The Transformation 20

STRATEGIC CHANGE RANKINGS FOR 2019

Spotlighting the 20 global companies that have achieved the highest-impact business transformations over the past decade

By Scott D. Anthony, Alasdair Trotter, Rob Bell and Evan I. Schwartz
Sometimes it’s a financial crisis, sometimes it’s the threat from a disruptive competitor, sometimes growth just hits a wall, sometimes it’s the opportunity to ride a global megatrend and sometimes it’s simply the result of systematic planning for the future.

Whatever motivates a leadership team to embark on strategic transformation, it’s often easier in the short term not to undertake the challenge (or delay the decision for just one more year), which is why stories of successful corporate change efforts are so rare. Yet strategic transformation — adapting a core business to disruptive change while also creating new growth around new products, services or business models — may be the leadership imperative of the 21st century.

To better understand the dynamics of why and how transformation happens, Innosight developed a methodology to evaluate strategic change efforts, with the aim of identifying best practices across industries and public companies that exemplify leadership excellence. While other business rankings rely on metrics such as revenue, market value or subjective assessments such as “most innovative,” the Transformation 20 research team screened all the companies in the S&P 500 and the Global 2000 by looking across three categories of data:

1. New Growth
How successful has the company been at creating new products, services, markets and business models? This includes our primary metric: the percentage of revenue outside the core that can be attributed to new growth areas.

2. Repositioning the Core
How effectively has the company adapted its traditional core to changes or disruptions in its markets, thus giving its legacy business new life?

3. Financials
Has the company posted strong financial and stock market performance, or has it turned around its business from losses or slow growth to get back on track? We looked at revenue compound annual growth rate (CAGR), profitability and stock price CAGR during the transformation period, which was different for each firm.

Our initial phase of research identified 52 companies making...
substantial progress toward transformation — merely 3% of the public companies in our data set. From this second-round list, an Innosight partner panel voted to narrow it down to 27 finalists. For the third round, the Transformation 20 winners were selected by a panel of management experts (see the full methodology and list of judges on pages 20-21).

The 2019 list includes 20 firms, versus 10 for our previous rankings in 2017. The immediate reason for the bigger list is that the judges’ scores were extremely close, as all 20 of these firms have achieved compelling results. But the wider reason may be that awareness of transformation itself seems to be widening, with more and more companies recognizing the urgency of the challenge, as well as what a profound shift these efforts represent.

“What businesses are doing here is fundamentally changing in form or substance. A piece, if not the essence, of the old remains, but what emerges is clearly different in material ways. It is a liquid becoming a gas. Lead turning into gold. A caterpillar becoming a butterfly.”

— INNOSIGHT'S SCOTT ANTHONY AND MARK JOHNSON, WITH CLARK GILBERT, IN THEIR BOOK, DUAL TRANSFORMATION (HBR PRESS, 2017)

Ørsted’s Transformation
Consider the case of Ørsted, the Copenhagen-based energy company which, at No. 7, is the highest-ranked European firm on the list. While every transformation story is different and yields valuable leadership lessons, this one happened to be triggered by an industry crisis.

The Crisis
In 2012, Denmark’s largest energy company, founded as Danish Oil and Natural Gas, slid into a financial predicament as global overproduction sent gas prices plunging by 90% over several years. S&P downgraded the 6,000-employee firm’s credit rating to negative, raising the cost of its considerable debt. The board hired a former leader of the transformation at LEGO, Henrik Poulsen, as the new CEO. Whereas some leaders might have gone into crisis management mode, laying off workers until prices recovered, Poulsen recognized the moment as an opportunity for fundamental change.
The Transformation Plan
“We saw the need to build an entirely new company,” Poulsen told Innosight. “It had to be a radical transformation; we needed to build a new core business and find new areas of sustainable growth. We looked at the mandate to combat climate change, and we became one of the few companies to wholeheartedly make this profound decision, to be one of the first to go from black to green energy.”

Adapting the Core
Poulsen emphasized both the short-term and long-term nature of the change. “We looked at the 12 different lines of business we were in and went through them asset by asset, to see where we saw competitive strength. Coal, oil and gas were rapidly eroding as businesses, so we decided to divest eight of our twelve divisions and use the proceeds to reduce our debt.”

Discovering New Growth Areas
The company had experimented with offshore wind power, but the technology was still too expensive, producing energy that was more than double the price of onshore wind. So the company embarked on a systematic “cost-out” program to reduce the expense of every aspect of building and running offshore wind farms while achieving scale in this emerging market.

The Results
The company was renamed Ørsted after the legendary Danish scientist Hans Christian Ørsted, who discovered the principles of electromagnetism. This helped infuse a sense of purpose into the organization that drove it to cut the cost of offshore wind power by 63% while building three major, new, ocean-based wind farms in the U.K. and acquiring a leading company in the U.S. to pioneer North American offshore waters (see video).
Previously 80% owned by the Danish government, Ørsted’s IPO in 2016 was one of the year’s largest. Operating profits quadrupled since 2013, and Ørsted is now the world’s largest offshore wind company, with a 30% share of a booming global market.

With this set of criteria and such stories in mind, we present the T20 for 2019:

