

Monitor  
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**Monitor Deloitte's 2022  
Chief Transformation Officer Study —**  
Designing Successful Transformations

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# What is transformation?

“Twenty-first century enterprises will rise and fall depending on their ability and willingness to transform continuously and advantageously in the face of change and disruption.”

— The Exponential Enterprise Report,  
Monitor Deloitte, 2021

## What is transformation?

### Transformation leaders reveal what it takes to deliver timely and lasting results

#### What is transformation?

Disruptions like the ones we've seen over the past few years—including COVID-19, the "Great Resignation," supply chain challenges, among others—are emerging faster than ever before. Leading companies view such societal, economic, and technological disruptions as an opportunity to transform themselves via supercharging innovation, accelerating growth, or radically simplifying operations. However, the increased frequency, uncertainty, and potential impact of such disruptions have also forced organizations to re-imagine the nature of transformation. Transformation is no longer a discrete response to individual events but an

enterprise capability —engrained in the DNA of every organization—to enable continuous and effective change. Successful organizations recognize the need for an "always-on" transformation capability, and today, dedicated transformation leaders (e.g., Chief Transformation Officer, VP of Transformation) with a persistent Transformation Management Office (TMO) have become increasingly commonplace in these organizations.

We have studied and [written extensively](#) about the benefits and characteristics of an "always-on" transformation capability. This capability is not innate to organizations but developed - one transformation

program at a time. Monitor Deloitte's 2022 Chief Transformation Officer (CTrO) study, which shares insights from more than 300 transformation executives across various industries uncovers what it takes to design transformation programs effectively. Respondents have extensive transformation experience, with over 75% of the group overseeing three or more enterprise transformation programs. Seventy-six percent of the group led transformations that achieved all their stated financial objectives. In this article, we lay out a comprehensive, empirical view of leading practices to maximize the probability of success of a transformation program, and consequently, to develop and strengthen the transformation capability.



What are companies transforming?



## What are companies transforming?

Transformation programs are bold, aspirational, and can significantly alter the trajectory of a business. They require the orchestration across multiple functions, and often, the entire enterprise. Further, enterprise transformations demand a convergence across strategy, talent, processes, operations, and technology. These attributes make such programs hard to design, launch, and manage without the right capability. Given that a transformation program is a stepping-stone to a robust transformation capability—which enables a sustainable competitive advantage—it is crucial that organizations learn how to deliver such programs successfully, despite their complexity.

### What are companies transforming?

Transformation is the process of companies adapting to changes in the business environment as a result of disruption.<sup>1</sup> A holistic response requires adaptation across multiple dimensions of strategy, talent, operations, technology, etc. Respondents cited multiple dimensions within their transformation scope:



**Corporate and competitive strategy**



**Business model innovation**



**Enterprise operating model**



**Tech modernization**



**Next-gen technology**



**AI and data**



**Process optimization/automation**



**Talent**



**Org design**



**Channel enablement**



**Customer experience**



**Margin improvement**



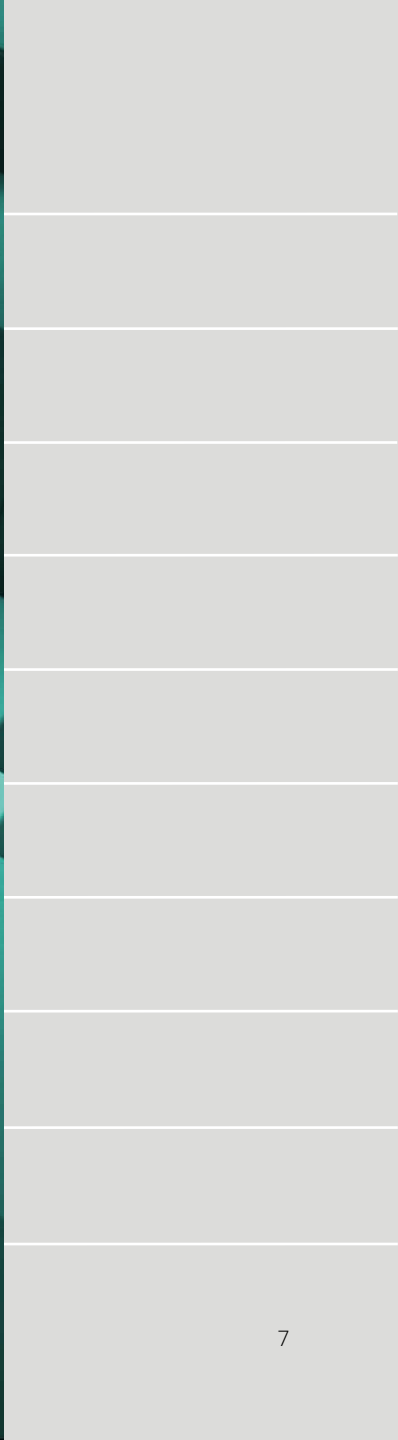
**Cost reduction**



**Sustainability**

<sup>1</sup> Gerald C. Kane et al. *The Transformation Myth: Leading Your Organization through Uncertain Times* (Boston: MIT Press, 2021).

