of (1) avoiding something unpleasant; (2) achieving something pleasant; or (3) contributing to something purposeful (Heckhausen & Heckhausen, 2018). Often, motivation that arises from pleasure (2) or purpose (3) has a longer-term focus than the motivation to purely avoid pain (1). This long-term motivation occurs when everyone involved has found their own clear answer to the questions “why?” and “for what purpose?” As Fabian Niedballa, Co-Founder and Managing Director of Sharpist says,

„‘Normal’ means that every day is stressful, but that’s not negative. I haven’t become so big that I think that every day is a walk in the park. What’s important is that I find a place where the stress is worthwhile.”

Fabian Niedballa

Co-Founder and Managing Director of Sharpist

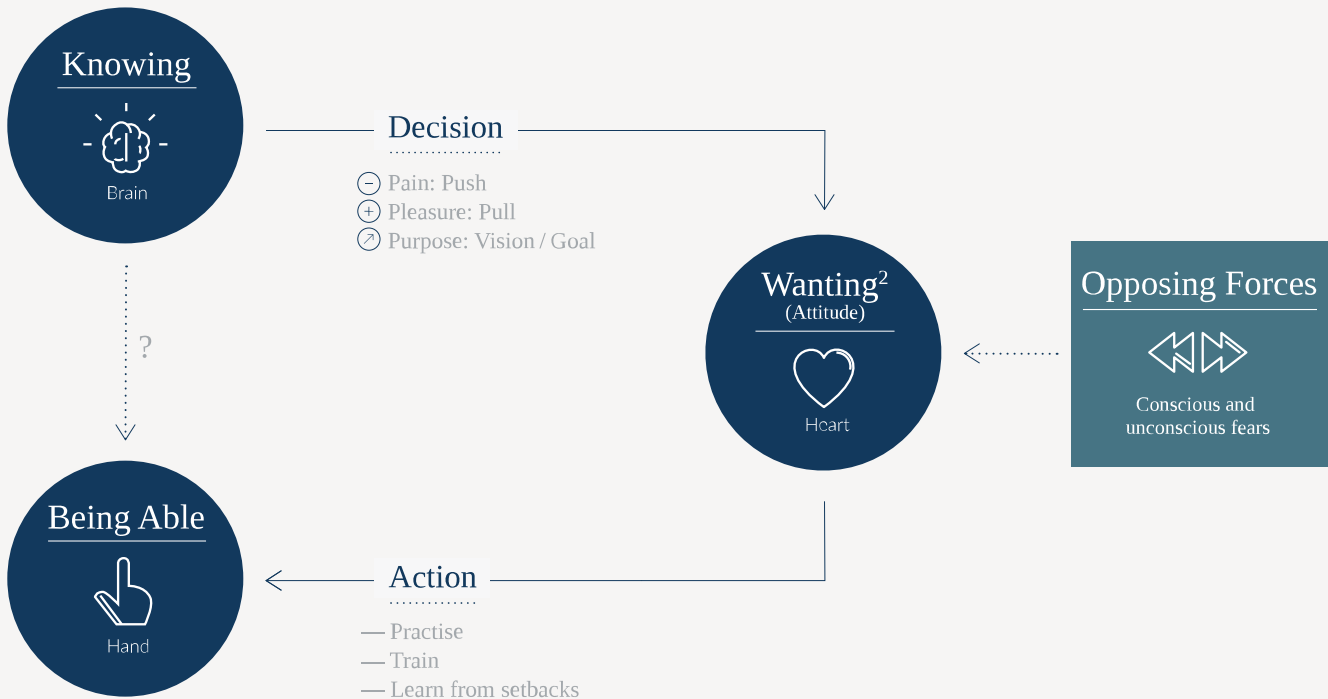


Figure 2: Knowing, Wanting, Being Able ©Manres



You have to continuously repeat what is changing and show case. As a leader you need to create a safe environment.

Simona Scarpaleggia
CEO IKEA Schweiz

It must be clear to everyone why their personal commitment and extra engagement and investment are worthwhile. Only then can we get started on the path to change and decide to put knowledge into practice. The goal must be communicated, and any lack of understanding among the team must be cleared up. That takes a strong, goal-oriented communication strategy that addresses each employee in a way that is personalized and relevant to their situation.