### The Transformation 20

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>CEO</th>
<th>NEW GROWTH AREAS (% of total business)</th>
<th>STOCK CAGR (vs. benchmark since base year of transformation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1. Netflix*</td>
<td>Reed Hastings</td>
<td>original content (44%)</td>
<td>59% (vs. 10% for S&amp;P 500 since 2012)</td>
</tr>
<tr>
<td>#2. Adobe*</td>
<td>Shantanu Narayen</td>
<td>“digital experiences” (27%)</td>
<td>26% (vs. 10% for S&amp;P 500 since 2009)</td>
</tr>
<tr>
<td>#3. Amazon*</td>
<td>Jeff Bezos</td>
<td>Amazon Web Services (11%)</td>
<td>39% (vs. 10% for S&amp;P 500 since 2009)</td>
</tr>
<tr>
<td>#4. Tencent</td>
<td>Pony Ma Huateng</td>
<td>fintech, transportation (25%)</td>
<td>32% (vs. 1% for Hang Seng – 2011)</td>
</tr>
<tr>
<td>#5. Microsoft*</td>
<td>Satya Nadella</td>
<td>intelligent cloud (29%)</td>
<td>17% (vs. 9% for S&amp;P 500 since 2010)</td>
</tr>
<tr>
<td>#6. Alibaba</td>
<td>Daniel Zhang</td>
<td>fintech/sports/entertainment (14%)</td>
<td>8% (vs. 1% for NYSE Index since 2013)</td>
</tr>
<tr>
<td>#7. Ørsted</td>
<td>Henrik Poulsen</td>
<td>offshore wind (37%)</td>
<td>30% (vs. 0% for OMX Copenhagen – 2017)</td>
</tr>
<tr>
<td>#8. Intuit</td>
<td>Sasan Goodarzi</td>
<td>“online ecosystem” (14%)</td>
<td>22% (vs. 10% for S&amp;P 500 since 2012)</td>
</tr>
<tr>
<td>#9. Ping An</td>
<td>Ma Mingzhe</td>
<td>fintech and health tech (6%)</td>
<td>17% (vs. 2% for SSE Index since 2012)</td>
</tr>
<tr>
<td>#10. DBS Group</td>
<td>Piyush Gupta</td>
<td>global digital platforms (48%)</td>
<td>12% (vs. -1% for Singapore Xchange – 2013)</td>
</tr>
<tr>
<td>#11. A. O. Smith</td>
<td>Kevin Wheeler</td>
<td>water tech (100%)</td>
<td>25% (vs. 10% for S&amp;P 500 since 2009)</td>
</tr>
<tr>
<td>#12. Neste</td>
<td>Peter Vanacker</td>
<td>renewable fuels (70%)</td>
<td>24% (vs. 7% for OMX Helsinki 25 – 2010)</td>
</tr>
<tr>
<td>#13. Siemens</td>
<td>Joe Kaeser</td>
<td>“digital factory” initiative (26%)</td>
<td>8% (vs. 8% for the DAX Index since 2012)</td>
</tr>
<tr>
<td>#14. Schneider</td>
<td>Jean-Pascal Tricoire</td>
<td>IoT solutions (22%)</td>
<td>8% (vs. 6% for S&amp;P Global 100 since 2012)</td>
</tr>
<tr>
<td>#15. Cisco</td>
<td>Chuck Robbins</td>
<td>subscription applications (43%)</td>
<td>9% (vs. 9% for S&amp;P 500 since 2010)</td>
</tr>
<tr>
<td>#16. Ecolab</td>
<td>Douglas Baker Jr.</td>
<td>water and energy services (44%)</td>
<td>16% (vs. 9% for S&amp;P 500 since 2011)</td>
</tr>
<tr>
<td>#17. Fujifilm</td>
<td>Shigetaka Komori</td>
<td>healthcare/medical imaging (18%)</td>
<td>7% (vs. 6% for Tokyo Exchange – 2010)</td>
</tr>
<tr>
<td>#18. AIA Group</td>
<td>Ng Keng Hooi</td>
<td>wellness &amp; prevention (10%)</td>
<td>15% (vs. 2% for Hong Seng Index – 2013)</td>
</tr>
<tr>
<td>#19. Dell Tech.**</td>
<td>Michael Dell</td>
<td>infrastructure &amp; security (51%)</td>
<td>29% (vs. 11% for S&amp;P 500 since 2013)</td>
</tr>
<tr>
<td>#20. Philips</td>
<td>Frans van Houten</td>
<td>healthcare (65%)</td>
<td>6% (vs. 6% for S&amp;P 500 since 2014)</td>
</tr>
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*previous winners, from the 2017 T10 ranking  **Dell stock includes the periods the stock was public
To transform a large organization with a legacy business, leaders must identify one or more opportunity areas that are large enough to make a difference and significant enough to inspire a compelling story of change. Within the Transformation 20, there were four distinct themes that emerged — digital transformation, combating climate change, transforming healthcare and new fintech-enabled business models.

Overwhelmingly, the biggest theme for growth, especially in core markets, is diving deeply into digital waters by harnessing new business models for the cloud, the internet of things, artificial intelligence and other technologies. Among the 20 companies on the list, half of the firms are transforming by creating new kinds of digital experiences or services that are driving new value for customers.

When it comes to new growth areas, the mandate to combat global climate change and deal with the ramifications of a warming planet has infused organizations with a transformative purpose.

Four of the firms — Ørsted, Ecolab, Neste and A. O. Smith — transformed by creating new growth through cleantech business models in renewable energy or water services.

The theme of healthcare transformation also proved to be a major global opportunity area — with Philips, AIA Group, Fujifilm Holding and Ping An...
serving as prime cases. The shift from traditional sick care business models to preventative care and wellness has proven to be especially powerful for galvanizing organizations.

Finally, the theme of fintech — turning complex financial services into simple, disruptive technologies — proved to be a vital area of new growth. This is especially true in China, for firms such as Alibaba and Tencent Holdings, where a new generation of consumers aren’t wed to traditional banking or financial institutions.

These global tech powerhouses are building new business ecosystems and, in the process turning China into a culture where transformation is part of the DNA.

companies that merely copied existing products and services, the Chinese firms on the T20 are world-class innovators.

Other common threads include the fact that these transformation efforts take considerable time to play out and pay off. Most of the transformations on our list started at least five years ago.

It’s instructive to contrast the T20 list of 2019 with the original T10 list in 2017. While four companies from then — Adobe, Amazon, Netflix and Microsoft — have also scored near the top of the new list, several firms have dropped off, due either to their transformation momentum fading or, more commonly, having those efforts play out successfully. The most notable of those firms is Apple, which underwent one of the most successful transformations in business history but is now focused on executing its existing strategy rather than aggressively entering new growth areas.
By looking more deeply into these strategic transformations and analyzing the tough decisions made by the leaders of our T20 companies, we saw five deeply ingrained behaviors that can be distilled into a set of takeaway lessons for leaders who are embarking on their own transformation journey:

1. They create a higher-purpose mission.

Leadership teams embarking on transformation often come up against active opposition from those in the organization who are not comfortable with change, as well as the sheer inertia of the way things have been done in the past. Successful leaders overcome this resistance by creating a galvanizing mission for the organization. Entering new growth markets is the “what” that propels a transformation, but leaders also need to tell the story of “why.” The companies on the list have infused a higher-purpose calling into the culture, and this helps guide big decisions and give clarity to everyday tasks.

The No. 16 company on our list, Ecolab, is a prime example of finding a higher purpose even when the company was not facing an existential crisis. “We had resistance to change within the core organization,” says Ecolab CEO Douglas Baker Jr. “They didn’t like the idea of not being the biggest anymore. So we had to deal with all this unintended emotional stuff.”

In the early 2000s, when Baker became CEO, Ecolab was an 80-year-old firm growing 10% annually by focusing on industrial cleansers and food safety. “Our strategic plan was to sell more of what we had,” Baker says. To grow much beyond its $3.8 billion in revenue, the company could have kept moving into adjacent markets or new geographies, but Baker felt that wasn’t bold enough.

The transformation began by talking to customers, Baker says. The same customers who were buying its core products were also voicing concerns...
Douglas Baker, Ecolab

about access to clean water. And they weren’t alone. Projections for the year 2030 showed that 70% of the world’s GDP would be based in water-stressed regions, California and Southern India being prime examples.

In 2011, Ecolab had a $12 billion market cap when it acquired water technology company Nalco in an $8 billion deal. The combined company is now one of the world’s leading suppliers of chemistry, hardware and software that helps manufacturers and service firms become more efficient users of water. A primary metric driving the organization is how much water is saved by its clients annually, which now stands at 188 billion gallons, against a 2030 target of 300 billion gallons.

“We broadened our mission and our purpose statement changed, to clean water, safe food, abundant energy, healthy environment,” Baker says. The change in the mission — from the previous “to make the world a cleaner, safer and healthier place” — reflects how Ecolab intends to make the world a better place, and the specificity itself has been galvanizing. “As our teams widened their awareness of global issues, our pride has been enhanced,” Baker adds.

Protecting and healing the planet has also proved to be financially rewarding. Ecolab’s market value now stands at $58 billion, placing it among America’s 100 most valuable firms.

As the memo said, “We don’t and can’t compete on breadth with Comcast, Sky, Amazon, Apple, Microsoft, Sony, or Google. For us to be hugely successful we have
to be a focused passion brand. Starbucks, not 7-Eleven. Southwest, not United. HBO, not Dish.”

Since unveiling that new purpose, Netflix revenue has roughly tripled, its profits have multiplied 32 times and its stock CAGR has increased by 59% annually, versus 10% for the S&P 500.