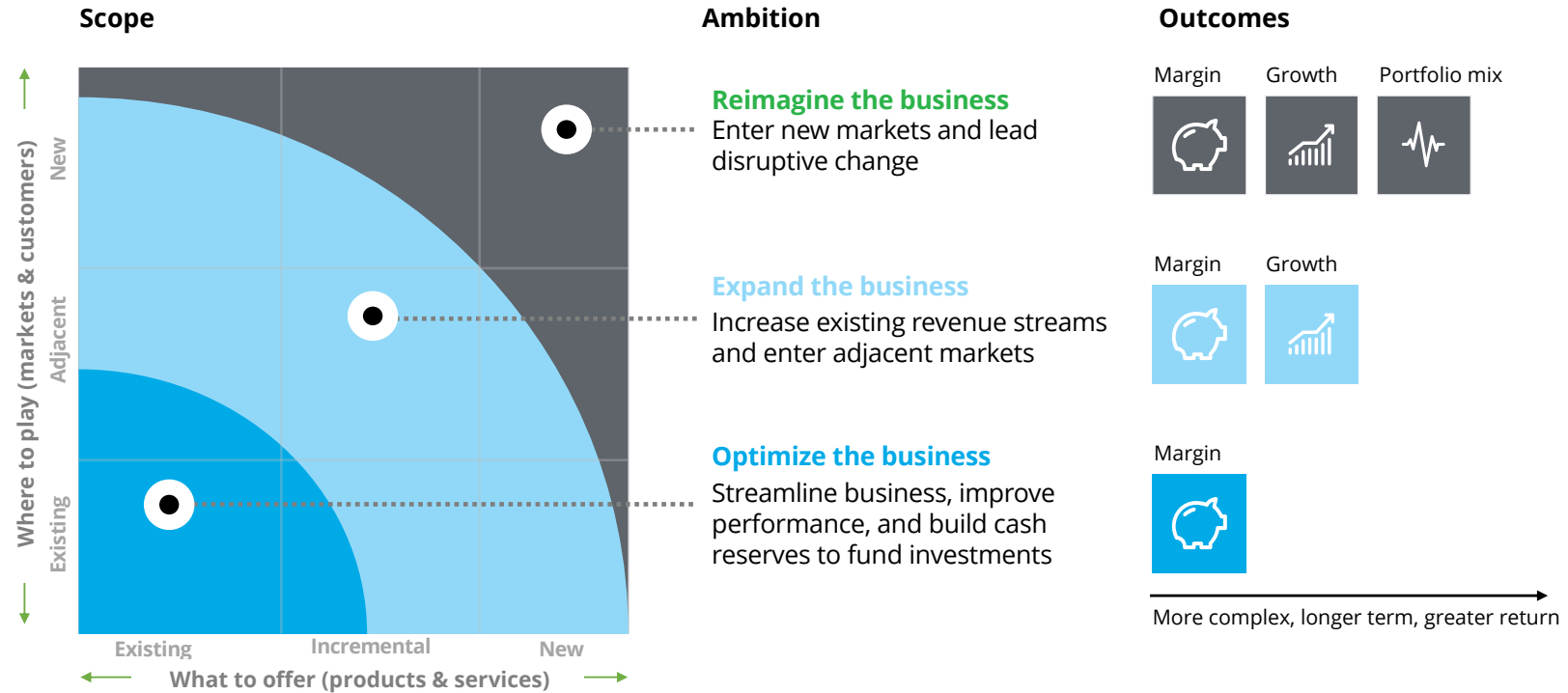
Why do companies transform?



## Why do companies transform?

Given the tectonic shifts in social, economic, and environmental conditions, enterprises must develop a clear response. Transformation is the process adapting to changes in the business environment as a result of these disruption. Our findings reveal three primary transformation ambitions or overarching goals. First, *Optimize* the business, including streamlining operations, improving performance, and building cash reserves to fund investments. Second, *Expand* the business, including increasing existing revenue streams and entering adjacent markets. And third, *Re-imagine* the business, including entering new markets and leading disruptive change. Organizations have the flexibility to pursue one, or all, of these ambitions at any point in their transformation journey.

