

# Getting to the root of transformation

How IMD's Pathfinder<sup>i</sup> program charted a new course for Straumann Group

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When six teams of employees at Straumann Group, a global leader in tooth replacement and orthodontics, sat down in January 2021 to discuss the results of a four-month long exercise to find out what lessons they could learn from other businesses, it was one of those pivotal moments in a company's existence.

Amélie Chauvel, one of the program team leaders, who also heads the Basel-based group's strategic planning and innovation portfolio, recalls being in a virtual meeting with colleagues from Brazil, Japan, Singapore, the U.S., Switzerland and Germany, pooling insights gathered from a series of fact-finding calls with more than 60 companies from all over the world and across a range of sectors. These insights were later shared with the executive team.

The aim of the session and others like it had been to get participants out of their day-to-day job mindsets and find out, through a series of "learning conversations", how other leading companies tackle specific challenges, and to learn what Straumann could be doing differently to equip the company for the next five years of growth. Ultimately, the aim was to equip the company with the means to stay ahead of trends and influence the oral healthcare industry from a position of strength.

With more than 8,000 employees worldwide, the group develops, manufactures and supplies dental implants, instruments, biomaterials, CAD/CAM prosthetics, digital equipment, software, and clear aligners. It is the world number one in dental implants, with a 25 % market share.

The exercise was a key element in a program that Straumann was engaged in with IMD, the Lausanne-based business school, known as Pathfinder. This is an approach to generating an acceleration of growth while exploring and shaping options for the future that empowers the organization's own people and talent to remove barriers and identify opportunities for that growth.

The conversations with external companies are driven by the idea that learning "from the outside, in" — that is, from companies in different sectors and geographies — can be a valuable way to generate fresh thinking in the formulation and creation of a new or evolved vision and strategy.

Chauvel says that after multiple conversations with the companies, which included global leaders in consumer goods, medical devices, pharmaceuticals and technology, it became clear that Straumann needed to move closer to the consumer.

Many companies said they had changed their approach to their markets as a result of Covid-19. They also noted that consumers increasingly had been accessing products and services online, and the pandemic was accelerating the trend significantly. Notably, that included how people were accessing healthcare services online. Indeed, of consumers who were forced to cancel in-person medical appointments during lockdowns, 44 % accessed telehealth options instead, according to McKinsey<sup>ii</sup>.

"One of the things that we realized is that consumers are changing in terms of behavior and consumption patterns, so we have to be really alert to meet their needs. So, it was no longer about just providing products — like our dental implants — or training and education. It was about having this obsession with the consumer," Chauvel explains.

One of the companies that Straumann team members and executives learned from had embraced digitalization across its global operations, which resonated strongly with team members.

Chauvel says: “There were moments that came through clearly for us and led us to ask: how can we be even more customer obsessed in everything we do?”

This insight emerged from the exploration by all six teams and led to the biggest impact that emerged from the Pathfinder journey: the creation of a new strategy for Straumann, long known chiefly for dental implants and CAD/CAM prosthetics under brands including Neodent, Anthogyr, ClearCorrect, Medentika, Dental Wings, and Straumann, a premium dental implant brand that shares the company’s name. The strategy recognizes that the oral healthcare industry had been slow to adapt to new digital norms, and that technology-enabled solutions allow more value added to the existing customers – the dental professionals – but also a more direct relationship with the patient who is the ultimate healthcare consumer.

As Matthias Schupp, Executive Vice President, Latin America, at the company, puts it: “In the past we referred to patients, but they are actually health consumers. We have to focus on the health consumer. This journey [with IMD] helped us also to understand much more about their future expectations.”

While the strategy is still being rolled out, there is already evidence since the Pathfinder program ended in May 2021, of the group pivoting the business towards activities that connect the company’s products and services directly with the consumer. For example, on top of acquiring Berlin-based orthodontic treatment business DrSmile in 2020, the company recently acquired Smilink, a Brazilian orthodontic business that combines direct-to-consumer marketing expertise with doctor-led treatment, complementing Straumann’s existing business in clear aligners, which are used to straighten teeth.

## The need for change

To outside observers, it probably would not have been obvious that Straumann might want a change in the way it approached the market. Usually, business transformations come about after a period of decline that needs reversed, or realization that the business is on an unsustainable “burning platform”.

