



Transformational Value Creation

You may have this routine every morning: One or two eggs to start your day. You may have them raw, half-boiled, boiled, bull's-eye, or scrambled. Since it is so routine, you may prepare and eat them almost unconsciously. But, if you consciously think about the eggs that you just had, you may discover a very amazing principle.

Eggs are the cheapest form of protein. They are fulfilling. They are easily available anywhere. Any grocery store, no matter how small it is, sells eggs. They have become *the* ingredient of any prepared food from the cheapest food sold by the roadside hawkers to the most expensive cuisine sold by six-star restaurants.

You have just witnessed an interesting concept in the transformational value creation of the humble egg. Its value could become double, triple, quadruple, or even centuple (100 times) by the time its shell is broken and its content is transformed to other valuable products.



As an example, a fried bull's-eye egg in a typical school canteen in Malaysia would cost about RM 1.00. The fresh egg costs about RM 0.30 per piece. Say the cost of frying, labor, rental, tax, and others may cost another RM 0.20. Hence, the total production cost to fry an egg is about RM 0.50. The return on investment (ROI) for this simple example is 100%, or, in simpler words, the egg has doubled its value.

Now, imagine the numerous delicious foods that could come from an egg. Omelets, egg tart, ice cream, and cheesecake are examples of food that increase the value of an egg in that order.

You might notice that there are few core principles that emerge in producing those high value-added and delicious foods.

The *first principle* is that the shell of the egg has to be broken! If it is not, those foods are not going to be in existence at all to fill up your hungry tummy. Also, unbroken eggs that lay on the kitchen shelf for a long time would eventually become rotten. Rotten eggs give negative value.

The *second principle* is that the egg has to undergo a transformation process. The gel-like egg yolk and transparent white egg have to be physically transformed into a solid yellowish and fluffy scrambled egg or that creamy cheesecake. From a chemistry point of view, the short protein chains of the raw egg have been polymerized into longer chains of polymer that give rise to the harder physical properties.

For that transformation to happen, some effort is required to effect the transformation process. The eggshell has to be broken by a force. Heat has to be applied to the egg to transform the physical, chemical, and biological natures of the egg.

The force to break the shell could be from outside or within the shell. The former requires an external force to be applied. For example, a cook may use a gentle force to just break open the shell and let its content glides out of the shell. The cook will apply the right amount of heat to transform the liquid egg into a delicious food to serve his/her customers. Obviously, this cook has created a positive value creation to the egg.

If the egg were to be hatched, the mother hen has to incubate the egg by sitting on the egg to provide the required appropriate temperature and humidity for the liquid egg yolk to be transformed biologically into a living chick. On a modern farm, the hatching is done in a controlled hatching room. Once the time has arrived, the cute chick inside the shell will use its own beak to peck at the shell to break it and emerge into the new world. What would be the ROI from an egg that becomes a new chick? I would say it is so big a number that it may go to infinity!

The *third principle* is that the degree of value creation depends on the intention or mission of the person who does the transformation. A cook that fried the egg for the school canteen may create an ROI of 100%, whereas if he fried the same egg to serve a client in a five-star hotel, the ROI may go over 300%!

A farmer that intends to hatch the egg to a new chick has to invest in providing the right eco-system for the incubation process. He knows very well that his investment delivers him an ROI of infinity!

On the other hand, an angry protestor may throw the egg by force to his/her targeted enemy. Due to this high force, the eggshell is crushed and its content is splashed on the face of his/her nemesis. The crushed egg obviously has yielded a negative value creation.

I called the above three principles “the principles of transformational value creation”.

Differences between Change and Transformation

Many people are confused about the definitions of change and transformation; hence, they always use both terms interchangeably.

Change is defined by the Oxford English Dictionary as “make or become different”. Transformation, on the other hand, is defined by the same dictionary as “a marked change in form, nature or appearance”.

From the dictionary definition, it is then clear that “transformation” is a subset of “change”. Transformation should only be related to any “significant changes” that result in changes in form, nature, or appearance.

In the life cycle of a chicken, as shown in Figure 1-1, transformation happens when the egg becomes a chick. There are obvious significant changes in the form, nature and appearance between the egg and the chick. The liquid form of the egg content was transformed into a solid form of a chick. The inert nature of the egg content was transformed into a living chick. The oval shape of the egg content was transformed into bird-like shape of a chick.

