

CASE STUDY

STRATEGIC RENEWAL REIGNITES GROWTH



SITUATION

A global Fortune 100 leader in the IT industry executed a series of high-profile acquisitions to expand its services business. With a fully-diversified portfolio of popular products, the company generated significant revenues in virtually all vertical markets. Facing increased competition, pricing pressure and a growing threat from emerging technologies, the company executed the M&A strategy to accelerate its pursuit of new, higher-margin growth opportunities. After integrating the acquisitions, the company brought on new leadership to drive its services business.

CHALLENGE

The services business, while having a significant base of revenue, paled in comparison to the legacy product business. As a result, while the M&A strategy called for an integrated product-service offering, the two units typically operated independent of each other within the same vertical markets and, often, within the same customer accounts. This dynamic created confusion in the marketplace and company which led to stalled growth, reduced employee morale and a fundamental challenge in meeting the strategic intent of the acquisition. Within this environment, the senior leadership team of a major vertical market was faced with constructing a workable, integrated product-service business model that reignited growth for the company.

SOLUTION

The corporation launched a corporate renewal initiative to identify new markets and growth platforms. Emphasis was placed on protecting the core “cash cow” businesses and leveraging existing assets and capabilities while positioning the company for the future. The primary objective was to capture leadership positions in emerging, high-growth segments as a means to reenergize growth and as the foundation for a more entrepreneurial corporate culture.

IMPLEMENTATION

The leadership team set an aggressive 90-day timeframe that set a new “entrepreneurial tone” and prepared the company for rapid implementation. The company selected a team of 12 executives and managers from multiple functional areas as the core team for the strategic renewal effort that included:

- The team collected raw data on historical performance, backlog, organizational structure, customers and market offerings and their relative strengths 1) in the current environment; and 2) against emerging market and technological trends. A workshop was then held to build a common picture of how the trends could impact the company’s growth and position.
- The team participated in workshops to stimulate new service ideas that would exploit emerging technologies, trends and existing corporate assets while minimizing M&A and business model



A major business unit of a leading, product-based IT company used service innovation to drive strategic renewal and reignite growth after completing several acquisitions and bringing on a new leadership team.

changes. The ideas were then prioritized based on 1) their speed to market; and 2) their potential for market leadership.

- The company’s existing business model was assessed to determine how well-positioned (SWOT) the company was to implement and sustain the new service ideas.
- Specific actions were developed and assigned to create a roadmap of immediate, 12-, 24- and 36-month horizons.

TOOLS

Strategy Canvas (Blue Ocean Strategy); Portfolio Analysis; Service Innovation; Customer Journey Mapping

RESULTS

The company developed a fundamentally new customer and market profile that was used to rationalize and convert a \$3B pipeline of future opportunities (with a 17% probability of win) with a smaller, more targeted \$1.2B pipeline that had a historical probability of win at 60%. The company leveraged underutilized corporate assets to create a new portfolio of services. The new service offerings resulted in a significant reduction in costs-of-sale, a reallocation of resources and a significantly higher growth rate and significantly higher gross margins. The strategic renewal effort also revealed a new customer buying pattern and new market space that increased cross-selling of products and services by 40%.