Not so, in Straumann’s case. At the beginning of 2020, the business was performing well, illustrated by solid full-year results that had just been reported. In 2019, net profit rose to CHF 308 million, up 11 % from a year earlier, on a 17 % increase in revenue to CHF 1.6 billion, driven by double-digit increases in all regions.

In fact, group revenue had also been growing by double digits, for five consecutive years, driven largely by international expansion and entering new market segments. Asia-Pacific was seeing the highest growth, having exceeded 20 % annually for a third consecutive year.

Yet, as Guillaume Daniellot realized when he took the reins as chief executive in January 2020, the external environment was already starting to change, even before Covid-19 had fully emerged as a threat. Digital transformation was moving into the mainstream, the rise of the oral health consumer was a discernable trend, and competitors from non-traditional fields – such as retail and tech – were entering the attractive oral healthcare sector.

Working with the board, Daniellot determined that the company needed to find a way to grow more ambitiously, setting a goal of becoming an organization generating CHF 5 billion annually in 8-10 years. “This means that what led us here, will not lead us there,” he told employees at the time. “We need to review where we are today and explore different ways to shape our future.”

Daniellot explains that there was a need to create a second period of growth to follow the strong years that the group had experienced between 2014 and 2019. “This meant making sure we could adapt

the vision of the organization for what's coming, what's in front of us, trying to understand the trends that are changing our environment, and how we can continue to thrive in that environment.”

This meant also realizing that the business was changing. For Straumann, the customer used to be just the dentist, but now, the practice of dentistry was changing, for two reasons. One, the customers - dental practices - were consolidating. And two, the consumers themselves were changing the way they thought about dental care. Instead of going to a dentist and getting treatment, they were thinking in advance about their oral health and engaging online to learn about prevention.

Straumann then partnered with IMD in February 2020, to engage the organization and leadership team to gain a deeper understanding of the current state of the business, explore themes that would be critical for the company's future, learn from other companies, and shape the company's future.

## Starting the Pathfinder journey

As an independent academic institution with deep roots in the business world, IMD was engaged on the basis of its experience in supporting business leaders and companies address their most pressing questions by guiding them through a development journey, rather than providing solutions in the way an external consultant might, after a few weeks on the business premises.

“We continuously find that the best ideas come from inside the organization, not from consultants' frameworks,” says Tom Malnight, Academic Director, Business Transformation Initiative, at IMD Pathfinder. “There are always passionate people with a strong desire to contribute to shaping the future of the company. We give them the opportunity, space and time to explore and learn, and to challenge their leaders to build a shared and aligned roadmap for the future.”

The Pathfinder approach has been developed over years of supporting CEOs and their teams in developing and shaping strategies. It consists of four distinct stages, forming the basis of the journey experienced by Straumann leadership and team members from the start of the program in early 2020 to May 2021. The program lasted six months longer than usual due to the pandemic, with many in-person sessions done remotely as a result.

The first “diagnostic” stage allows leadership to listen to and engage with the organization. In Straumann's case this was done through 32 one-on-one interviews with the executive team and other senior leaders, followed by eight “listening workshops”, each with over 20 people invited to share their perspectives and aspirations for the future. IMD then analyzed the insights and data gathered.

Applying both academic and practitioner lenses, the insights and emerging themes were then clustered in physical and virtual “war rooms” for further refinement. A report was produced, presenting the current state of the business, as perceived by the organization.

Daniellot says this stage of the process was helpful in challenging the thinking of the leadership team as they prepared a “strengths, weaknesses, opportunities, and threats” (SWOT) analysis that rounded off this first stage. It became the foundation for the whole strategy review journey that followed.

“The fact that it was IMD guiding those interviews, making it neutral, allowing people to be much more open to give their view of what was working and what wasn't, was really enlightening for us. It made us face our own responsibilities to be ready to listen to the feedback of the organization,” he says.

“It also helped us be really clear about which key success factors we'd need for the next five to eight years, as well as what major areas we needed to focus on.

Some were not a big surprise to me, but others were. I'll give you one example. It was the importance of becoming a learning organization to face the changes around us. That was not something I would have selected at the beginning and it was critical for how we defined our future later on."

## **"You're fired"**

A second phase, known as divergence, was where the fun started. Six teams were formed, each tasked with exploring a theme that had been chosen by the executive team after further workshops — with each theme considered critical for the company's future. Three of these teams covered themes that related in some way to the existing business and the rest related to potential new areas of exploration.