Figure 1. Types of transformation ambitions

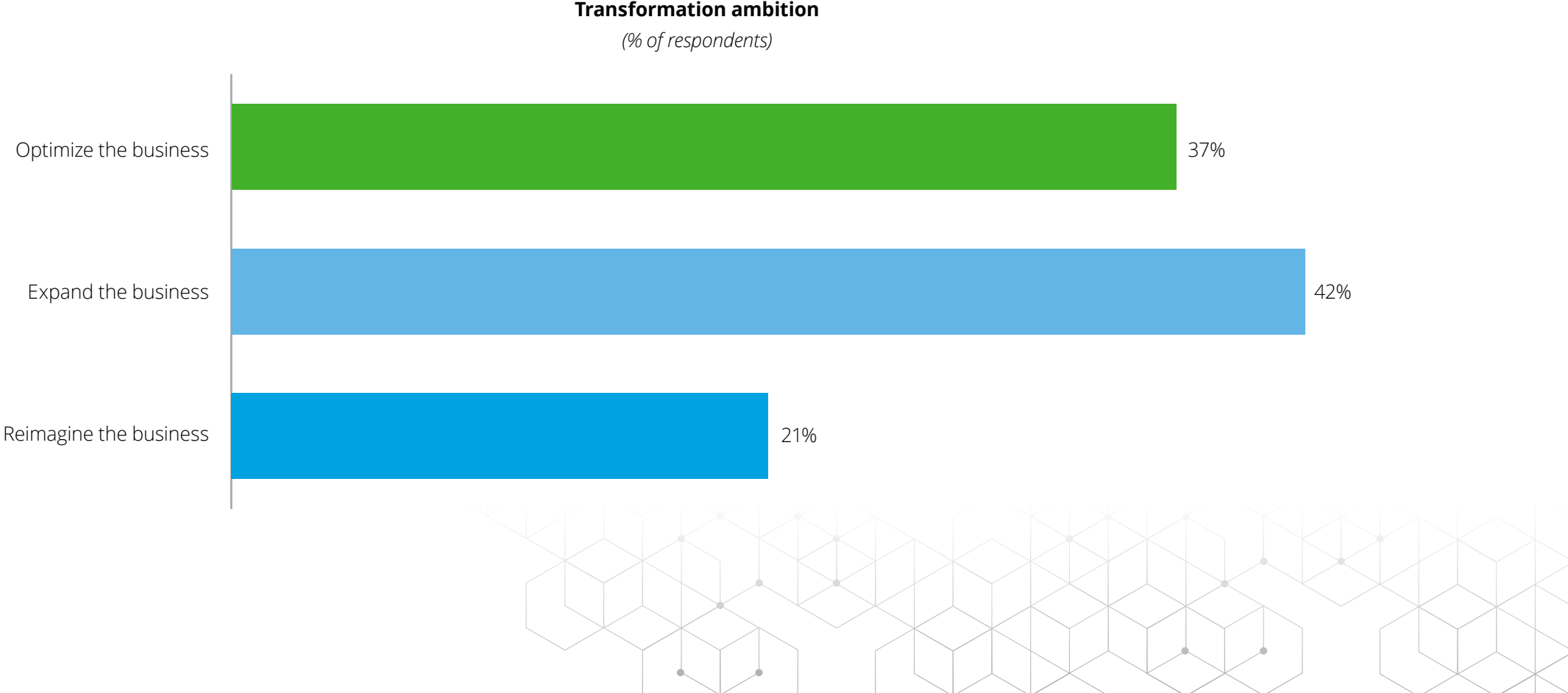




# Why do companies transform?

Our findings show that the most common ambition was expanding the business, such as entering adjacent markets or launching new business models (e.g., anything-as-a-service). This was followed by optimizing the business and “keeping pace” with the competition by improving operations and digitizing. Re-imagining the business, such as going after an entirely new customer or market-segment came in third.

Figure 2. Why do companies transform?



When do companies transform?

