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Abstract

In 2000, Hilti launched a major business transformation project bringing all eight production plants, more than 50 sales organizations, and over 20,000 employees into one single global ERP system. The project was one of the biggest transformation projects of its kind for the company and it substantially changed the way Hilti is doing business today. In this study, we report on the transformation project referred to as “the Hilti Case”. We begin by presenting relevant background information and specifically defining the need for action along with the goals, vision and strategy. We then report on the project’s realization, its major results, and also the lessons learned as reflected by the managers involved in the project. We base our study on interviews and intensive document analysis conducted between 2009 and 2010. The results are presented in the form of a case narrative to allow for different perspectives of analysis in future studies. We very much encourage fellow researchers and practitioners to engage in the discussion in order to contribute to the body of knowledge on global business transformation management.

HOW HILTI MASTERS TRANSFORMATION

by Jan vom Brocke, Martin Petry and Theresa Schmiedel

Hilti is a global corporation in the construction industry. It provides tools, systems and services to customers worldwide. With an annual revenue of 3.9 billion Swiss francs in 2010, Hilti employs almost 20,000 people around the globe, of which roughly 1,700 work at the headquarters in Schaan, Liechtenstein. Two-thirds of all employees worldwide work directly for the customer in sales organizations and in engineering, which means a total of more than 200,000 customer contacts every day. Hilti has its own production plants as well as research and development centers in Europe and Asia. Hilti launched its transformation project called “Global Processes and Data” (GPD) in 2000. The objective was to overcome local data and process silos by introducing global standard business processes and standardized data structures supported by a global system solution and one globally managed IT function. The project was coordinated centrally from the headquarters in Liechtenstein. By the end of 2010, over 95% of

Hilti’s revenue, more than 50 sales organizations, and all eight production plants were operated in one global system. This means more than 18,000 users working with SAP Enterprise Resource Planning (ERP) software and 6,000 users also working with SAP Mobile solutions and applications.

Call for Action

The idea of a globally integrated work system first surfaced as early as 1963 according to Michael Hilti quoting his father. Although it was not feasible at the time, the idea has been in the Hilti genes for quite a while, resulting in several efforts to achieve a more globally integrated corporation. In the 1980s and in the 1990s, Hilti tried to move in this direction but the solution was only being sought in the IT function, resulting in too little effort on the business side. In order to pursue a global path, the initiative needed to be broader, including a global business application land-

scape, global processes and global process owners.

In 2000, the Hilti Corporation’s business strategy included overall targets such as customer satisfaction and productivity being achieved through operational excellence and a consistent, global implementation of strategic initiatives. Based on this strategy, Hilti IT derived a new strategy considering the local and global business initiatives at that time. It became obvious that many of the global initiatives were hindered by non-harmonized process and data structure landscapes. Furthermore, different IT systems in use were adding to difficulties in global initiatives. However, the main reasons for the transformation project were process landscapes that resulted in slow, inconsistent, and not necessarily global ways of implementing operational excellence initiatives. So Hilti IT decided to implement globally harmonized processes, data structures, and system landscapes, and with this approach, the GPD project was launched.

Goals, Vision & Strategy

The vision of the GPD transformation project was to achieve global and integrated processes, data structures, and system landscapes to realize business opportunities beyond the level reached at that time. In the first phase of the transformation, the project team focused on the 25 top sales organizations, all plants, and the headquarters, this phase being concluded in May 2006. Building on the success of the program, other sales organizations were included in the project in the second phase in order to create “one Hilti”. As Hilti continues to grow as a global corporation, it has now reached phase three of the transformation, which aims to also include, for example, new sales organizations at the corporation. The IT strategy has been dis-

cussed and communicated on a large scale in the management team and even beyond as senior managers at Hilti IT went to the sales organizations themselves to communicate and discuss the vision of a globalized IT. In a very early phase of the transformation,

become nervous. So intense communication at the beginning needed to be followed by clear visible progress in terms of the content. The more in line with the communication the deliverables were, the greater the credibility the project acquired.