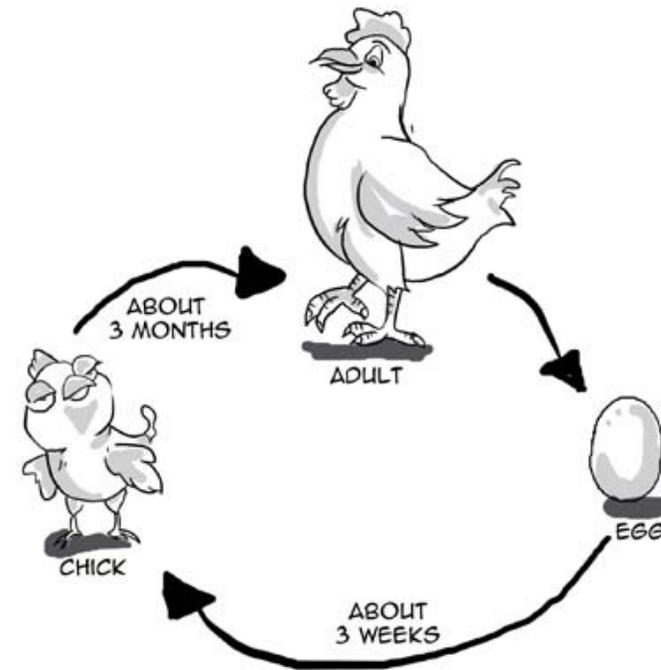


Figure 1-1: Life Cycle of a Chicken

Transformation also happens when the egg is fried, boiled, or becomes an ingredient for a cheesecake. The form, nature, and appearance of the raw egg are so significantly different to the end products.

Transformation in an organization may be a bit difficult to be observed, since the “marked change in the form, nature, or appearance” may be deceiving. An organization may change its form, nature, and appearance by changing its logo, corporate color, title of positions, structure, uniform, or working hours; moving to a new and futuristic building; or even changing its businesses—but the

inner working processes and mindset of the staff are still pegged at the status quo. Since the human capital is the one that produces results, having the same mindset ensures more or less the same outputs and outcomes.

Indicators for Transformation in Organization

Hence, we need indicators that could be used to categorize whether a change in an organization is transformational or otherwise.

Idris Jala, the CEO of PEMANDU of Malaysia, suggested that for a transformation to happen in any organization, “it must operate differently (the doing or action) and it becomes a totally different organization (the being or character).”¹

By taking the above example of an egg, breaking its shell is the first obvious visible action to be taken to start the transformational journey of the egg. The eggshell has been designed by its Creator

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to be the protective element that confines its content in its place, that is, to maintain its status quo. Once the eggshell is broken, the status quo immediately disappears and its content is ready for the transformational journey as intended by the cook.

This book suggests that the first indicator of a transformation is whether the entity has broken its pattern or not. According to Merriam-Webster dictionary, one of the definitions of pattern is “the regular and repeated way in which something happens or is done”.

In this book, pattern is defined as the status quo that maintains its form, nature, or appearance. Pattern is the way of doing things, the norms, the routines, the standard operating procedures, the policies, the rules and regulations, the structures, mindsets, skill sets, behaviors, and so on.

The current patterns in the organization have been producing the current level of performance, outcomes, and outputs. The only way forward to produce significant value creation is obviously by breaking those inherited old patterns and starting carefully chosen new patterns—hence the title of this book, *Break the Pattern*.

A CEO that demands different results without breaking any patterns in the organization is an insane person. A popular quote defined insanity as “*doing the same thing over and over again and expecting different results*”.

The second indicator that this book suggests is by measuring the ROI of its value creation outcome, based on the patterns that have been broken. Taking the egg transformation described above, the ROI of any change that is worthy of transformational label should be greater than 100%.

Let us test these indicators with this simple question: When the chick grows to become a hen or a rooster, do you call it a change or a transformation? To answer this question, here are two basic questions that you can ask yourself:

Has the new entity broken its old pattern?

Does the change involve marked changes in form, nature, or appearance?

Does the new entity operate differently?

Does the new entity become a totally different entity?

Is the ROI greater than 100%?

If the answer to either of the two questions is no, then the change is not a transformational change. In the quality management circle, this change is called a mere “improvement”.

Subjecting the above example (chick to rooster) to these criteria, both give negative responses:

The old pattern is not broken. There are no significant changes in form, nature, or appearance from chick to hen or rooster. The chick and the hen go about their daily lives similarly. Although the chick has grown its size and weight to become a bigger hen or rooster, both maintain their basic form, nature, and appearance.

The ROI is also very much less than 100% since the cost of rearing chick is expensive!

If you are the Chairman of the Board or the Managing Director or Chief Executive Officer of a corporation or Head of a government department, I guarantee that by asking these two simple questions, your top management team would start scratching their heads to look for creative and innovative ideas!

This book is intended to guide you through the application of *Break the Pattern* for your organization.