In a comparable way, other organizations on the list have transformed by embracing a purpose-driven mission of making people healthier and preventing illness. China’s AIA Group has moved beyond insurance to become a wellness company, whereas Dutch electronics giant Philips has largely divested its legacy lighting business to focus on healthcare technology.

The information technology companies on our list also discovered ways to infuse purpose into their organizations that recognized a need for fundamental change. Tencent Holdings began as an online chat and video game provider catering to the new generation of digital natives in China. Its original corporate objective, according to early annual reports, was simply to harness the internet opportunity. As of 2005, shortly after its IPO, Tencent defined its purpose in terms of “implementing our Online Lifestyle strategy, which strives to cater to the basic needs of our users.”

Only in subsequent years did founder and CEO Pony Ma Huateng broaden the firm’s outlook by embracing a mission of “improving the quality of human life through digital innovation.” Since 2011, Tencent has invested heavily in new growth areas — ranging from education and entertainment to autonomous vehicles and ride-sharing to fintech and the industrial internet — areas that together now represent 25% of its $46 billion revenue. This growth helped Tencent become the first Asian company to surpass $500 billion in market valuation.

In 2019, the company refined its mission once again, in response to the growing global backlash against technology’s dominance in our lives, boiling it down to: tech for social good.

“Rather than the techno-optimism of the past, people are becoming increasingly cautious of technology,” the company announced. “We should make careful choices instead...”
The Intuit leadership team concluded that redeploying talent and capital to the new growth business meant that it had to make tough choices of which businesses to exit. “We sold off five divisions and product lines including our oldest franchise, Quicken, which was the original business of the company. We sold it off, and we also stopped all investment in our non-cloud platforms.”

Doing less better was also the mantra for other companies on the list. A. O. Smith completely exited its historic core of auto parts and motors to concentrate its investments on innovating its commercial and residential water heaters, as well as entering the global water treatment market. “It’s all about water,” the company says, and that focus required jettisoning parts of its past that didn’t fit that mission.

In a similar way, Ørsted exited its historic fossil fuel business, divesting eight of its 12 divisions to embark on offshore wind farming, part of its mission to become the world’s greenest energy company. Microsoft and Adobe have nearly finished phasing out their once lucrative packaged software businesses to focus on subscription services for the cloud.

In 2014, Siemens launched its Vision 2020 plan, which involved phasing out traditional businesses in serving oil and gas companies and industrial manufacturing so that it could build new business divisions and transform into a digital services company for some of the same manufacturing companies that also needed to transform themselves.

This was not a small decision for Siemens, as electric power was a core business for 140 years and had generated $30 billion and
employed 80,000 people. “It’s the right thing to do,” Siemens chairman Jim Hagemann Snabe told Reuters. “It’s necessary and courageous to trigger the planned changes when the company is doing well.” The spinoff gives Siemens the resources for investing in its Digital Industries (DI) and Smart Infrastructure (SI) divisions as the core of the new Siemens.

3. They leverage a core capability to enter new growth markets.

One of the biggest lessons from successful transformation efforts is the ability to take advantage of being the industry incumbent, with assets such as brand, customer relationships, distribution and other core capabilities.

Siemens was struggling with what it means to be a cross-sector conglomerate in an age where each industry has focused players. Siemens USA CEO Barbara Humpton says the key was finding new growth opportunities where Siemens could bring its brand clout and technological know-how to the world’s “global megatrends,” from smart cities to climate change to healthcare for an aging population, while also building new capabilities for its move into the internet of things and data analytics (see video).

VIDEO: Siemens USA CEO Barbara Humpton zeros in on adapting the global brand to new growth markets.

Humpton says the key was as Eastman Kodak, enjoying a near-monopoly market position in photographic film. But Fujifilm’s more expansive view of business has been enormously successful, whereas Kodak failed, filing for bankruptcy in 2012.

Fujifilm invested heavily in medical imaging, leveraging existing chemical technology and know-how that the firm used in photographic film, launching a full product line
of diagnostic equipment for hospitals and other healthcare providers. The company also developed and marketed pharmaceutical drugs using existing chemical compounds. While its revenue has declined, profits have turned from losses to healthy margins. As of 2010, the company didn’t break out healthcare as a separate business, except for noting that its X-ray film technology has been a mainstay of the company since the 1930s. Currently, 18% of Fujifilm’s $22 billion in revenue comes from healthcare.

In a similar way, Schneider Electric leveraged its ability to create tech platforms to move into creating an internet-of-things data analytics business for energy management. Finland’s Neste seized on the market for renewable biofuels using some of the same industrial processes that it honed for refining oil and gas. China’s Ping An leveraged its know-how and industry relationships as a traditional health insurance company to launch an online healthcare ecosystem platform called Good Doctor. The advantage of incumbency paid off, as Good Doctor signed up over 3,000 hospitals, 1,000 health clinics, 500 dental clinics and 7,500 pharmacies. This critical mass has attracted more than 265 million registered users, enabling Ping An to stage an IPO of the platform as a separate company, raising over $1 billion from global investors.

4. They seize the digital opportunity via new platforms and business models.

“Digital” means different things to every organization. One can digitize the customer experience in order to make it easy to interact with, one can digitize the internal operations to make things more efficient or one can transform the underlying business models to take advantage of data in order to create entirely new value propositions. While many organizations focus on the first two, many of our T20 winners chose to power their transformation by identifying and launching entirely new business models.

For DBS Bank, the transformation has been along many dimensions, from a national bank to a regional and global bank, and from traditional banking services to new kinds of fintech business models. But the common denominator to all these efforts has been building new digital platforms, says Paul Cobban, chief data transformation officer. “We went public with an economic model that would determine the value of our digital strategy,” Cobban
Innovating the Transformation 20

Top-Level Themes from the Transformation 20

The Five Behaviors of Transformational Organizations

Seven Transformations to Watch

T20 finalists are headquartered across the world

Conclusions

T20 Methodology

T20 Panel of Judges

About the authors and Innosight

Snapshots of the T20 Companies

says. “So we can measure how much value we’re getting out of this approach.” Some powerful results: In 2019, DBS became the first bank to simultaneously hold the titles “Bank of the Year” (The Banker), “Best Bank in the World” (Global Finance) and “World’s Best Bank” (Euromoney).

One of the keys to that success was not just going digital but opening up a digital platform that others can play on, taking part of the playbook from companies like Apple, Adobe and Amazon. DBS launched the world’s largest application protocol interface (API) protocol, where financial and retail partners can invisibly integrate DBS’s capabilities into their systems. By late 2018, DBS demonstrated that digital customers are at least twice as profitable as traditional customers. Netflix mines audience data to create an astonishing range of new shows. Not only does Netflix use data to drive the compelling customer experience (e.g., even tailoring the images it uses for each show to match customer preferences), it has fundamentally changed the way that it makes decisions about which shows to pursue based on the data it collects on viewing behavior. For example, there are numerous stories of potential showrunners (e.g., “The Crown”) arriving to meet Reed Hastings, thinking they were there to pitch the show, only to discover that Netflix had already used data to make the decision to pursue the show based on its own analytics.

AIA Group’s transformation has taken the Hong Kong-based life insurance company into a new global growth area, with its digital Vitality platform providing wellness and prevention knowledge, tools and motivation to AIA members, leading to a business representing 10% of total revenue and growing at an 85% rate last year. Other T20 firms have also reaped benefits of investing heavily in new digital platforms for their customers. Cisco has cultivated customer relationships to find smart niches for new, value-added digital subscription services. Ecolab has created new digital platforms for water analytics and distribution.