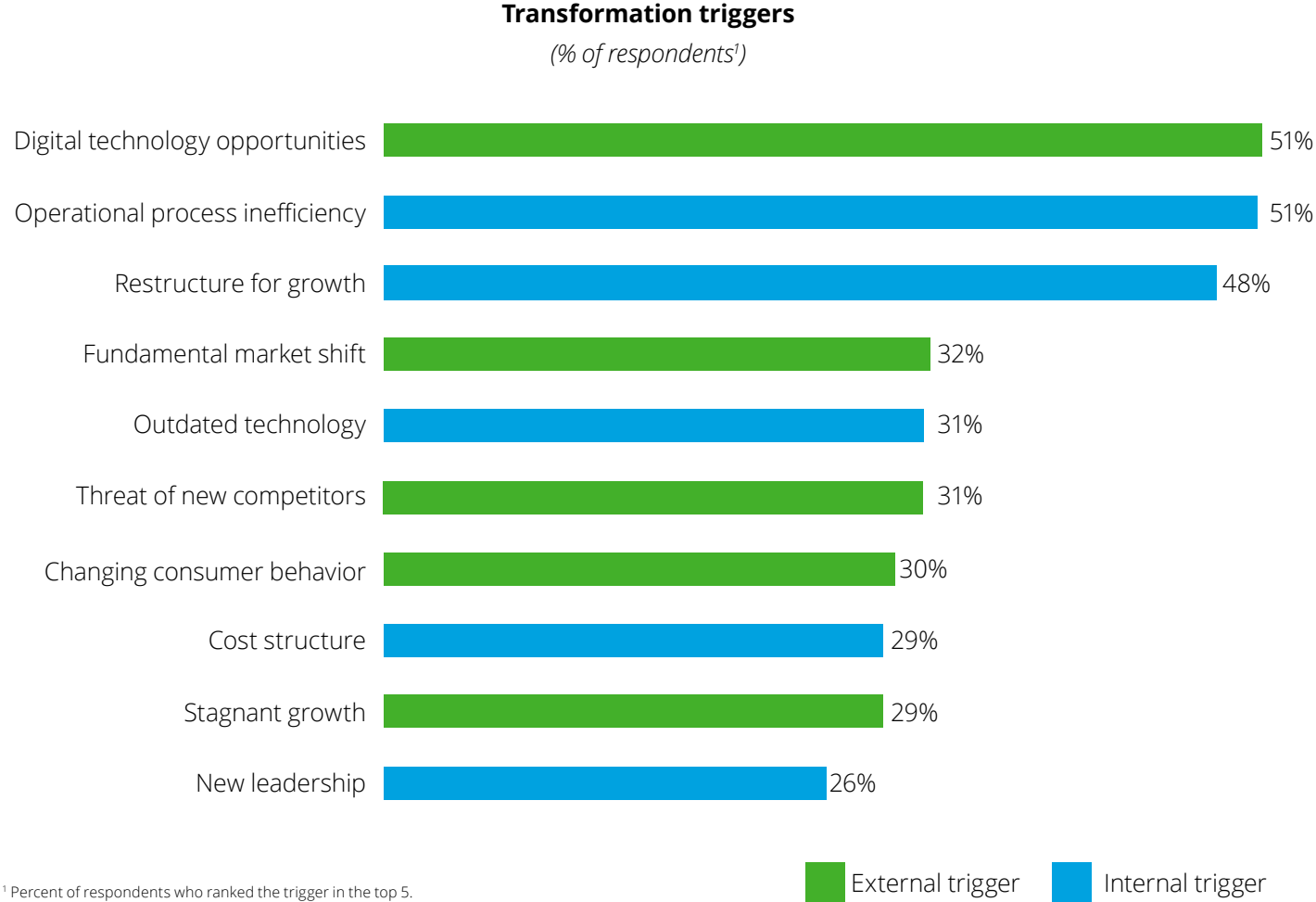


# When do companies transform?

Beyond the ambition itself, there is no singular driver for transformation. In today's world of constant change, a range of external and internal forces trigger the need for transformation. Many organizations have developed the capability to sense and respond to these forces—through a corporate strategy function, regular engagement with partners and customers, and external advisers—to transform to respond proactively.

Nevertheless, transformation executives did cite specific catalysts more frequently than others. The top three catalysts were digital technology opportunities (51%), operational inefficiency (51%), and restructuring for growth (48%).

Figure 3. When do companies transform?



Which factors predict success?



## Which factors predict success?

While each transformation program is unique, “success” may be defined as meeting or exceeding the stated financial and non-financial transformation goals. Even though successful transformations share several commonalities, our findings indicate that three attributes serve as the best predictors of success, regardless of transformation ambition or trigger:

### 1. C-suite engagement

The C-suite’s ability to set realistic expectations and incentives, designate the right people to the job, and establish a compelling transformation narrative.

### 2. CTrO dedication

The time dedication and cross-functional agility of the transformation executive.

### 3. Financial investment

Sufficient and appropriately distributed investment.

### 1. C-suite engagement

Transformations require a commitment from the top levels of the organization. In fact, our study finds C-suite buy-in is one of the most accurate predictors of transformation success. However, the concept of “buy-in” can be elusive to define. According to respondents, C-suite buy-in includes setting clear expectations around timing and impact realization, committing meaningful executive time, and articulating and disseminating a “north star.”