The project “Global Processes and Data” was the opposite of an IT cost-cutting strategy.

before and after the strategy approval, communicating the vision was very important to ensure that everybody understood the strategy of Hilti IT. The longer the project continued in this direction, the more important it became to deliver tangible outcomes rather than “new slide sets”, otherwise people would have

Apart from the overall goals of standardized processes and data and an integrated IT system, Hilti aimed at a very smooth implementation, namely compromise instead of confrontation. Specific goals of the transformation project related to optimizing the logistics performance, for example. This included tar-

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gets such as a 95% customer perfect order (cpo) or three days repair cycle times. It is important to notice that all targets were defined including a target value. Furthermore, new initiatives such as fleet management, consistent pricing, or consistent definition of customers were launched as elements of GPD. The latter was necessary to be able to implement global customer initiatives. Generally, it is interesting that most KPIs arising from the project are business-related rather than IT-related. To actually create additional business value and also have a reliable infrastructure, Hilti decided to spend a huge amount of money on implementing the IT strategy. Since GPD was the opposite of an IT cost-cutting strategy, business value and a reliable infrastructure needed to compensate for the money spent on the GPD project.

Realization

Gaining Support for a Transformational Project

The GPD project was communicated in an open and honest way with clear targets. Despite the huge impact of the transformation, the management team tried to downplay the scale of the project somewhat in the beginning so as not to scare people but to calm everyone down to a degree that is helpful and necessary in the early stages of a project. Knowing about the revolu-



tionary character of GPD, the management team decided to handle the transformation not by fueling consternation but by supporting the perception of a major change in the right direction. The awareness of the change needed was a very important factor in the success of GPD, especially since the transformation was not forced by the company's economic situation.

Looking at general management and plant managers, there was an overall high level of supportiveness, understanding and willingness to be part of the project. One or two were naturally somewhat more hesitant in the beginning but typically regretted later that they had not become more involved in the early stages. On the whole, GPD received enormous support thanks in particular to the

backing of the top three people in the company.

The main sponsors of the GPD project were the Hilti CEO and two more members of the Executive Board (EB) who had all been with the company for over 25 years. Support for the project from the corporation's senior management was a first fundamental factor in its success. Still, it needed an idea on how to launch a project leading in this direction. In fact, it was the former and present Chief Information Officer (CIO) presenting the idea of GPD that was basically derived out of the IT strategy development.

Building a Project Management Team

For the first three to four years, the GPD project management team consisted of the chief process officers,



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their counterparts on the IT side, representatives of the IT infrastructure, as well as the former and present CIO. The weekly meeting was relatively large because it served as a multiplication point where, especially in the first couple of months, fundamental issues were clarified. Everyone involved brought ideas from their teams to the meeting and took the results of the discussions back to their teams. About 15 people usually attended the meeting, although there was a certain amount of rotation over the years. Altogether, there were around 30 to 40 people in this meeting during the project.