5. Innovation isn’t isolated to a department but is a strategic capability.

In many of these organizations, strategic transformation has been enabled by organizational-wide efforts to improve the innovation quotient. Such innovation efforts are most effective when they aren’t relegated to any single department and become ubiquitous across the organizations.
A key insight among successful innovators is that the organization clearly defines the different types of innovation that will enable the transformation. Some employees will have to innovate the core business, finding new ways to use data to strengthen the customer experience. Other employees will have to work on incubating or growing a new growth business. Others still will need to continue doing most of what they have been doing previously while also looking for operational efficiencies.

The firms that clearly define the different types of innovation and then enable all employees to contribute in the most appropriate way are those that rise to the top of the T20.

Jeff Bezos of Amazon.com has famously led the organization to obsess over the customer, rather than competitors, leading to the internet retail business taking its internal cloud technology to customers. Amazon Web Services is now a $26 billion business that provides a lion’s share of the company’s profits.

In a similar way, Alibaba has always made innovation the key to everything, enabling it to expand beyond its roots as an e-commerce and internet services company into new growth areas, ranging from digital platforms for financial services to digital media, to AliHealth and AliSports.

At Microsoft, CEO Satya Nadella has built a different kind of culture of innovation, less technological and more customer-focused, than the company led by his predecessors. This was accomplished largely by shifting its culture away from one of competition, where managers were told to rank the value of each employee from 1 to 5. Nadella came up through the organization by growing its Azure cloud business by asking questions about customer needs. “We went from a culture of know-it-alls to a culture of learn-it-alls,” says Chris Capossela, Microsoft’s chief marketing officer.

These cultural traits of curiosity and customer obsession are hallmarks of innovative organizations, and it’s precisely this behavior that helps a large organization pivot to a growth mindset.

By many accounts, this has served the organization well as it moved away from its obsolete mission of “a computer on every desktop,” which was technology-focused, to its current mission of “empower every person and every organization on the planet to achieve more,” which is customer-focused.
SEVEN TRANSFORMATIONS TO WATCH

These finalist companies advanced into the third round of the analysis but fell short in the judge’s ratings to make the T20. In some cases, these companies are only just recently embarking on their transformation journey. For instance, Italian energy giant Enel only began in 2017 to embark on its strategy for smart homes and sustainability services. Others, like Danone (a previous T10 company, for its shift to becoming a nutrition-focused firm), have executed long-running transformations that haven’t yielded new levels of change in recent years. Yet all of these firms remain impressive, considering that more than 95% of public companies haven’t attempted to transform or haven’t achieved measurable new growth.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>CEO</th>
<th>NEW GROWTH AREAS (% of total business)</th>
<th>Stock CAGR (vs. benchmark)</th>
</tr>
</thead>
<tbody>
<tr>
<td>#21. RELX Group</td>
<td>Erik Engstrom</td>
<td>digital and analytics (15%)</td>
<td>16% (vs. 4% for FTSE since 2009)</td>
</tr>
<tr>
<td>#22. Analog Devices</td>
<td>Vincent Roche</td>
<td>IoT solutions (15%)</td>
<td>19% (vs. 10% for S&amp;P 500 since 2009)</td>
</tr>
<tr>
<td>#23. Danone*</td>
<td>Emmanuel Faber</td>
<td>nutrition products (29%)</td>
<td>7% (vs. 8% for CAC 40 since 2009)</td>
</tr>
<tr>
<td>#24. SAP</td>
<td>Bill McDermott</td>
<td>cloud services (20%)</td>
<td>13% (vs. 0% for Euro Stoxx 50, 2010)</td>
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<tr>
<td>#25. Singtel</td>
<td>Chua Sock Koong</td>
<td>digital and data (25%)</td>
<td>5% (vs. -1% for SGX since 2011)</td>
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<tr>
<td>#26. ResMed</td>
<td>Michael Farrell</td>
<td>SaaS services (7%)</td>
<td>26% (vs. 10% for S&amp;P 500 since 2012)</td>
</tr>
<tr>
<td>#27. Enel</td>
<td>Francesco Starace</td>
<td>smart homes (0.7%)</td>
<td>14% (vs. -3% for Italian Index, 2017)</td>
</tr>
</tbody>
</table>

*previous winner, from the 2017 T10 list
THE 27 FINALISTS ARE HEADQUARTERED ACROSS THE WORLD

USA 11; China 4; Germany 2; France 2; Singapore 2;
U.K. 1; Italy 1; Netherlands 1; Denmark 1; Finland 1; Japan 1
CONCLUSION: OVERCOMING THE CRISIS OF COMPLACENCY

The takeaway lesson from these mission-changers is clear: In an era of relentless change, a company survives and thrives based not on its size or performance at any given time but on its ability to reposition itself to create a new future.

The leadership teams of the companies we’ve featured here have, to varying degrees, steered through different types of organizational crises.

As outlined in "Dual Transformation" (see graphic on page 19), there are three flashpoints that happen as an organization change effort is proceeding successfully but can derail the entire plan:

- **Crisis of Commitment:** when at the early stage of a transformation, many leaders and employees worry about committing to a new trajectory and seeing it through, even in the face of evidence that the core is in decline.

- **Crisis of Conflict:** when different parts of the organization fight for scarce capital resources as new growth areas receive a disproportionate share of investment relative to their current size. What happens when key stakeholders complain that new growth progress is too slow?

- **Crisis of Identity:** when the organization realizes, “If we’re not a [fill in the blank] company anymore, what are we?” What happens if key people feel like they don’t belong anymore?

However, the vast majority of leadership teams never encounter these three crises. As a chief technology officer we met with recently asked us: “We basically aren’t at any of these stages yet. What do you call the crisis before all of this?”

That caused us to step back to consider what prevents most companies from making the decision to transform in the first place. We’d call this the Crisis of Complacency. One driver of this crisis is that existing data misleads because it lags the disruption taking place in the
When you invest a ton of money is the money you invested. It is capped. However, when you win, you create not only an annuity but a new ecosystem that gives you the opportunity to grow in new areas for a long time to come.

The Transformation 20 indeed shows the powerful payoff that comes when leaders steer their organization through these crises to imagine and build a bold, new future.

In “Dual Transformation,” the authors explore three organizational crises that threaten to derail any transformation. As legacy core revenue becomes a smaller part of the business and new growth revenue rises, leaders need to recognize this common pattern and steer through these flashpoints. Graphic courtesy of Clark Gilbert, former CEO, Deseret News

Courage to choose the difficult path of breaking out of this prison and challenging the status quo.

Which brings us to the most common argument we encounter when it comes to embarking on transformation: It’s too risky. But as one Fortune 500 CEO recently told us, “Our system of capitalism totally misprices risk. Big moves look like they are really risky. But by and large they are not. Because what you lose when you invest a ton of money is the money you invested. It is capped. However, when you win, you create not only an annuity but a new ecosystem that gives you the opportunity to grow in new areas for a long time to come.”
During round two, we used these comparative metrics to narrow the list to 27 finalist candidates, as voted on by a panel of Innosight partners: Scott D. Anthony, Rob Bell and Alasdair Trotter. For each of company, we created a one-page judging profile. We then sent that presentation of profiles along with instructions out to our panel of judges, who scored each company on a scale of 1 to 5, with 5 being the best example of a successful strategic transformation. We’d like to acknowledge and thank our list of judges and congratulate the T20 winners.
T20 PANEL OF JUDGES

Rita McGrath  
Chair at Columbia Business School

Beh Swan Gin  
Chair, Singapore Economic Development Board

Phil Coughlin  
Chief strategy officer at Expeditors

Amantha Imber  
CEO of Inventium

Nathan Furr  
Professor of strategy, INSEAD
ABOUT THE AUTHORS AND INNOSIGHT

Scott D. Anthony is a senior partner at Innosight, based in Singapore and a co-author of “Dual Transformation: How to Reposition Today’s Business While Creating the Future” (HBR Press).