#### *Setting clear expectations*

Nearly 50% of executives emphasize that a sufficient time horizon to show return on investment is a critical success factor, with the tone set at the top. They also acknowledge that there must be measurable short-term wins along the way to maintain momentum. Further, leaders do not expect transformation to drive immediate value; they recognize that longer timeframes are critical for success. Seventy-nine percent of executives report the program could take one to three years.

#### *Committing meaningful executive time*

Across successful transformations, executives meaningfully and consistently carve out their time to focus on the program. In our experience, executives spend an outsized proportion communicating a vision, engaging in working sessions with functional leaders to challenge the status quo, and rapidly resolving conflict across the organization. On average, executives who successfully realized their transformation ambition spent 18% of their time guiding and shaping the program.

#### *Articulating and disseminating a ‘north star’*

Effective transformations start with a shared understanding of the expected goals and outcomes. Thirty-eight percent of executives cite that a straightforward, compelling “north-star” narrative is critical to success. This “north-star,” linked to the broader strategic objectives of the organization, is essential to mobilize and engage the workforce—a challenge amplified by [human capital disruptions](#) such as attrition, shifting generational expectations, and remote work.

“If your CEO is not personally championing the transformation, then the program will always fail.”  
—CTrO of global media company

## Which factors predict success?

“Executive leadership must believe in the urgency of the change and the value of the work to be done. They must project confidence in the team to get that hard work done. They must make people feel like they are part of the solution, not part of the problem.”

–CTrO, global retailer

## Which factors predict success?

### 2. CTrO dedication

There is no replacement for having the *right leader* with the appropriate time and latitude to spearhead the transformation. We found that an empowered CTrO, who devotes time and energy to drive the transformation forward, is one of the leading predictors of transformation success. What's more, CTrO time dedication has an outsized impact compared to other financial investments.

For starters, we observe that a CTrO contributing an additional 15% of their time improved the probability of success by approximately 16%. In contrast, it would likely require organizations to increase the transformation budget by about 12% to achieve a commensurate enhancement in success rate. Clearly, then, time is more effective than money in this instance.

CTrOs, too, recognize the outsized importance of their time. We find that, on average, CTrOs dedicate roughly 50% of their week to a transformation; however, most believe that driving successful outcomes requires them to increase their commitment to at least 60% to 65%, something that the leadership team must agree on collectively.

“For a transformation program to be successful, the Chief Transformation Officer must be empowered to lead with a sufficient amount of latitude and dedication.”

—CTrO, industrial products company

# Which factors predict success?

## 3. Financial investment

Two questions consistently contemplated by CEOs and transformation executives are how much to spend and where to spend it. Investment allocation is critical and is often a complex process. While rapid decision-making about investments remains a capability that enterprises cite as an improvement opportunity, transformation executives shared lessons about which investments make transformations successful.