Each team was made up of five to six Straumann employees and a team lead, "sponsored" and guided by two executives, and one IMD faculty professor. Sponsors were made up of Straumann's whole executive team, consisting of up to 13 people, and later were responsible for drawing up the strategy.

Before a power point could be created or a pen lifted, the teams were told they should consider themselves "fired" from the company. This was designed to create a sense of being removed from the "Straumann mindset", reinforced by a team-building exercise that took place in between lockdowns in a Swiss vineyard, including opportunities to learn about the wine business.

After learning more about their themes through webinars with their assigned IMD faculty and through literature review, the six teams then started the "learning conversations" with companies around the world, in which Chauvel and her colleagues were participants. Suzanne Lee, Global Head, Learning & Organizational Development at Straumann, was struck by the difference in approach to more traditional learning approaches. "While it was a lot of additional work researching the companies, getting the contacts, as soon as each person was in their very first conversation, there was no question that this was fundamentally different and made such a big difference."

"The huge difference in this journey, compared with other projects where you do desk research, read different websites and so forth, is actually going out and talking to some of the people in these different companies and different domains, and it was hugely energizing," she says.

The learning conversations provided space to think and get inspired, according to Andreas Pratschke, Global Head of Customer Success and Development. "This really inspired us to think boldly and to look into other industries," he says. "We looked into healthcare sectors that were a long way from dentistry, were maybe more mature in terms of lifecycle and we looked at disruptive business models. That really helped because it made you think and it helped the team to shape certain ideas. So that was fantastic."

The process had unexpected personal development benefits, too, as Patrick Loh, sponsor of one of the teams, and Executive Vice President, Asia-Pacific, explains: "The external experts were very successful executives, pretty well known in their own industries, and they were very willing to share the recipes of both successes and failures, with a lot of humility in it. That was an 'aha' moment for me professionally and personally," says Loh.

Straumann also set up an internal crowdsourcing event to engage the wider organization and empower people to contribute to the process. This attracted the participation of 30 % of the global workforce to a website set up for the purpose. This harvested more than 1,300 ideas in three weeks, creating a real buzz.

## **Converging on a plan**

Four months later, "rehired" back into Straumann, the teams met again to share with the leadership team how they had applied outside-in thinking to develop their own aspirations for each theme. This stage was

known as convergence. Teams were asked to describe what their environment would look like in 2030, who the company's customers would be, who the competitors would be, how this would play into a healthcare ecosystem at that point — and, crucially, what value proposition the company could develop as a result, each in the context of their teams' themes.

This was the toughest part of the program, with tensions emerging in the teams as ideas were debated and tested. "That was actually one of the most challenging parts of the program," recalls Daniellot. "It was a moment of struggle, where the teams had to put a lot of effort into this, in terms of not being too small in their thinking, but also being able to come up with a pragmatic roadmap."

Pratschke says: "There were challenges in finding the focus, because there were so many ideas. But working together as a team finally we came up with something: one member of the team had seen a pattern that was already happening in some business models in our industry. We had actually seen this in some of our interviews but never really paid attention to it. But a light bulb went on and we realized that this was a key takeaway. That was a great moment for the whole team."

Separately, Lee recalls the struggle mentioned by Daniellot, saying that the tension involved was in fact a valuable thing. "When things are uncomfortable, we are possibly at a place where we're going to make a breakthrough. So the key takeaway for me was: stick with it, give it a try, push through."

In the final "acceleration" stage, the executive team met over an intense three-day workshop to discuss what the convergence stage had produced, and to pull it all together into one collective view of the future environment, what it would mean for the company and therefore what the new strategy should look like.

At the end of this, the executive team had not only come to a shared view of the strategy, but also realized that they had become a more unified executive team through the process, with a shared vision and grasp of the strategic agenda. This was a big milestone, given that almost half of the team was new, and until this workshop, they had not had a chance to meet in person due to pandemic restrictions.

"This was when the magic happened," says Schupp, another sponsor, of this part of the Pathfinder journey. "At the beginning of the workshop, having read the 'pre-reads' for six different teams, I didn't know how we were going to put them together and create a coherent strategy.

"But the way IMD guided us, coaching, stretching thinking and stepping back, then helping us make sense of things, was impressive. Not only did we finalize things, with us having one point of view on the strategy, but we also built ourselves a united team with a clear vision and strategic direction," he explains.