It's no surprise that the top three stumbling blocks the CEOs in our survey mentioned relate to purpose, goals and internal communication. These aspects are intrinsically connected with one another and they are critical to the success of any transformation process. Without a clear view of the goal, the meaningfulness of the transformation remains vague and undefined. And without clear communication, employees will not grasp this goal or understand the purpose and benefit of the change (Johner, 2010). Ultimately, a clear "why" and "for what purpose" are the long-term motivators for employees and their engagement in the transformation process.

Simona Scarpaleggia, CEO of IKEA Schweiz describes it this way:

„You have to continuously repeat what is changing and show case. As a leader you need to create a safe environment.“

Simona Scarpaleggia

CEO IKEA Schweiz

Often, changes first result in a feeling of uncertainty, especially when they are imposed from the outside upon people who did not make the decision themselves. The structures that provide certainty then disappear. Conditions change. Methods and habits of the past no longer work. And there's a higher risk of making mistakes or being unable to achieve a successful change process right away. To find the courage to put yourself in a situation like this and to fully invest in it, it is extremely helpful to have a positive vision of the target state. This provides an overarching, long-term purpose for each individual's actions. Ideally, it is so attractive that it puts any fears or uncertainties into perspective.

Keep going: From wanting to achieving /

Another difficulty that the CEOs often pointed out was in turning “wanting” into the ability to actually achieve.

Even when there is a clear goal, they said, it often takes a long time for performance to reach the level of being able to achieve it. Sometimes, they also encountered a fallback into the comfort zone or a certain hesitance that prevented a faster implementation. It’s no surprise that people wish to return to their comfort zones during uncertain, tumultuous times. The path from wanting to being able to achieve change is associated with hard work and great personal investment. Knowing and wanting are on the first steps towards being able to achieve change.

The intention (i.e. a decision based solely on will-power) to cultivate a new habit takes time and constant practice. One study on change of habits concluded that it takes 66 days on average to implement a new way of behaving to the point where it no longer requires great attentiveness and energy to perform it (Lally et al., 2009). What does this mean for the transformation process? It means that this stage of implementation is especially relevant and critical to the success of any change that you want to establish. This is because it demands a great investment, even though the reward, in the form of new, effective structures, digital processes or competitive products, is not yet in sight.

Without role models who consistently show what the transformation looks like and demonstrate their clear commitment to it, the success of the transformation process is at risk. Many of the CEOs also referred to the need for a positive culture of learning from mistakes. They perceived this as very important, especially during difficult times of the change process. Dealing openly with mistakes and using them as opportunities for learning and growing from experience helps eliminate fears and makes it easier to accept new challenges. To authentically implement this kind of culture, leaders must set the right example.

Especially in challenging times, it generally takes a strong leadership team that is capable of giving employees within the company a focus based on the new vision, to lead by example with conviction and to convey trust. At times like these, it is clear that leadership is more than just day-to-day management of processes, people and resources.

7. Key lessons learned /

It is very likely that a CEO will be confronted with a transformation at least once in their career. It is not a question of whether this challenge will arise, but of when. How can a CEO prepare for that? Which lessons can less experienced CEOs learn from veteran transformation leaders?

There are three elements that the top managers we surveyed all considered absolutely vital to mastering a transformation process:

1. an attractive company vision (17%),
2. successful communication (15%) and
3. leadership competencies (13%).

These aspects are ranked far ahead of business-oriented topics like strategy development (5%), project management (4%) or examining one's own business model (2%). In times of uncertainty and change, inner orientation and energy among employees is particularly crucial for the company's further development. Shared company values (11%), which ranked number-four on the list, allow for important guiding guardrails to be put in place (along with the company vision), which offer stability as well as a certain amount of predictability. Other relevant aspects mentioned in the survey were personal responsibility of all involved (8%) and strategy implementation (8%).

Some less important factors were an internal feedback culture (4%), relationship building (4%), team development (4%) and self-discovery (3%). The final items on the list were diversity (2%) and intercultural competencies (1%). In general, it is not technically plannable and quantifiable topics (21%) that primarily decide whether a transformation succeeds or not, but much more the interpersonal and visionary factors (79%) which are far less tangible and more difficult to specifically measure.