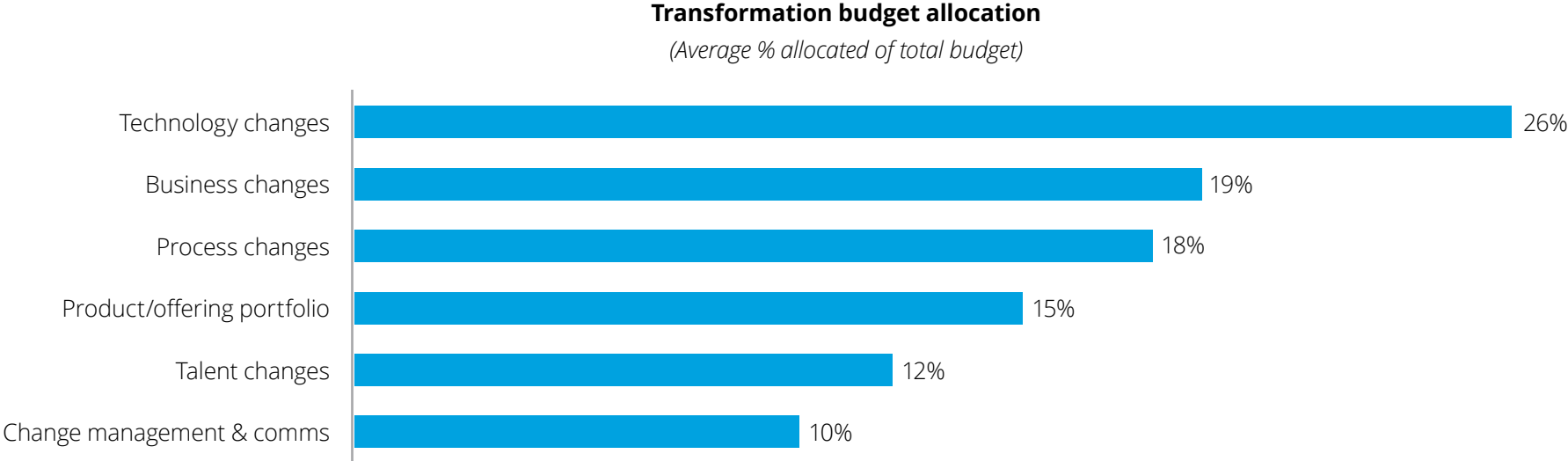
### *It takes money to make money*

The enterprise-wide and ambitious initiatives that constitute a transformation demand meaningful financial commitment. About half of survey respondents indicated that their organizations invest between 1% and 5% of annual revenue on transformation programs, and 22% of respondents indicated an investment of 6% to 10% of annual revenue. In hindsight, many suggested that their companies underinvested, meaning they would have achieved their goals sooner if they invested more or better prioritized their investments.

### *Right pocket, left pocket*

Allocating transformation investment optimally to balance short-term results with long-term growth is a challenge most CTrOs face. On average, we see that organizations invested the most significant portion of the transformation budget in technology (26%), followed by business changes (19%) and process changes (18%). Typically, the least amount of funding is directed to talent and change management (figure 4).