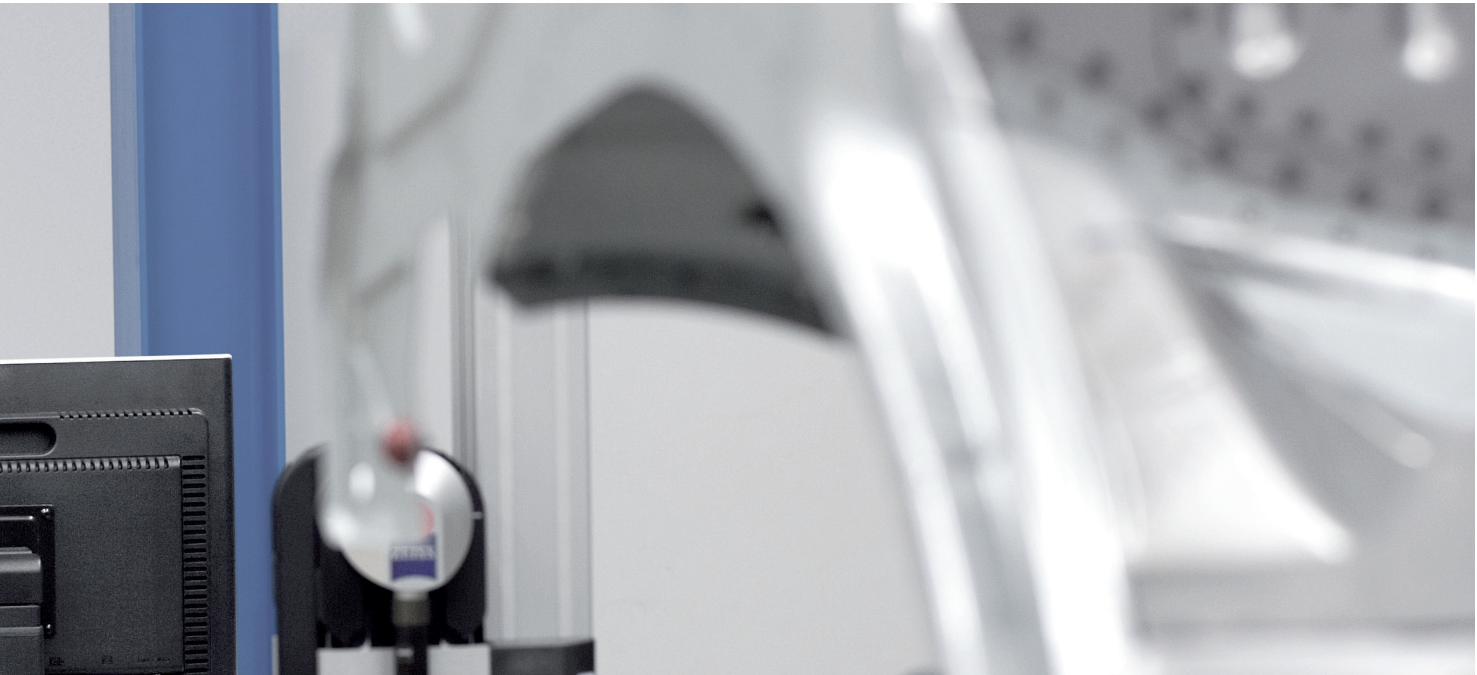
The weekly coordination team meetings were perceived as the engine of the project and involved discussion of the general proceedings, including the design of common terminology. This has been extremely important in being

able to address an audience that is not used to projects involving major technical changes. Furthermore, the technical course of action needed to be defined and explained to the affected persons, including questions such as “What is an integration test?”, “Why do we need a unit test before the integration test?”, “How long might it take and why does it take that long?”, and “Can we do that earlier?” The project management team went through a lot of discussions in their regular meetings in order to get everybody on board.

In the first few years, the GPD project was more about education than execution because it was necessary to introduce the IT team to the SAP system, to integrate the entire business environment coming from various different areas, directions and functions, and to integrate new people into the IT team. At the same

time, it was necessary for the project management team to amalgamate as a people speaking the same language, which is very important due to the confusion that can arise from ambiguous terminology and procedures. So it was crucial to get this type of alignment.

The project management team was basically led by the former and present CIOs, who promoted their idea about how to run the project smoothly by providing detailed explanations and thinking ahead which enabled them to always stay one step ahead of the team. This way, they managed to persuade people by presenting valid ideas. So the project was clearly led by these two, although not in an authoritarian, dictatorial way but in a way that encouraged people to support the suggestions based on sound arguments.



In fact, the idea of a culture where the strongest argument wins was agreed upon in the very first coordination team meeting: “We had a major discussion and we couldn’t find a common denominator. One person said ‘We do it the Swiss way and just vote’. Someone else said, ‘If we start voting, I will leave immediately.’” In the end, they agreed that decisions should be based on the strongest argument. The idea of the strongest argument also concerned the project management. Still, it was obvious that certain arguments needed to be pushed to prevent the project from becoming too complex.