As such, it may be surprising that relationship building ranked so low on the list. This can possibly be explained by the tendency to (mistakenly) de-link communication from relationship building. People often labor under the illusion that successful communication particularly depends on intelligent content. This overlooks the crucially important effect of trust-based relationships. If there is a lack of trust, then even the most precise and effective argument can still fall on deaf ears or be accepted only with hesitation. Communication is always a social process. Its effectiveness reflects the quality of the trust that exists between the people involved. The same applies (particularly) for transformation processes, during which great uncertainty and possible mistrust exist within the system. "What is said" is only accepted when the "who said it" and "how was it said" are accepted. As Theodore Roosevelt so succinctly put it: "People don't care how much you know, until they know how much you care."

Other relevant aspects mentioned in the open comments included reflections and peer reviews, as well as awareness of the problem in the first place and openness to engage with the topic of change. Transformation is not the same thing as polishing the company's image. It is a profound opportunity that gets to the substance and essence of the company. Looking regularly in the mirror is indispensable, not only for the company's upper ranks. Ultimately, it takes genuine commitment, which carries everyone involved past their doubts, resistances and the "valley of tears." The transformation must be heartfelt.

Experience is the best teacher /

How did the CEOs we surveyed acquire their competencies in the field of transformation? More than one quarter of those we asked agreed that their own experiences with transformation projects (29%) and exchanging experiences with colleagues (27%) are the most meaningful. These were followed by seeking external consultancy (15%) and personal coaching (12%) during the process. At the bottom of the list, the CEOs ranked professional support through training activities (10%), mentoring (5%) and specific external training activities (2%). Notably, an open-ended exchange and personal guidance for top management during the process are considered far more meaningful than the amount of knowledge available or the technical expertise.

Personal lessons learned /

Which lessons have the CEOs taken away from their experience with transformation processes in the past? By far, their most important insights were:

1. the importance of proactively involving all employees, managers and stakeholders across all levels of hierarchy and winning their commitment (mentioned by 39 respondents), and
2. the importance of authentic, continual internal communication on current events and setbacks throughout the process (mentioned by 35 respondents).

Both of these takeaways once again emphasize the relevance of stable relationships. Successful transformation depends largely on the quality of teamwork and trust-based relationships. This ambitious undertaking can only succeed when everyone involved holds together and stands up for one another during times of business-related uncertainties.

Michael Rohner, CEO of Apleona HSG AG put it this way:

„You must offer people a home. That means investing in their workplaces and in the culture.“

Michael Rohner

CEO Apleona HSG AG

Other insights that the surveyed CEOs considered highly relevant in retrospective were a focused, appealing image of the goal (22 mentions), the underestimated length of the process due to the slow pace of the system (17 mentions) as well as the strong impact of the role model function (“walking the walk”) and the unconditional, unshakable unity of the upper levels of management (17 mentions). These were followed closely by courage and persistence during the implementation, especially when faced with resistance (15 mentions). The final items on the list of lessons learned (although trailing from a significant distance) are the need for transparent managing of expectations (5 mentions), flexibility (2 mentions) and a clear sense of urgency (2 mentions).

8. Transformation processes over time: A look back on ten years of findings from our CEO Study /

In 2009, Manres conducted its first CEO Study. The goal was to gain a CEO's perspective on the current state of transformation and aspects related to implementation. Ten years and six surveys later, we have accumulated a wealth of information that provides us with unique insights into the challenges of transformation over the past decade, and how leaders have approached these issues over time. Which aspects of the transformation process have changed in recent years, according to CEOs? And which topics have remained constant as time goes by?

The past CEO surveys unanimously point to one constant. No matter what type of change the CEOs are facing, what the current state of the economy is or even what the current "leadership zeitgeist" is, it is always one of the key tasks, if not the most decisive task, of leaders to provide everyone involved with guidance based on a clear picture of the goal. To be effective, this picture has to be clearly communicated throughout the company. A shared goal has the power to focus everyone's attention in the same direction and provide them with a purpose. Persuasiveness, perseverance and persistence are a big help in getting others on board and actually putting the transformation into place.