Alasdair Trotter is a partner at Innosight, based in California, who collaborates with senior leaders on digital transformation.

Robert D. Bell is a partner at Innosight, based in Boston and a leader of its industrial & technology business.

Evan I. Schwartz, a writer focused on innovation and leadership, is Innosight’s former director of storytelling.

Special thanks to the following Innosight analysts on the T20 research team: Oliver Cheng, Amol Gundeti, James Hur, Aditya Jain, Linh Tran and Bryant Wu.

About Innosight

The strategy and innovation business of global professional services firm Huron, Innosight empowers forward-thinking organizations to navigate disruptive change and own the future. The leading authority on disruptive innovation and strategic transformation, the firm collaborates with clients across a range of industries to create growth strategies, build innovation capabilities and accelerate new growth initiatives. Visit us at www.innosight.com.
NETFLIX

INDUSTRY: Entertainment/Internet

REVENUE: $15.8B

HQ: Los Gatos, CA

TRANSFORMATION STORY: Shifted from DVDs by mail into the leading streaming video content service and now a top original content provider

STRATEGY: In 2012, Netflix entered the content-production industry with its first series, "Lilyhammer." In 2013, "House of Cards" catapulted Netflix to the realm of leading original content producer. In 2019, "Roma" marked Netflix’s first Academy Award win.

NEW GROWTH: In 2018, Netflix’s original content accounted for 37% of its U.S. streams, up from 14% in 2017. Netflix released 88% more original programming in 2018 than it did during 2017.

CORE BUSINESS: Netflix’s core business of DVD rentals changed its business model from single-pay DVD rentals to subscription-based DVD rentals bundled with streaming. While streaming continues to grow domestically and internationally, DVD rentals continue to experience net losses, with paid membership dropping 17% in 2017 and 19% in 2018.

FINANCIALS: Netflix’s revenue increased by 337.6%, from $3.6B in 2012 to $15.8B in 2018. Net income increased more than 70.62 times, from $17M in 2012 to $1.2B in 2018. Revenue CAGR: 28%. Stock CAGR: 57.1% (vs. 10% for the S&P 500 Index) (2012-2018)

CEO
Reed Hastings

44%
Of revenue from original content

Nº1

44%
Of revenue from original content
# ADOBE SYSTEMS

**INDUSTRY:** Software/Digital Media  
**REVENUE:** $9.0B  
**HQ:** San Jose, CA  

**TRANSFORMATION STORY:** Moved beyond the traditional core of creative software into digital experiences, marketing, commerce platforms and analytics while changing its business model from packaged software to cloud subscriptions.

**STRATEGY:** In 2009, Adobe refocused on digital experiences, marketing and analytics. It conducted several acquisitions, including Omniture in 2009, Neolane in 2013, TubeMogul in 2017, and Marketo and Magento in 2018, to build required capabilities and scale quickly.

**NEW GROWTH:** Adobe’s “Digital Experiences” segment drives a significant portion of the company’s growth, representing 27% ($2.44B) of total revenues in 2018. Only seven years prior in 2011, the digital marketing segment contributed $927.8M.

**CORE BUSINESS:** Revenues from the legacy digital media ($6.3B) and print and publishing ($261M) segments are 73% of total revenue in 2018, down from 81% ($3.1B) in 2010. Although “Print and Publishing” is stagnant, “Digital Media” is still seeing impressive growth — the segment’s revenue in 2018 was $6.3B, up from $5.0B in 2017, representing 26% YOY growth.

**FINANCIALS:** Revenue more than tripled from 2009 ($2.9B) to 2018 ($9.0B) while net income surged by 570.3% over the same period. In addition, Adobe now gets 88% of its revenue from its subscription business in 2018, compared to 3% in 2009. **Revenue CAGR:** 13.3%, 2009-2018. **Stock CAGR:** 26% (vs. 10% for the S&P 500 Index), 2009-2018.
INTRODUCING THE TRANSFORMATION 20

Top-Level Themes from the Transformation 20

The Five Behaviors of Transformational Organizations

Seven Transformations to Watch

T20 finalists are headquartered across the world

Conclusions

T20 Methodology

T20 Panel of Judges

About the authors and Innosight

Snapshots of the T20 Companies

AMAZON.COM

INDUSTRY: Online Retail

REVENUE: $232.9B

HQ: Seattle, WA

TRANSFORMATION STORY: Amazon initiated Amazon Web Services (Cloud) to overcome the cost of infrastructure required to conduct operations. AWS has turned into a surprisingly lucrative profit engine. Amazon has also built an entire ecosystem of products and services, enabled by its Prime membership.

STRATEGY: Amazon, at its roots, is built to transform. When it finds opportunities to serve new customers or existing customers in new ways, it conceives and builds new business models to exploit them.

NEW GROWTH: In 2018, AWS produced $25.7B in net sales and $7.3B in operating income, up from $3.1B and $673M, respectively, in 2013. Through M&A, Amazon has also positioned itself for future new growth (e.g., Whole Foods, PillPack).

CORE BUSINESS: Apart from being the biggest e-retailer, Amazon boasts the best-selling e-reader, a sizable share of the e-book market, a foothold in the tablet market and a growing library of video titles (including original content). Core businesses in North America (outside of AWS) recorded 33% YOY revenue growth in 2018 and account for 61% of Amazon’s total 2018 net sales.

FINANCIALS: Revenues increased by 850.2% from 2009 to 2018; net income grew by 1016.7% in the same period.


Stock CAGR: 39%, (vs. 10% for the S&P 500 Index), 2009-2018.

11% Of revenue from AWS & other cloud services
TENCENT HOLDINGS

INDUSTRY: Internet
REVENUE: $46.9B
HQ: Shenzhen, China

TRANSFORMATION STORY:
Tencent transformed from an online messenger and video game business to an all-around technology business that has presence in entertainment, autonomous vehicle, cloud computing and fintech.

STRATEGY: From 2011 to 2019, Tencent has made a series of investments in technology companies and startups in entertainment, autonomous vehicle, ride-sharing and fintech. The company also launched its own products in cloud computing and online education.

NEW GROWTH: Non-core businesses grew revenue by 80% YOY in 2018, primarily through Fintech and cloud services. Cloud revenue increased by over 100% to $1.3B. Tencent’s fintech platform managed over $89.3B in assets.

CORE BUSINESS: Tencent’s core business continued to grow strong in 2018. Its social communication platforms, Weixin and Wechat, have more than 1 billion monthly active users by the end of 2018. On the video games side, Tencent’s smart game business achieved $11.5B in revenue in 2018, up 24% YOY. The company also earned $8.6B in online advertising revenue, up 44% YOY.

FINANCIALS: Revenue increased by 997.3% from 2011 to 2018. Net income increased by 682.2%, from $1.5B in 2017 to $12B in 2018. Profit margin declined from 35.9% to 25.6% during this period due to heavy investment in technology and original content.