The general management style at Hilti is one of a culture of situational leadership, which means that a manager adjusts his style of management to the skills of the specific person to whom he is delegating a certain task. For

example, an enthusiastic beginner requires support and attention that is different from that given to an experienced expert. This simple rule provided very effective support to the leadership in the GPD project.

“If we start voting, I will leave immediately.”

Implementing the GPD Project

In addition to the project team, approximately 120 people were involved in the implementation process in Vaduz, Buchs, Schaan, and in the local organizations. Throughout the project this resulted in around 150 full-time equivalents at any one time after the start of GPD. The number of people involved shows a

clear commitment and dedication of resources to the program. Even in tough times such as 2001/2002, when the construction industry was not so strong, Hilti further pushed the project despite of cost pressure.

In terms of implementation, the project team decided to have one release as a dry run at a very early stage to synchronize everything before going live. So one release was used to develop all processes, process documentation, systems, and test procedure. A clear advantage of this strategy was that the actual implementation was very quick.

Developing the process landscape and the system as well as implementing them was almost flawless. A huge roadmap helped to visualize the implementation. It was also decided that GPD should be launched and qualitative im-

provements added during the global roll out, which included both geographical and functional improvements. The process and system landscapes were augmented from country to country, adding different legal requirements and also functionality since it is not possible to implement everything from fleet to contact center at the beginning. So to avoid deviations from standards and different set-ups in organizations, it is necessary to keep rolling forwards and backwards, which poses a challenge to the project and puts considerable pressure on the project team.

As they implemented GPD around the globe, Hilti developed the concept of cross-fertilization, where people from

different sales organizations, for example, synchronize themselves. This peer support proved to be more effective than sending global pro-

cess experts to try to convince sales organizations how to conduct their business. It was felt that it would be better to push transformation by having people learn from peers who actually use data structures, processes and systems than having someone from Schaan

translating theory into practice. In terms of shared service ideas, the cross-fertilization concept even intensified in the last two to three years. Concerning the systems implementation, intensive collaboration with SAP was essential for the project success. Having SAP as a strong IT specialist, Hilti was able to focus on their unique business needs. Thanks to a strong involvement of SAP also on the

The concept of cross-fertilization through peer support proved to be more effective than having someone from Schaan translating theory into practice.



EB level, a very productive collaboration was achieved. Today, Hilti has an outstanding relationship with SAP regarding support and respect. Even though the GPD project was characterized by a very smooth implementation, it is obvious that a project of this significance also faced some resistance. Generally, this resistance was overcome with the support of the Hilti EB which helped the management team to promote certain facets. Today, Hilti is actually conducting its business in accordance with global standards initially defined through the GPD project. In practice, it is not an option to do things differently. However, not all processes have yet been standardized. So the global process owners and the lines of business are still in the process of establishing which local options to omit and which local best practices to implement globally. At present, there are no difficulties regarding a deviation from the standard, but rather questions about how to further standardize. In this respect, everybody understands the extra effort associated with local options that prevent the overall company from pushing on and making more immediate changes. Auditing in terms of process reviews is important when it comes to maintaining the standardized processes. So global process owners and the IT function review processes based on insights

gained, for example, from Hilti KPI reporting and SAP system statistics, thus enabling weaknesses to be identified. These process reviews are called “business process approval processes” and help to optimize operations.

Results and Achievements

The GPD project resulted in a transformative change in the way Hilti does business. Even though this was clear to the management team at the very beginning, there were still aspects that remained unforeseen. At the start of the project in particular, the management team did not have full clarity on shared service centers, for example, and these have only been discussed in the last three years. Considering the overall development of the project, the more GPD progressed, the more the entire company became involved. Globalization of the IT function, common data structures, processes and the IT system is today perceived as a springboard for the entire company undergoing transformation. Global business application landscapes provided opportunities to optimize logistic structures in a multi-national way. Similarly, new ways to organize sales and customer services arose, using opportunities to combine sales organizations into hubs or shared service centers to optimize the sharing of knowledge and execution of