After all, the transformation may require an extra level of engagement (for example, learning new skills or phasing out old, familiar processes). It's also important to have a high threshold for frustration whenever someone makes a mistake or a setback occurs. Employees often encounter periods of uncertainty during transformation projects. They may ask themselves whether their own skills will be enough going forward. Or whether their job will even exist or have a place in the new structures. They may even question whether the additional work is even worthwhile, or whether the entire project might fail. If these questions go unanswered for too long, people may start leaving the company. High-performers, who are also crucial for the successful implementation of the transformation, have plenty of options on the job market thanks to their strong qualifications. To mitigate the risk of losing these key employees during unstable times, it is essential to foster their trust in the organization as a whole and in the decisions of the CEO. One important factor for fostering trust is for the company's leadership to act with integrity. Employees need to see that their leaders are practicing what they preach. This allows them to trust in their bosses' words and decisions.

Long-term findings in detail /

All of the findings from the past ten years paint a consistent picture when clustered into cultural/psychological and content-logical task areas. On average, both areas are seen as crucial to the success of the transformation. By comparison, however, the cultural/psychological competencies and task areas of a CEO are considered somewhat more important. This means that they are treated with slightly more priority as tasks in the day-to-day work of a CEO. The surveys from the past ten years all show that transformation can only succeed when not only content-logical aspects but also interpersonal aspects are considered and

worked on. Or, as Alois Vinzens, former CEO of Graubündner Kantonalbank says,

„A transformation must not be understood and directed purely in technical terms, but must be seen as a change of mind.”