Revenue CAGR: 41%. Stock CAGR: 32% (vs. 1% CAGR for the Hong Kong Index) (2011-2018)
MICROSOFT

**INDUSTRY:** Computer Hardware and Software, Consumer Electronics

**REVENUE:** $110.4B

**HQ:** Redmond, WA

**TRANSFORMATION STORY:** Microsoft has transformed from a business model based primarily on selling products, licenses (IP) and devices to a cloud-based platform-as-a-service business.

**STRATEGY:** Microsoft Azure has been the catalyst that drives the growth of the Intelligent Cloud Business at the company. In addition, Microsoft also invested in cloud-based services, AI programming and AR/VR.

**NEW GROWTH:** In 2017 and 2018 combined, commercial cloud revenue increased by 56% to $23.3B, within which server products and cloud services revenue increased by 21% and is driven by Azure revenue growth of 91%.

**CORE BUSINESS:** Microsoft’s core divisions — productivity and business processes and personal computing — still contribute significantly to the company’s top line. In 2018 and 2017, Office Commercial revenue increased by 11%, which is driven by Office 365 commercial revenue growth of 41%.

**FINANCIALS:** Revenue increased by 76.6% from 2010 to 2018 while net income declined by 11.7% due to tax payment per the Tax Cuts. **Revenue CAGR:** 7%. **Stock CAGR:** 17% (vs. 9% for the S&P 500 index), 2010-2018

**CEO** Satya Nadella

29%

Of revenue from Intelligent Cloud
ALIBABA

INDUSTRY: Internet & Catalog Retail

REVENUE: $56.2B

HQ: Hangzhou, China

TRANSFORMATION STORY: Since inception, Alibaba has positioned itself as an innovation powerhouse, successfully transforming from an internet e-commerce and retail company to a technology business.

STRATEGY: In 2014, Alibaba launched Ant Financial Service, which offers financial services and the rebranded Alipay platform. The group expanded into entertainment and original content through the Digital Media division. In 2015, the company launched AliHealth and AliSports.

NEW GROWTH: Ant grew to have a valuation of $150B in 2018. Its flagship Tianhong Yu’e Bao fund has 588 million users to date. AliHealth’s 2018 revenue was $368M. AliSports’ estimated 2017 revenue was $859M. Digital and Entertainment recorded a 2017 revenue of $2.1B.

CORE BUSINESS: Alibaba’s core businesses in e-commerce and cloud computing still contribute significantly to the group’s overall revenue and growth. Alibaba Cloud revenue is nearing a $4B annual run rate (FY2018). While Alibaba e-commerce business gained $20.8B in revenue in the same year, new growth areas accounted for more than half of the group’s top line.

FINANCIALS: Revenue increased by 356.8% from 2014 to 2018. Net income increased by 232.7%, from $3.93B in 2014 to $13.1B in 2018. Profit margin declined from 31.9% to 23.3% during this period. Revenue CAGR: 46%. Stock CAGR: 8% (vs. 1% for the NYSE index) (2014-2018)
ØRSTED

**INDUSTRY:** Energy

**REVENUE:** $11.5B

**HQ:** Fredericia, Denmark

**TRANSFORMATION STORY:** Moved from a state-owned oil and gas exploration and production company to stage a 2016 IPO as the largest offshore wind farm company in the world.

**STRATEGY:** In 2017, Danish Oil and Natural Gas (DONG) changed its name to Ørsted and shifted its strategy away from gas- and oil-based energy production to green energy, aiming for 99% renewables by 2025.

**NEW GROWTH:** Ørsted has invested in green energy assets since 2009 and is now expanding into North America and Asia. Its biggest investments are in offshore wind farms, which in 2018 accounted for DKK$27.8B of its DKK$30B in operating profit.

**CORE BUSINESS:** In 2017, Ørsted (formerly DONG Energy) divested its oil & gas production. Moreover, it decided to phase out coal completely as fuel at its power plants by the end of 2022. Onshore & offshore wind is rapidly becoming the new core. In 2018, the green share of Ørsted’s energy generation reached 75%.

**FINANCIALS:** Revenue rose 6.5% from 2013 to 2018, while operating profit (EBITDA) increased 1325% over the same period. Profit margins improved from -2.2% in 2013 to 25.4% in 2018. Revenue CAGR: 1%, 2013-2018. Stock

**CAGR:** 30% (vs. 0% for the OMX Copenhagen 20 Index), 2017-2018

**CEO:** Henrik Poulsen

**Of operating profit from Offshore Wind Farms**
INTUIT

INDUSTRY: Information Technology

REVENUE: $6B

HQ: Mountain View, CA

TRANSFORMATION STORY: Intuit transformed from a provider of products and services to an online ecosystem of financial services for small and medium enterprises (SMEs).

STRATEGY: Simplifying accounting and tax prep by offering financial applications in one online platform and matching SMEs with accredited financial advisors allowed the company to become a one-stop shop for financial service.

NEW GROWTH: The Online Ecosystem, now offering 1,400 apps, has been the key growth catalyst for Intuit in the past five years. The Online Ecosystem revenue increased $340M or by 40% in 2018, driven by new customer acquisition.

CORE BUSINESS: Sold off founding Quicken personal finance franchise to focus on more profitable growth — such as from its strong-performing QuickBooks (QB) and TurboTax businesses. QB online customer retention rate rose by 16% thanks to the customer-financial advisor matchmaking program. QB online subscribers rose by 43%, with revenue up 24%. Desktop Ecosystem revenue increased $115M or by 7% in 2018, driven by QB Enterprise subscribers.

FINANCIALS: Revenue increased by 58.2% from 2012 to 2018; net income grew by 67.8% in the same period. Profit margins rose from 20.8% in 2012 to 22.1% in 2018. Revenue CAGR: 8%, 2012-2018. Stock CAGR: 22% (vs. 10% for S&P 500)

CEO Sasan Goodarzi

14%

Of revenue from Online Ecosystem
PING AN

INDUSTRY: Financial Services and Healthcare

REVENUE: $162.3B

HQ: Shenzhen, China

TRANSFORMATION STORY: Established as a financial services and insurance company, Ping An transformed itself into a cloud tech business providing fintech and AI-based medical imaging and diagnostics.

STRATEGY: In 2012, Ping An put all of its systems in the cloud, investing its revenue into R&D for 10 years. The company launched the finance platform Lufax to increase the bank’s presence in fintech and health tech. In 2014, Ping An launched its health tech division.

NEW GROWTH: In 2018, Lufax had over 33 million registered users on its platform, with assets managed up 5.3% from 2017 (to $68.7M). Ping An’s Good Doctor platform also raised $400M at a post-money valuation of $5.4B, preparing for an IPO with the HKEX.

CORE BUSINESS: Ping An’s core retail business continued to record strong growth, with the division’s revenue growing by 44.4% YOY, accounting for 66.2% of the group’s net profit. From 2017, retail customers also grew by 26.45% to 166 million.