Key Learnings

- ▷ Have a clear vision of the value contribution for business.
- ▷ Aim high and be persistent.
- ▷ Involve dedicated and capable people in the project team.
- ▷ Build a management team with a common language and skill set.
- ▷ Gain senior management support.
- ▷ Push the project with forward thinking.
- ▷ Establish a culture of “the strongest argument wins”.
- ▷ Communicate in an open and honest way with clear targets.
- ▷ Build on a strong corporate culture.
- ▷ Strike a balance between a strong vision and smooth implementation.
- ▷ Visualize the implementation through a comprehensive roadmap.
- ▷ Have a dry run very early on.
- ▷ Establish cross-fertilization through peer support.
- ▷ Earn credibility by delivering tangible results step by step.

marketing and sales activities. Today, integration of the business process organization into the overall line of business is permeating through the entire company. So the most important benefit of the transformation is having laid a major foundation for the future: the availability of global processes, data structures, and systems, as well as a skillful global IT team that is aware of how to further improve and build on

this. Furthermore, reliability in business process execution is another significant achievement at a more detailed level. On this basis, great opportunities can be harvested in the future regarding structural optimization and process services.

Further achievements relate to customer satisfaction. During the project, a manager from Austria came up with the idea of faxing all customer data to the customers themselves, asking them to provide feedback on their data. Many customers very much appreciated this because they realized that Hilti cares about them and Hilti also received feedback from the customers expressing their satisfaction about orders and repairs.

Lessons Learned

At the beginning of GPD, its overall impact was thought to be considerable for the IT organization and beyond, but its actual impact turned out to be even greater than expected. The transformation affected day-to-day work in the markets but also management processes and structural changes, and today, changing a service or allocating it to another country is much easier. Many opportunities that GPD entails were not fully appreciated 10 years ago because, despite their awareness of the impact on business, people were more focused on the IT. In the GPD project, Hilti did

not standardize completely because one of the goals set at the start was to have a smooth implementation. Pushing the implementation of further standards would have meant facing more confrontation and risking people no longer supporting the GPD idea. So Hilti managed to find a balance between full standardization and smooth implementation, and this balance will have to be kept in mind in the future too.

For the overall success of the project, it was very important to get the full support of senior management and other management levels. It is also essential to have a dedicated and capable set of people in the transformation team. And finally, it is necessary to deliver results step by step, continuously implementing the vision of the project.

Since GPD was a major transformational step, many detailed aspects needed to be considered, especially in terms of combining the IT system and business processes.

It is important to have diversity in the project team: people who can deliver and fix details and people who give directions and see the bigger picture.

This means it was important to address a number of minor issues in order to achieve the overall vision. It is interesting to learn that small details can fundamentally challenge an

initiative like GPD. In 2003, a critical incident occurred as the newly built Data Centre North suffered a power outage. At that time, the GPD rollout was about to start in BeNeLux and had already been completed in Austria. Following the incident, it was unclear whether the entire system needed to be recovered or whether data was corrupt. This could have led to several days of down time, severely ruining the project's credibility in terms of reliable delivery.

Even though such an incident would not mean the end of the project, it can still do considerable harm to its reputation since it was built on trust that needed to be honored, otherwise difficulties were more likely to occur despite the support of senior management. So it is important to have different types of people in the project management team: those who can deliver and fix details and those who give directions and see the bigger picture.

Even though there was substantial communication at the start of the project more tangible training at all levels would have been helpful since a number of people

underestimated the impact of the project. GPD required competence at all levels, yet some managers believed GPD was “a back-office type of thing” that would not influence business. In fact, GPD completely changed the way business is carried out in order to be compliant with the GPD foundation.