Daniel Fust

CEO Graubündner Kantonalbank

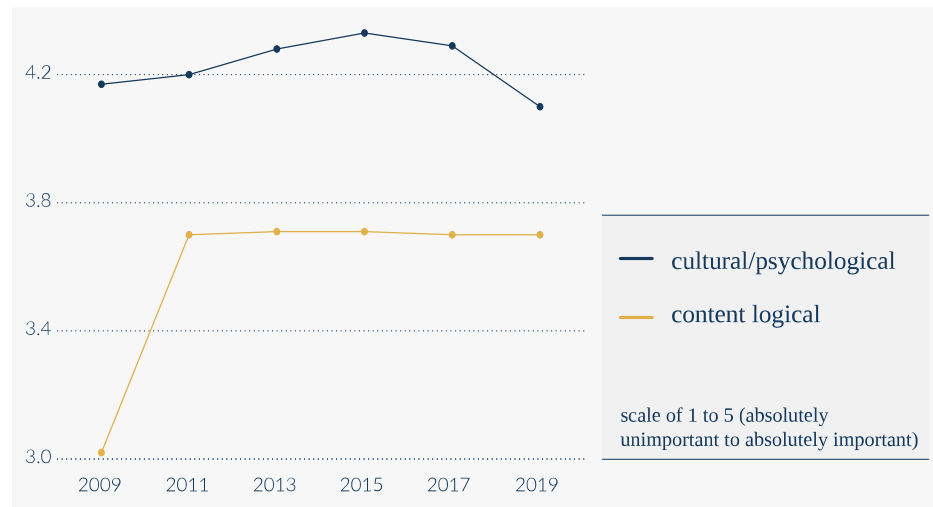


Figure 3: Priorities: CEO tasks

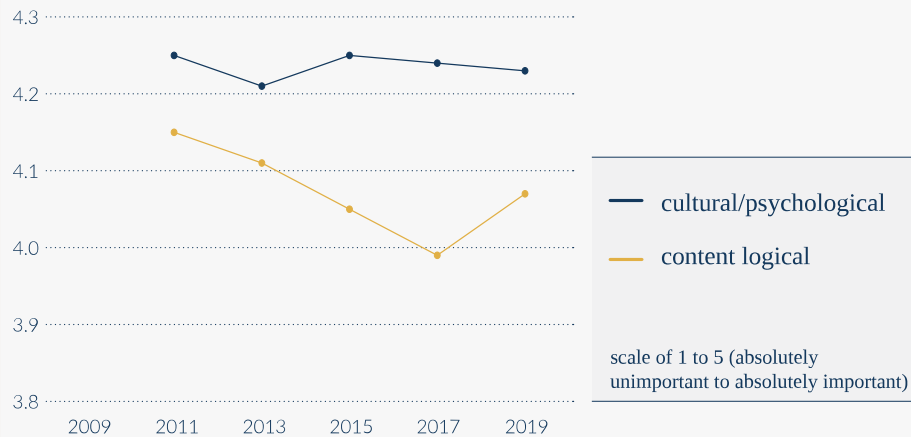


Figure 4: Priorities: CEO competencies

Scales and backgrounds of transformation /

Even ten years ago, change processes were as fundamental a topic to CEOs as they are today. This is clear from looking at the percentage of company employees who were involved in transformation processes at the time of each survey. Over the past years, there has been a continual increase in the number of companies in which 60 percent or more of the employees were affected by ongoing transformations (see Figure 5).

In the years from 2013 to 2017, there was also a general increase in the number of companies that were involved in a transformation of any kind. However, this trend did not continue in the 2019 survey (see Figure 6).

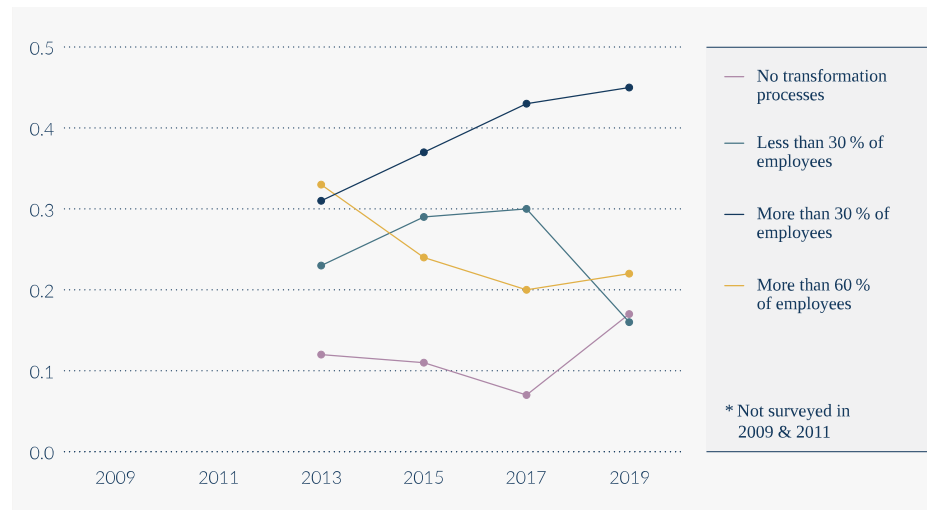


Figure 5:
Employee share, which is in the
process of transformation

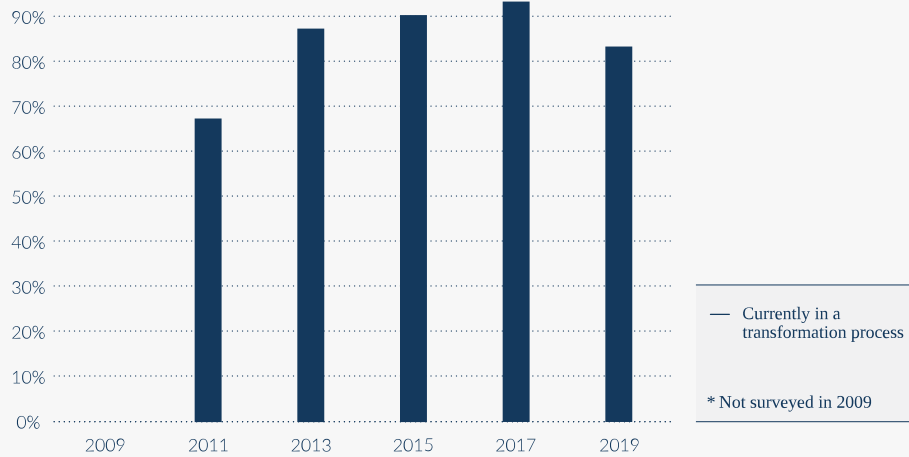


Figure 6:
Companies in transformation processes

The scale of the transformation (in terms of the number of people involved) seems to depend largely on the extent to which the company's current situation is viewed as stable (see Figure 7). Looking back on the past six years, the findings are relatively stable. Around 40 percent of the CEOs surveyed said during this period that they perceived their company's situation as "fairly to very turbulent." This means that the majority perceived their situation as "fairly stable to stable," regardless of the fact that the number of employees involved in transformation processes has continued to increase over the years.