Figure 4. Transformation budget allocation



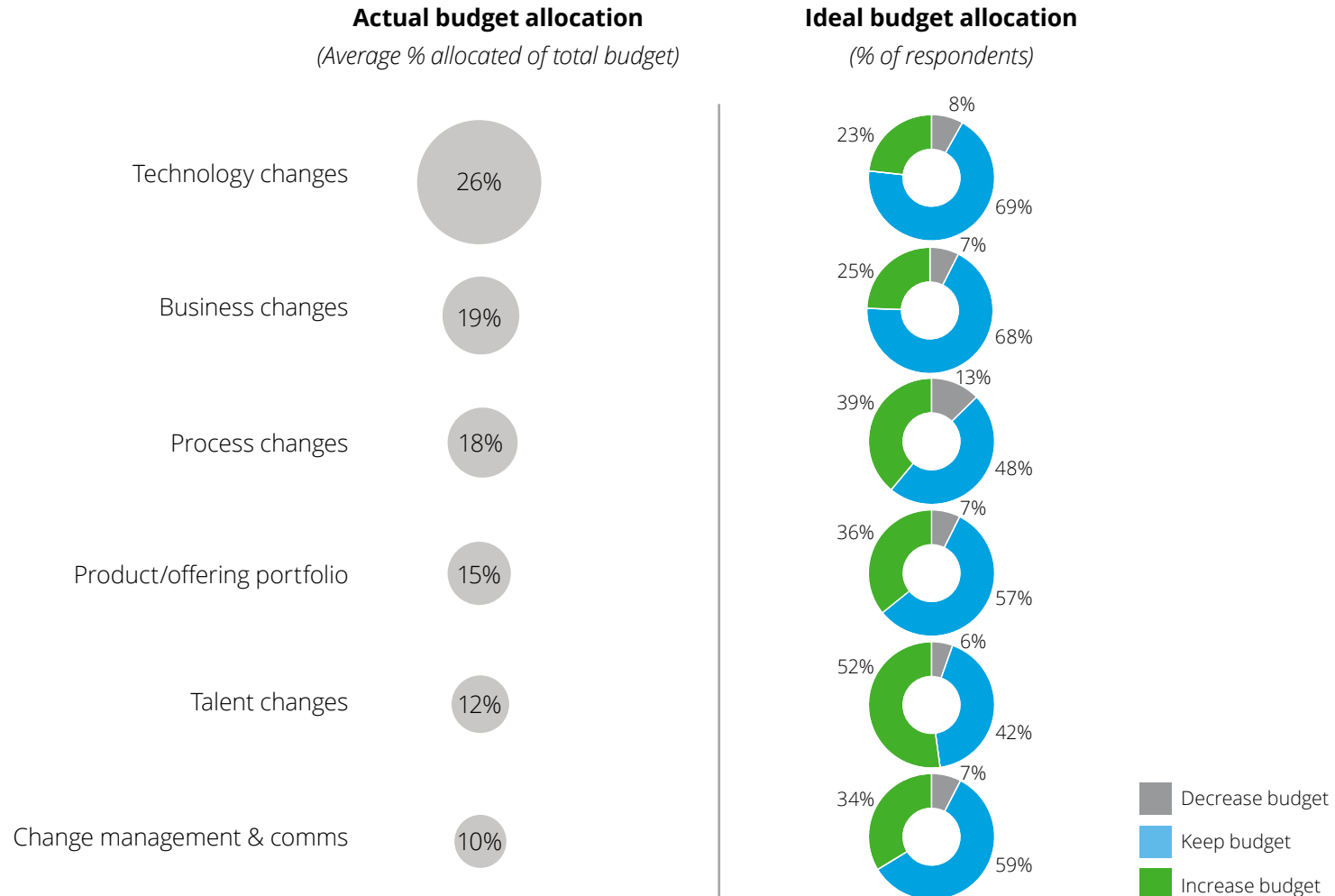


## Which factors predict success?

Ironically, transformation leaders consistently report underinvesting in talent, change management, and communications when reflecting on their investments. Fifty-two percent of respondents believe they underinvested in talent, and 34% believe they underinvested in change management and communications initiatives (figure 5). Our experiences confirm that executives typically under-resourced the ‘softer side’ of transformation programs, which often leads to downstream challenges with uptake, behavior change, confidence in the program, or clarity of vision.

“To support transformation success, you cannot ignore the meaningful investment required for change management, communication programs, and upskilling and reskilling talent”  
—CTrO, a health care services company

Figure 5. Transformation budget allocation



Who leads the transformation?

## Who leads the transformation?

The bold, aspirational nature of transformation requires big-picture thinking, while the operational nature of execution requires detail and structure. Therefore, the Chief Transformation Officer/Transformation Executive must play multiple roles, including:

- Strategist (big-picture architect)
- Operator (skilled general manager)
- Technologist (platform and tech architecture impacts)
- Controller (financial custodian)
- Change Champion (people-oriented, storyteller)

As displayed in figure 6, respondents spend most of their time in the Strategist persona (31%), followed by Change Champion (23%). However, these time allocations are not static—CTrOs step into and toggle between these roles. While the bias for one role over another may change periodically, leaders often take on each role at some point during the transformation. Ironically, when asked to provide “ideal” time allocations, CTrOs indicated a desire to spend even more time in the Strategist and Change Champion roles. In general, based on our experience designing transformation programs for global clients, “big thinkers” who are also “storytellers” are most likely to succeed in the role of a CTrO.

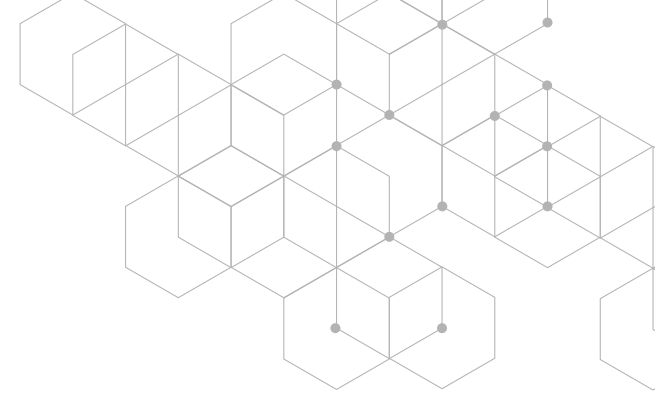
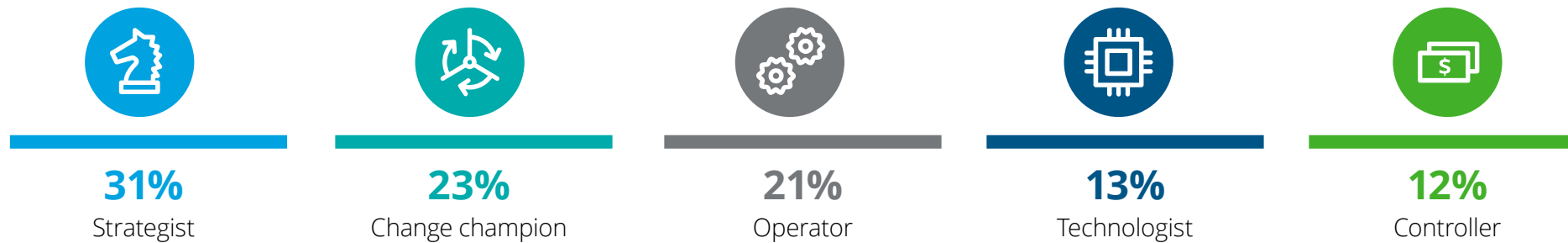


Figure 6. Time allocation of chief transformation officers/transformation executives (average % of time spent in each role)



## Who leads the transformation?

Sometimes, we find CTrOs taking on a sixth persona—the Politician—where time is consumed managing executives who are unwilling to change, breaking ties with other executives, and building presentations and content for an over-scheduled set of meetings. In our experience, taking on the Politician persona is an early indicator of transformation stagnation – often as a result of under-investment in change management and communications – and must be addressed quickly and decisively.

