Embarking on Transformation: A New Business Model and Strategy

The business need
In 2009, Dow embarked on a transformation of the company. At the core of the transformation was a new business model and strategy, which had been in development and execution for several years.

Increasingly, it was clear that transformation was necessary, as the old ways of working no longer fit the new realities. A confluence of external factors was fundamentally changing the rules of the game. The most critical change was that oil producers wanted to move downstream into the space that Dow had been leading. For years, Dow’s technology leadership and global scale had made them a market leader. However, the entrance of new players who held price-advantaged raw materials (oil) created a gap that could never be bridged with economies of scale alone.

The market was volatile, earnings performance was cyclical, and margins were declining. Gross margins had seen steep declines in many product areas in the previous 15 to 20 years. The CEO’s call to action was simple and direct: “We must change. We no longer have a choice.”

To return consistent shareholder value and generate sustainable long-term growth, Dow needed to move the business into “economies of skill” while maintaining our “economies of scale” – from a product space to a solution space, heightening the focus on technology to achieve market differentiation.

Dow leaders recognized the need for a significant shift. Key elements of the new strategy included divesting non-strategic, commoditized businesses, acquiring new businesses to quickly grow as a solution-based company, and transforming the business model from one that was internally focused to a customer-centric, high-value solution business company-wide.

Leadership began to communicate the story. However, transforming a multi-billion-dollar global company with approximately 50,000 employees is not a simple process. Questions to answer included: Do we really need to change? How will this affect me? How can I contribute?
The solution

Dow leadership approached the change through a three-step process:

1. Clarify and align: Create buy-in and define the story at the senior leadership level.

2. Launch and deploy: Engage a broader group of leadership and broadly share the story.

3. Refine and sustain: Drive the change deep into the organization to become “the way we do things at Dow” (internalization at an individual and team level).

The process began with engagement of Dow’s senior leadership. Without their ideas, support, and commitment, the transformation, strategy, and new business model would all be in peril. The senior team met for a three-day workshop. The result was broad-based buy-in from leadership on the urgency for change, the business model and strategy, and the operationalization of the strategy.

Root worked with the Dow team during the transformation process, first by providing tools that helped leaders grapple with these strategic issues as a team and refine a plan of action. The steering committee and Project Management Office for Transformation laid out the journey. Root was a “third party” for facilitating dialogue, and they created an environment where people felt that their opinions truly mattered.
As gaps and inconsistencies were identified, Dow built a coalition of thought leaders by engaging its Global Leadership Team (GLT), which included the top 250 leaders. As the transformation progressed, the team identified transformative best practices and processes as examples of how to operate across the company in the future.

In the next phase of this transformational process, six more areas were named for further exploration. Each represented a key area of implementation concern identified by the top 250 leaders in the earlier session. The GLT held workshops to identify best practices and examples of where the transformation had taken hold. They explored these examples in depth and then discussed how to accelerate, expand, and scale early successes. This was the moment that took the transformation from pockets of “heroic efforts” to “everyone, each day.”

**Results**

This process took the broad leadership group on a journey from cynicism and skepticism to hope and advocacy. Its leaders say, “By all measures, Dow is a company on the move,” having weathered the 2008-2009 economic downturn and coming back stronger than ever. Today, Dow is positioned to deliver growth well beyond the industry norm. *Fortune* magazine recognized Dow as of the “10 Best Stocks for 2011.” Gross margins have significantly improved, long-term debt has decreased dramatically, and performance-based businesses are growing rapidly.

Dow’s leaders take the most pride in the fact that Dow’s culture has changed in a way that will have a lasting impact for decades to come. They say, in essence, “We know that Dow is changing by our conversations – how we think, what we ask about, and what we are tracking to gauge progress. Our leaders are leading – they are not waiting for someone else to go first. They are demonstrating, every day, the change they expect to see in others.”