In this regard, it is clear that directing change processes is part of day-to-day work for top managers. Urs Schaeppi, CEO of Swisscom summarizes it as follows:

„Actually, transformation is a process that never ends.”

Urs Schaeppi
CEO Swisscom

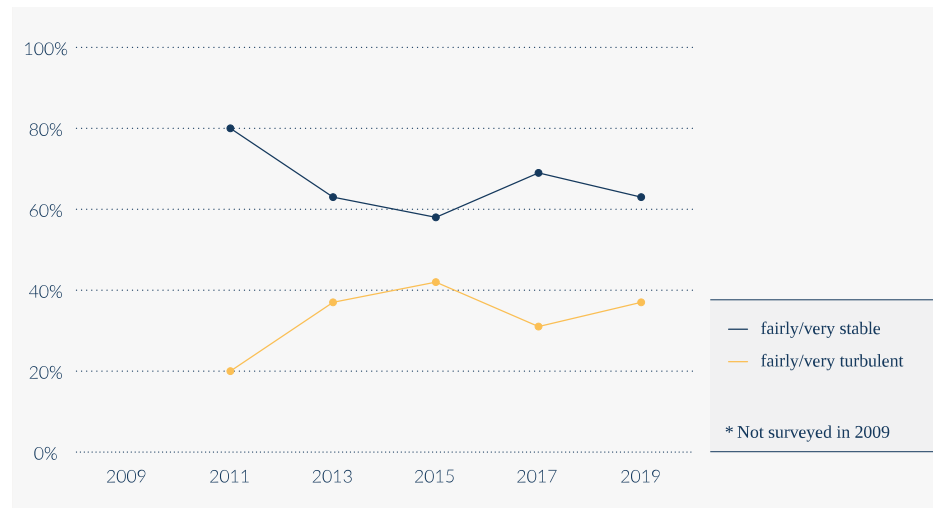


Figure 7:
Evaluation of the company situation

By looking at the reasons for transformation, it is clear that these have remained similar over time. Since we started surveying CEOs in 2009, the reasons for transformation primarily fall into the categories of process optimization, digitalization, adjusting to changes among competitors, and restructuring. Therefore, it is no surprise that ongoing changes occur and must occur even when the situation is largely perceived to be stable. In terms of the need for digitalization, standing still is not an option. The same can be said of competitiveness: it is in a state of constant change.

Keeping up with the times requires for constant adjustments to processes and structures, and the changes in mindset and behavior that go along with these. In the words of Albert Einstein, “We cannot solve our problems with the same thinking we used when we created them.”

Investments in the transformation process over time /

The high priority that CEOs assign to directing transformation processes in their everyday work can also be seen in the large amount of time that CEOs have invested in their work on change projects over the years. Even in 2011, a year that most of the CEOs surveyed perceived as “calm to very calm,” the company leaders still invested 20 percent of their time to transformation processes.

For all the other years, this figure was around one quarter of their total working hours or more. Meanwhile, the financial investment during the past ten years was at least one-sixth of net profit (17-27 percent), except for 2011 when it was 12% (see Figure 8).