Having learned from this experience, Hilti organizes peer visits for the current GPD projects. This means that entire management teams visit another market organization that has already implemented GPD and in one week they learn how that market organization is actually conducting business in their environment. Hilti’s transformation can be perceived as a two tier change, with GPD as tier one, laying the foundation for a global Hilti, and tier two building on top of this, including smaller projects such as contact centers. These smaller projects still represent a major transformation for the departments involved because of the way their work and their interaction with customers is changing although the changes are not as fundamental as GPD. Establishing contact centers completely modifies the way specific user groups or job functions work, although it does not involve people in the warehouse, for example. So tier two is between the fundamental change of GPD and an incremental change of continuous improvement. ▲

Service Box

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Two comments on the Hilti Case: see following pages

IT INNOVATION IS

A Comment on the Hilti Case

by Beate Brüggemann and Rainer Riehle

The Hilti case is an example of a successful innovation that emanates not from IT but primarily from the set objectives and the protagonists who should reach these goals with the help of IT.

In the 1980s and 1990s, Hilti tried to coordinate and standardize the data and process flows in all areas of the company with the help of new IT concepts. It became apparent that the basic issues relating to transformation projects and IT projects are not primarily at a technical and organizational level; IT innovations are social processes with all and for all those involved. Thus, in 2000, a project called “Global Process and Data” (GPD) was launched. The current phase aims to realize and optimize global cooperation and transformation for further market development.

The most important strategy in all three phases has always been to continuously communicate the aim and the vision, so that all people affected or involved understand, follow, and support the transformation process. Consequently, the new IT strategies were discussed not just by the senior management but in all suborganizations. The longer the project continued, the

more important the communication about visible success and progress became. Without questioning the vision or the objective, the company

The continuous communication of aim and vision helps the people involved to understand, follow, and support the transformation process.

focused on cooperation instead of confrontation, on smooth transitions, and on small steps, especially in the business area. (For example, not all data has been fully standardized yet.)

The awareness of and readiness for much-needed change (not primarily for economic reasons) were important factors for the project’s success, and the support provided by the senior management for a more decentralized communication structure was of fundamental importance. Especially in the first few years of the project, the GPD team members, who came from different levels of management, met on a weekly basis. These 30-40 people were important communicators and multipliers in their teams, providing real “drive”. They devised a

common terminology that was comprehensible to everyone, because the process character of this project – beyond the technical innovation – requires

a language that integrates, explains, convinces, and above all, embraces. A language that must be appropriate for “new” situations, for a “culture of situational leadership”. In other words, the management style must be sensitive and flexible to cater for the employees’ responsibilities and abilities. “This simple rule provided very effective support to the leadership in the GPD project.” The ongoing exchange of information between the individual subdivisions and the project team, as well as between peers (and not just through the senior management) promotes and intensifies the transformation process. An accompanying evaluation at the various sites allows to identify weaknesses as well as improvement opportunities and to exchange this know-how.

A SOCIAL PROCESS

Lessons learned:

In retrospect, the past 10 years have brought about a successful transformation in terms of structure, organization, and habits. This transformation was and still is successful because first and foremost the aims and visions were clearly conveyed, resulting in transformation strategies and operations. It was successful because considerations related primarily not to IT concepts but for the most part to those who were involved. Constant, intensive communication and the exchange of ideas and experiences about progress and setbacks, not only at management levels, enable to strike a balance between

structures, habitual procedures, and established routines and practices, and they exist at all participant levels. They alter the patterns of day-to-day social relationships and affect the formal and informal hierarchical patterns, roles, responsibilities, and mutual expectations. Thus, established communication relationships, patterns of behavior, and habits are devalued, questioned, and this can be perceived by individuals or groups as a threat and lead to latent or open defensive posturing. This leads to the conclusion, that business innovations and transformations are only successful when change management takes this into consideration in its process-

the process with largely equal rights. This process requires time, since it must avoid excessive demand. But in the medium term, such a process is more effective and efficient –last but not least also in terms of operating profit. ▲

Transformations alter the patterns of day-to-day social relationships and affect the formal and informal hierarchies.

smooth transformation, technical standardization, and economic optimization.

As a general rule, transformations, i.e. technical and organizational innovations, are processes that are always associated with more or less pronounced changes to old

es, concepts, and strategies. Thus, a basic condition of successful IT innovations and transformations lies in understanding the implementation as a social process that depends on motivation and interaction, as well as actively integrating all protagonists in

Service

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SLOWING DOWN SPEEDS

A Comment on the Hilti Case

by Paul Stratil

Vision is needed to plant the seed and reap the fruit but vision in itself is not enough to get there, the seed needs to be watered and an organizational vision needs to be fostered. Organizational readiness is essential as the soil to nourish and fuel a sustainable transformation over many years.