As a final step, the board of directors was invited to take part in a two-day session in which the teams shared their conclusions from the "outside-in" exercise with external companies, and presented a suggested roadmap for each of their themes. The executive team then engaged with the Board, delivering a presentation and holding a workshop with directors and the Chairman. The result was Board approval for a new strategy.

Gilbert Achermann, Chairman, admits that initially there was scepticism from some board members, who wondered if the new strategy implied moving away from Straumann's core business over the previous 20 years. "There was some questioning around 'are we all of a sudden becoming a tech company? Do we really want this?' but as we debated and discussed it together, it became clear that it was not a change of direction, it was actually building on something already established and adjusting it to new patterns of consumer behavior and consumer expectation. And once that was understood by everybody, I think everybody embraced it."

## Strategic impact

Straumann is now implementing its new strategy as a result of the Pathfinder journey and is doing so from a position of increasing strength.

“I think there is a clear understanding that we have to do major shifts now as an organization,” says Daniellot. “When we look at who we are today and who we want to become tomorrow as an organization, there are three major shifts that we need to be making.”

“The first is to move from being product-focused to really be customer centric, using digitalization and communication platforms. The second is that in order to enable this, we need to accelerate our digital transformation, digitizing all our processes. And the last shift is moving away from a single business model that focuses on ‘us directly to the clinician’, to models that include multiple go-to-market approaches, addressing multiple customer groups, and activities which will change the structure of how we are doing business in the organization.”

Straumann’s latest [quarterly earnings](#), in October 2021, showed not only that the business was performing well, but there was also signs that digital transformation and the new “direct-to-consumer” approach is taking shape.

The company announced that it will invest around CHF 18 million in a new technology and innovation center near its headquarters in Basel, to support its growth strategy and ensure short time-to-market for new innovations and “fast responses to changing customer needs”.

More recently, the outlines of the new strategy were unveiled at a [Capital Markets Day](#) in mid-December, where the new, evolved purpose, vision, mission and strategy were presented.

## Three final takeaways

When any company goes through a strategy review, the result is often felt at the level of leadership which is likely to have done most of the work involved. But the Pathfinder journey is notable for how it has an effect on the whole organization, through its empowerment of the people across the business, in an iterative process involving clearly defined stages, with outputs that lead to real and lasting impact. In fact, the importance of engaging the organization internally was one of the key takeaways for Straumann’s leadership and board from Pathfinder.

“It’s a very different approach. If I hire a strategy consultant, it’s an outside in exercise, I call this an ‘inside out’ exercise,” says Achermann. “I really believe that you have smart people in any organization and they probably know best what works, what’s not working, and what is needed. And to tap into that pool of intelligence and know-how is obviously a smart thing to do.”

He adds that there is also an important generational consideration here. “In the next 10 years, the next generation of leaders and managers won’t be me. So, to involve them in creating that ambition, that aspiration and understanding of what is needed, I think that makes things a lot easier going forward.”

The second key takeaway was that tapping outside sources — companies, clients, other stakeholders — can be very valuable in developing a new strategy. The combination of internal smarts and external lessons — even from companies in unrelated sectors — is a powerful one.

“Getting this ‘outside-in’ perspective, not from consultants, but from people who are in more mature industries and who have learned what works, what doesn’t work, was invaluable,” says Achermann.

He says that some of the ideas that team members came up with were sometimes “totally out of the box — and maybe too far out of the box”, but that this didn’t matter, “as we all learned from it and it helped the management team to understand and shape what the next chapter of the Straumann journey would look like.”

Daniellot explains that the “outside-in” idea was so compelling that the company has since adopted it as standard practice when there are new ideas or challenges to assess. “This was definitely one of the highlights of the strategic process,” he says.

Third, the process helped to build a lasting culture within the leadership of knowing how to develop, “own” and carry forward a shared strategic vision for the company. It also had a significant effect on employee teams, highlighting how diversity of team composition and thought led to real results.

“Going through the process helped all of us to become clearer about what our aspiration could be, what themes we needed to work on, how much of this was related to our core and how much of it was new, what was needed to make it happen, and how we should make sure to maintain the innovation and the investment needed while financing everything else.”

“At the board level, we don’t debate how can we influence the share price for the next quarter. What we talk about is how can we create impact as an organization and stay relevant. And Pathfinder has helped with that.”

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i IMD is the owner of the registered trademark “IMD Pathfinder®”

ii <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/meet-the-next-normal-consumer>