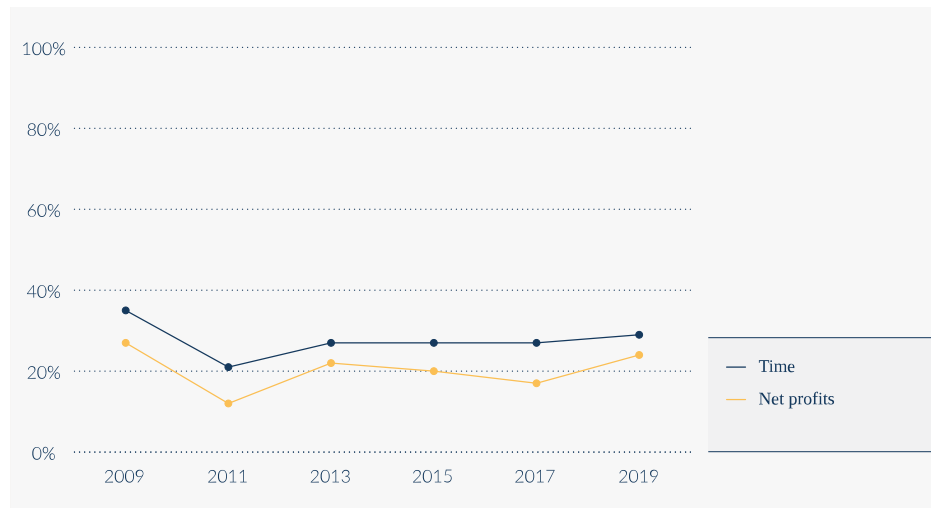


Figure 8: Investments by the CEOs

Therefore, it is unsurprising that many CEOs are investing increasingly in the specific transformation competencies of their leadership teams. In 2009, only half of the CEOs surveyed said they were making their leading employees fit for leadership positions through coaching, training or mentoring programs. However, that number continued to grow, reaching up to 90 percent by 2015 before settling around 80 percent over the last four years.

This shows that the need for all levels of leadership to master certain transformation competencies has grown from being a matter of “common sense” to being a matter of “common practice,” and that it is worthwhile to invest in training. In order for a leadership team to be ready for the future, it must be equipped with the right tools for directing transformation processes. It must also know how to use these carefully to overcome any challenges that arise.

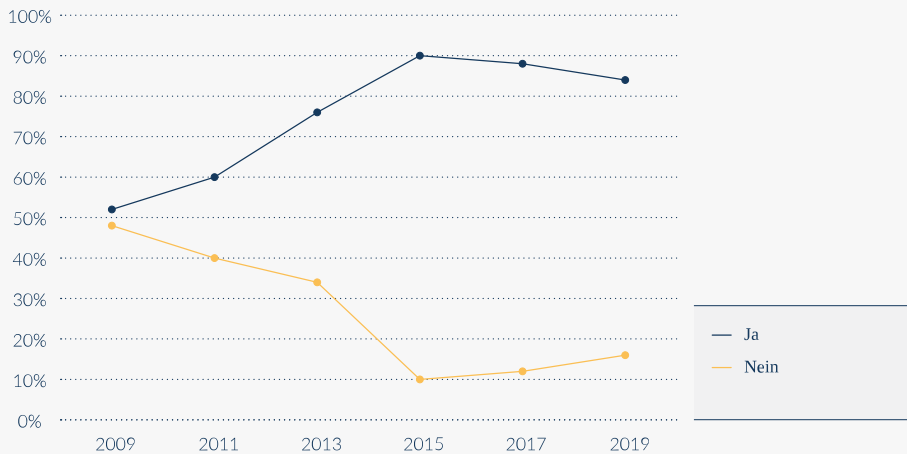


Figure 9:
Promotion of the transformation competence of the management team through concrete measures

Stable factors for success /

The findings of our past surveys make clear how essential the work of the company's leaders and members of the top executive board is during periods of transformation. Which specific competencies can help leadership teams to successfully direct restructuring and optimization processes? The answers to this question lie in the CEOs' responses to our questions about which core competencies and tasks they found to be most crucial for success. The insights from the past ten years identify two leadership tasks and four core competencies that all of the CEOs agreed belong in the top-five criteria for success.

Most important leadership tasks in times of change:

- Internal communication
- Defining the vision/mission

Core competencies of CEOs in times of change (surveyed starting in 2011)

- Persuasiveness
- Leadership skills
- Integrity
- Perseverance and persistence

By focusing clearly on these tasks and adequately applying/working carefully with these personal competencies, the many CEOs we surveyed have said that they can maximize the chances for lasting, successful transformation.

9. Literature /

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