FINANCIALS: Revenue increased by 199.1% from 2012 to 2018. Net income increased by 322.1%, from $4.3B in 2012 to $18.1B in 2018. Profit margin increased from 7.9% to 11.1% during this period. Revenue CAGR: 20%. Stock CAGR: 17% (vs. 2% for the Hang Seng Stock Market Index) (2012-2018)

Of net profit from Fintech and Health Tech

6%

CEO
Ma Mingzhe

PING AN
Finance - Technology

From 7.9% to 11.1% during this period. Revenue CAGR: 20%. Stock CAGR: 17% (vs. 2% for the Hang Seng Stock Market Index) (2012-2018)
DBS GROUP

INDUSTRY: Banking

REVENUE: $9.6B

HQ: Singapore

TRANSFORMATION STORY: Transforming from a traditional regional bank to a global digital platform company, around a cultural vision of a “27,000-person startup.” In 2018, crowned “Best Bank in the World”

STRATEGY: DBS is on a mission to make its offerings seamless and integrate into customers’ lives by delivering simple, fast and contextual banking experience in the digital age. In pursuit of this, the bank wants to digitize its services and processes and become a data-first organization.

NEW GROWTH: In 2016, DBS launched digitbank, a mobile-only banking service, in India and Indonesia without any prior physical presence in these geographies. Digital customers are now 48% of total, versus 33% in 2015.

CORE BUSINESS: DBS has been introducing new digital offerings to complement its core offerings in all three of its core business segments, namely, Institutional Banking, Consumer Banking/Wealth Management and Treasury & Markets. While Treasury’s income declined by 24%, that of Institutional Banking and Consumer Banking grew by 1% and 9% respectively in 2018.

FINANCIALS: Revenue rose by 33.9% from 2013 to 2018 while net income surged by 34.8% over the same period. Profit margins increased from 42.6% in 2013 to 42.9% in 2018. Revenue CAGR: 6%, 2013-2018. Stock CAGR: 12% (vs. -1% for the Singapore Exchange Limited), 2013-2018

Of customer base is on digital platforms

CEO
Piyush Gupta

48%

48%

10

DBS

48%
A. O. SMITH

INDUSTRY: Industrial/Water Tech

REVENUE: $3.2B

HQ: Milwaukee, WI

TRANSFORMATION STORY: Shifting focus from its legacy business in automotive parts and motors to seize growth in water technology through M&A.

STRATEGY: Once a company focused on automotive parts and motors, A. O. Smith made the largest acquisition in its history in 2006 to acquire large assets in the water technology industry (GSW Inc. and American Water Heater Company). It doubled down on water technology in 2011 when it sold its electric motor business.

NEW GROWTH: After selling its electrical products, A. O. Smith became a pure play water technology/heating firm. Sales from water technology in 2018 were ~$3.0B, up from $1.38B from water technology in 2009. In 2009, 69% of revenue was from water technology; in 2018, it is now 100%.

CORE BUSINESS: In 2009, A. O. Smith still had an electrical products division that produced $620.4M in revenue. This division was sold in 2011 to Regal Beloit for $875M.

FINANCIALS: Revenue increased by 131.8% from 2009 to 2018; net income grew by 446.3% in the same period. Revenue

CAGR: 10%, 2009-2018. Stock CAGR: 25%. (vs. 10% for the S&P 500 Index), 2009-2018

100%
Of revenue from water technology

CEO Kevin Wheeler

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100%
Of revenue from water technology

CEO Kevin Wheeler

A.O. SMITH
NESTE

INDUSTRY: Energy
REVENUE: $17.2B
HQ: Espoo, Finland

TRANSFORMATION STORY: A regional oil and gas company transforms into a global leader in renewable biofuels.

STRATEGY: Neste was established in 1948 as the state petrol company of Finland to ensure the availability of refined fuels. The company set out to make renewable biodiesel from hydrotreated vegetable oil.

NEW GROWTH: Starting in 2005, shifted to producing renewable biodiesel, renewable jet fuels and renewable solvents, as well as raw materials for bioplastics. Renewables now account for nearly €1 billion in operating profits, 70% of its total.

CORE BUSINESS: Neste, at its core, produces, refines and markets oil products, provides engineering services and licenses production technologies. While revenue from oil products increased by 19% from 2017 to 2018 (68% of Neste’s total revenue), the segment’s operating profit declined by ~70% due to weak USD exchange rate and lower reference margin.

FINANCIALS: Revenue rose by 54.8% from 2009 to 2018, while net income surged by 246.2% over the same period. Profit margins improved from 2.3% in 2009 to 5.2% in 2018. Revenue CAGR: 5%, 2009-2018. Stock CAGR: 24% (vs. 7% for the OMX Helsinki 25 Index), 2010-2018.
**SIEMENS**

**INDUSTRY:** Industrial  
**REVENUE:** $95.5B  
**HQ:** Munich, Germany  

**TRANSFORMATION STORY:**  
In 2014, Siemens announced Vision 2020, which detailed an organizational overhaul, restructuring and strategic shift from energy and industrial manufacturing to digitalization.

**STRATEGY:** Vision 2020 saw Siemens shredding its traditional focus on oil and gas and industrial manufacturing, while adding new business divisions — Digital Factory and Process Industries — to transform into a digital and service company.

**NEW GROWTH:** Since 2014, Siemens’ Digital Factory and Process Industries have gradually grown and contributed to the company’s topline. Digital Factory’s revenue increased by 14% between 2017 and 2018.

**CORE BUSINESS:** Even though Siemens is driving its focus away from industrial manufacturing and oil and gas, its core business in energy management, medtech, and industrial automation still contributed more than $68.7B to the company’s overall revenue in 2018.

**FINANCIALS:** Revenues increased by 10.7% from 2014 to 2018. Net income increased by 6.5%, from $6.6B in 2014 to $7B in 2018. However, profit margin declined from 7.7% to 7.4% during this period. **Revenue CAGR:** 3%. **Stock CAGR:** 8% (vs. 8% for the DAX index) (2014-2018)
SCHNEIDER ELECTRIC

INDUSTRY: Electronics/Industrial

REVENUE: $28.5B

HQ: Rueil-Malmaison, France

TRANSFORMATION STORY: Pursuing a digital transformation that would shift it from a pure hardware supplier to an energy management provider via an open IoT platform.

STRATEGY: In 2012, Schneider Electric, a leading industrial maker of energy and smart grid hardware, placed a big bet on software and services as the company’s future direction. In 2016, the company announced the launch of IoT-enabled solutions to make its offerings interoperable.

NEW GROWTH: StruxureWare Software, an integrated software suite for operational management, bridges the gap between IT and other systems. EcoStruxure, a platform that delivers IoT-enabled solutions, reported a 34% YOY growth (2018).

CORE BUSINESS: Schneider Electric has introduced close-to-core offerings like energy dashboards, electric vehicles and smart cities. Medium Voltage contributed $4.8B (17% of total revenue) despite a 4% decrease YOY. Low Voltage generated $13B in revenue (45% of total revenue) with a 8.3% YOY growth. Secure Power contributed 14% of the total rev. and a 4.9% YOY growth in 2018.

FINANCIALS: Revenue rose by 3.3% from 2012 to 2018, and net income grew by 26.9% over the same period. Profit margins grew from 7.7% in 2012 to 9.4% in 2018. Revenue CAGR: 1%, 2012-2018. Stock CAGR: 8% (vs. 6% for the S&P Global 100 Index), 2012-2018.
CISCO SYSTEMS

INDUSTRY: Networking Equipment

REVENUE: $49.3B

HQ: San Jose, CA

TRANSFORMATION STORY: Cisco has been transforming its business from selling networking products and services to becoming a digital IT solutions provider while also moving into adjacencies.

STRATEGY: In 2010, the strategy expanded from a focus on core growth to include growth in adjacent market territories by 2015.