The Hilti case changed the business of the company in 2008. The idea of “One Hilti” was born by the founder already and was woven into the DNA of the company, but various attempts at creating the “Globally Integrated System” had fallen prey to failure. The implementation of a global IT system was considered the right way of creating a globally integrated corporation, not taking into account that the business owners had to become actors in this transformation process rather than being just the audience while IT accomplished some “back office type of a thing”.

Success came when the approach to implementing “One Hilti” was changed in 2000 by the CEO and focus was put on the business processes becoming truly global, with global process owners in charge and with overall targets on productivity, custom-

er satisfaction and operational excellence. This acted as the catalyst, which together with the commitment from the board were the starting point of this transformation.

All 20'000 employees expected changes yet nobody could imagine the many tangible benefits later achieved. Everybody who participated in the project was proud of being part of the team and of the results implemented on SAP ERP and on SAP's mobile solutions. Each process owner taking ownership of the changes was another key success factor as was the fact that the results could be measured: shared and consistent knowledge base, increased performance, ability to relocate business easily from country to country and structural optimization.

Going for the cooperative rather than a confrontational model eased the way to convince even reluctant process owners of the benefits of process standardization and harmonization, finally getting their buy-in. “Standardization to the max” was not imposed on anybody. Hilti as an organization agreed on a set of rules about how to do the job rather than what the final outcome would be in detail. It

was the “Swiss way” of taking firm decisions by voting for the best idea and refusing a different, more aggressive approach.

Generally, this approach might not be right if a company is stuck in stormy waters, when quick and tough decisions are necessary. But with the secure financial situation of Hilti, it created trust and confidence to accept changes. Taking into account how this company struggled to set up its transformation initiative, how long it took, with several unrewarding attempts, and how they finally succeeded, this case provides real insights in understanding why some transformations succeed and others do not.

The CEO of Hilti set global measurable business goals which could no longer be achieved with the traditional way of doing business. Thus he challenged the entire organization to get going in a pre-defined direction. The expectation of such an initiative is to grow business, increase profitability and to achieve additional benefits such as business flexibility, agility, stable business processes, robust IT infrastructure. In the case of Hilti these expectations were exceeded.

UP GROWING SUCCESS

Such an approach proves very successful to get a company prepared for the future while it is doing well, instead of being in a reactive mode during an adverse economic situation, under cost and time pressures. Hilti did not change course despite economic challenges and despite some technical problems during the set up phase of the solution.

Another intelligent move was the way the transformation was managed in order to achieve consistent and sustainable changes. It might have been due to the Swiss mentality to care for democratic decisions in the team, for open communication and peer to peer learning among all participants to promote the re-use of solutions across business units and plants. At the first glance this seems to reduce the speed and efficiency of a project implementation, but in fact it established a stable foundation to execute decisions across the entire corporation in high quality and with the desired precision expected.

The GPD core team formed the operational headquarters to prepare project decisions and to set the speed and direction. They developed a

phased approach considering organizational and technical complexity, skills available and resources as well as the risks and benefits of each step of the project. This paid off as the team was always one step ahead and driving the discussion. They could demonstrate good project results which increased the trust in their work and acceptance across the various business units.

Hilti did not do everything right from the very beginning. Nevertheless the company was able to keep the vision on the horizon and implement a straightforward strategy of moving towards it. The management of Hilti set the framework for a successful change, but it were the individual team members who accepted the change and lived by it. Last but not least, it was a skilled project team which managed the transformation in a focused and professional way, with empathy and respect for their colleagues as well as awareness of the organizational needs of the global corporation.

From that perspective Hilti did many things right and was rewarded by increased economic success as well as a strengthened company

culture with everybody taking pride in it. Many of these learnings can be used by other companies to accomplish successful transformations.

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