NEW GROWTH: The non-core (applications, security, services and other products) business was responsible for roughly 43% of 2018’s revenue. Revenue from subscriptions was 54% of Cisco’s software applications and services revenue in 2018.

CORE BUSINESS: Cisco’s infrastructure platforms segment (networking technologies of switching, routing, data center products and wireless) is considered its core business, and the company continues to make progress towards shifting to software, subscriptions and cloud solutions. Revenue from core products increased by 2.4%, from $12.3B to $12.6B in 2018.

FINANCIALS: Revenue increased by 23.2% from 2010 to 2018; net income fell by 98.6% in the same period. Revenue CAGR: 2.6%, 2009-2018. Stock CAGR: 9%, (vs. 9% for the S&P 500 index), 2010-2018.
ECOLAB

INDUSTRY: Chemicals

REVENUE: $14.7B

HQ: Saint Paul, MN

TRANSFORMATION STORY: Starting out as a producer of a carpet cleaning solution, Ecolab has evolved to become a market leader for cleaning and food safety products, as well as a provider of custom solutions for water and energy conservation.

STRATEGY: Ecolab’s “Circle the Customer — Circle the Globe” strategy is focused on providing a comprehensive set of cleaning, food safety and water treatment services to customers globally.

NEW GROWTH: After a $8 billion merger with Nalco in 2011, Ecolab has expanded and reinforced its product offerings to include water and energy solutions and services. Water segment sales increased by 7% in 2018.

CORE BUSINESS: Pre-merger, Ecolab was primarily focused on cleaning and food safety products and services. Currently, it is focused on integrating digital and harnessing data to manage risks and conserve energy and water. Overall, Ecolab’s Global Industrial segment revenue increased by 7% while Global Institutional segment revenue increased by 6% from 2017 to 2018.

FINANCIALS: Revenue rose by 116% from 2011 to 2018 while net income surged by 209% over the same period. Adjusted profit margins improved from 6.8% in 2011 to 9.7% in 2018.


Stock CAGR: 16% (vs. 9% for S&P 500 since 2011), Ecolab is up 22% vs. S&P 500 13%.
FUJIFILM HOLDINGS

INDUSTRY: Healthcare and Electronics

REVENUE: $21.6B

HQ: Tokyo, Japan

TRANSFORMATION STORY: Transformed from a photography-centric firm to a healthcare products and medical imaging company.

STRATEGY: In 2010, Fujifilm succeeded at shifting its business model away from being photo-film-centric. In addition to improving its core business sales by catching up to the digital camera wave, Fujifilm invested in healthcare, leveraging existing imaging and chemical technologies.

NEW GROWTH: In healthcare, Fujifilm launched a series of diagnosis X-rays and scanners. The company also developed and marketed pharmaceutical drugs using existing chemical compounds and launched a skincare and makeup line, ASTALIFT.

CORE BUSINESS: Fujifilm’s core business is around photo films. Over the past decade, the company has shifted its core business toward digital cameras and imaging. The photo-imaging segment accounted for 15.7% of the company’s top line and recorded a 12.1% growth from 2017, which was driven by a strong increase in sales of instant photo systems (e.g., instax instant cameras).

FINANCIALS: Revenue increased by 9.7% from 2010 to 2018 while net income surged by 116.3% over the same period. Profit margins improved from 2.9% in 2010 to 5.7% in 2018.

Revenue CAGR: 1%, 2010-2018.

Stock CAGR: 7% (vs. 6% for the TOPIX index), 2010-2018.

Of revenue from healthcare business.
AIA GROUP

INDUSTRY: Life and Health Insurance

REVENUE: $36.3B

HQ: Hong Kong, China

TRANSFORMATION STORY: AIA Group transformed from a health insurance provider into a collaborator with consumers by creating AIA Vitality — a major wellness and prevention business.

STRATEGY: In 2013, AIA Group launched AIA Vitality, the first science-based, comprehensive wellness program in the Asia-Pacific region. The program provides wellness knowledge, tools and motivation to AIA members.

NEW GROWTH: After three years, AIA Vitality is available in 10 countries, with the number of full Vitality members tripling in 2017. In 2018, AIA Vitality’s annualized net premium grew by 85%.

CORE BUSINESS: The company’s core business continues to grow steadily. In 2017, agency distribution accounted for approximately 70% of the group’s total VONB*, with growth of 28% to $2.5B in 2017. On the other hand, partnership distribution exceeded $1B for the first time for the group. (*VONB is the Value of New Business: the present value of total premium sales confirmed to be received from present to future)

FINANCIALS: Revenue increased by 65.5% from 2013 to 2018. Net income increased by 13.3% from $2.8B in 2013 to $3.2B in 2018. Profit margin decreased from 13% to 8.9% during this period. Revenue CAGR: 11%. Stock CAGR: 15% (vs. 2% for the Hong Kong Index) (2013-2018)

Of revenue from AIA Vitality

10%

CEO
Ng Keng Hooi

18
DELL TECHNOLOGIES

INDUSTRY: Info Tech

REVENUE: $90.6B

HQ: Round Rock, TX

TRANSFORMATION STORY:
During its time as a private company, Dell shifted from being a hardware company to being a cloud business integrating EMC’s storage management, tripling its value from 2013.

STRATEGY: Dell has the ability to offer secure, integrated solutions that extend from edge to core to cloud and is at the forefront of the software-defined and cloud native infrastructure era.

NEW GROWTH: Dell’s integration of EMC resulted in two new revenue segments (ISG and VMware), which added up to about $48.5B in revenue in 2018 (more than 50% of Dell’s top line).

CORE BUSINESS: Client Solutions Group (CSG) is the company’s core, including branded hardware (desktops, workstations and notebooks) and peripherals. CSG generated ~$43.2B in revenue (~50% of total 2018 revenue) and is mainly driven by PC sales. Dell considered CSG to be a significant part of its transformation as it absorbs overhead and allows for scaled procurement.

FINANCIALS: Revenue increased by 59.2% from 2012 to 2018; net income fell by -197.4% in the same period. Revenue CAGR: 7%, 2012-2018. Stock CAGR: 26%. (vs. 11% for the S&P 500 index), 2013-2018
PHILIPS

INDUSTRY: Health Tech

REVENUE: $20.8B

HQ: Amsterdam, Netherlands

TRANSFORMATION STORY: Split its lighting core from its healthcare growth businesses, transforming itself into a healthcare technology company

STRATEGY: In September 2014, Philips announced its plan to sharpen its strategic focus by establishing two stand-alone companies focused on health tech and lighting solutions opportunities.

NEW GROWTH: In the area of health technology, Philips has focused on three segments, namely, Personal Health, Diagnosis and Treatment, and Connected Care & Health Informatics.

CORE BUSINESS: Philips has established two stand-alone entities in health tech and lighting through a decade-long transformation. Philips only owned 16.5% of Signify (formerly Philips Lighting) as of 2018. Even though Philips still recorded $636M in 2018 sales (compared to $462M in 2017) from Signify, Philips planned to completely divest from Signify in the next few years.

FINANCIALS: Revenue fell by 15.3% from 2014 to 2018 while net income surged by 165.2% over the same period. Profit margins improved from 1.9% in 2014 to 6% in 2018. Revenue CAGR: -4%. 2014-2018. Stock CAGR: 6% (vs. 7% for the S&P 500 Index), 2014-2018

CEO
Frans van Houten

65%
Of revenue from Healthcare, after accounting for separation of Lightning