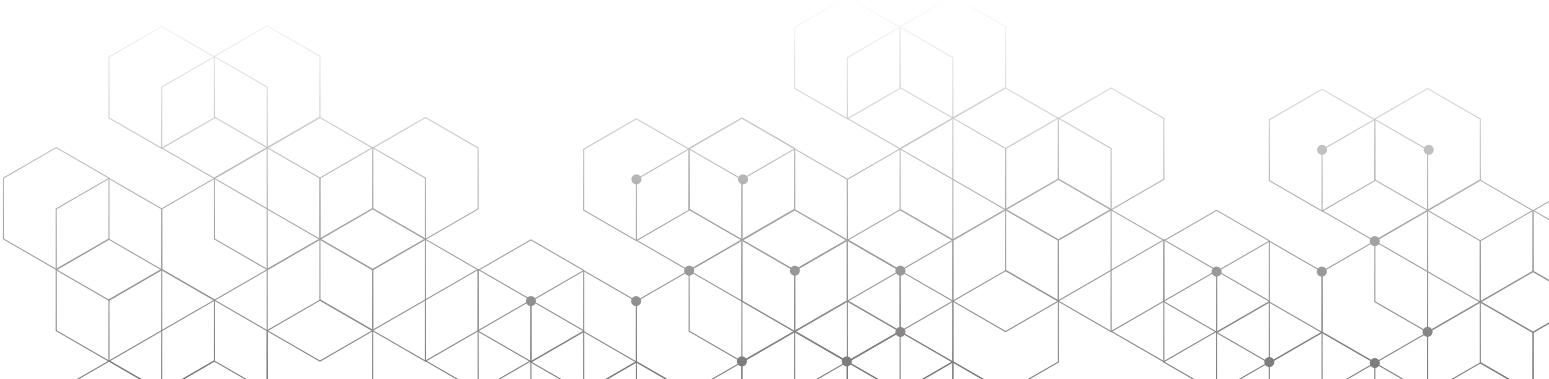
### Establishing networks and systemizing trust

A CTrO of a leading financial services company spoke about his first steps in the role after he was appointed the Chief Transformation Officer. “The key for me was first being clear on our program goals and then very quickly bringing everyone aboard the ship.” Within days of announcing the transformation, this CTrO convened senior leadership from around the globe. He knew it would be critical to assemble designates and deputies who serve as the “eyes and ears” across various functions and workstreams. The designates brought the long-established respect and organizational influence that the CTrO would need to succeed. “Since I didn’t have all the internal visibility or personal connections yet, I had to nominate my change champions. One of the first things I did was interview dozens of leaders and their reports to hand-select those who could help play various roles on my behalf and quickly earn the trust of the broader workforce.”

# Who leads the transformation?

There is no universal career path to success as a CTrO. The enterprise-wide nature of transformations requires cross-functional orchestration and collaboration (figure 7). Our findings indicate that the most common functional backgrounds among our respondents were information technology (IT) (25%), sales and marketing (23%), and general management (19%). This group was followed by finance (9%), product development (8%), and supply chain (6%). While functional knowledge doesn't determine success, we find that successful CTrOs have a range of experiences—the ability to adapt and be change-oriented and navigate multiple functions effectively—given the enterprise-wide scope of the work. These leaders are self-aware enough to know their limitations, convene the right people, and delegate effectively. Finally, CTrOs balance competing needs to deliver short-term wins while sustaining success over the long term.

Figure 7. Background of chief transformation officers



How do companies structure their transformations?





## How do companies structure their transformations?

“The most important thing we did to drive continual progress was establish a transparent and structured governance process at the onset. Establishing clear decision rights allowed us to ‘disagree and commit’ without revisiting a discussion and enabled our team to knock down roadblocks and focus on maintaining forward momentum.”

—CTrO, global consumer products group

While there is no one-size-fits-all structure for transformation, four elements are critical to successful execution: a centralized governance mechanism, a strong talent pool, subject-matter expertise, and a portfolio of metrics to measure success and progress.

### **Centralized governance mechanism**

Our study shows that successful transformations typically have an empowered transformation management

team that drives progress via a top-down governance model. Regardless of transformation scope, a centralized Transformation Management Office (TMO) or [Transformation Nerve Center \(TNC\)](#), with dedicated resources, is essential for meeting and exceeding transformation goals.

The TNC typically reports to the Chief Transformation Officer/Transformation Executive and serves as a “mission

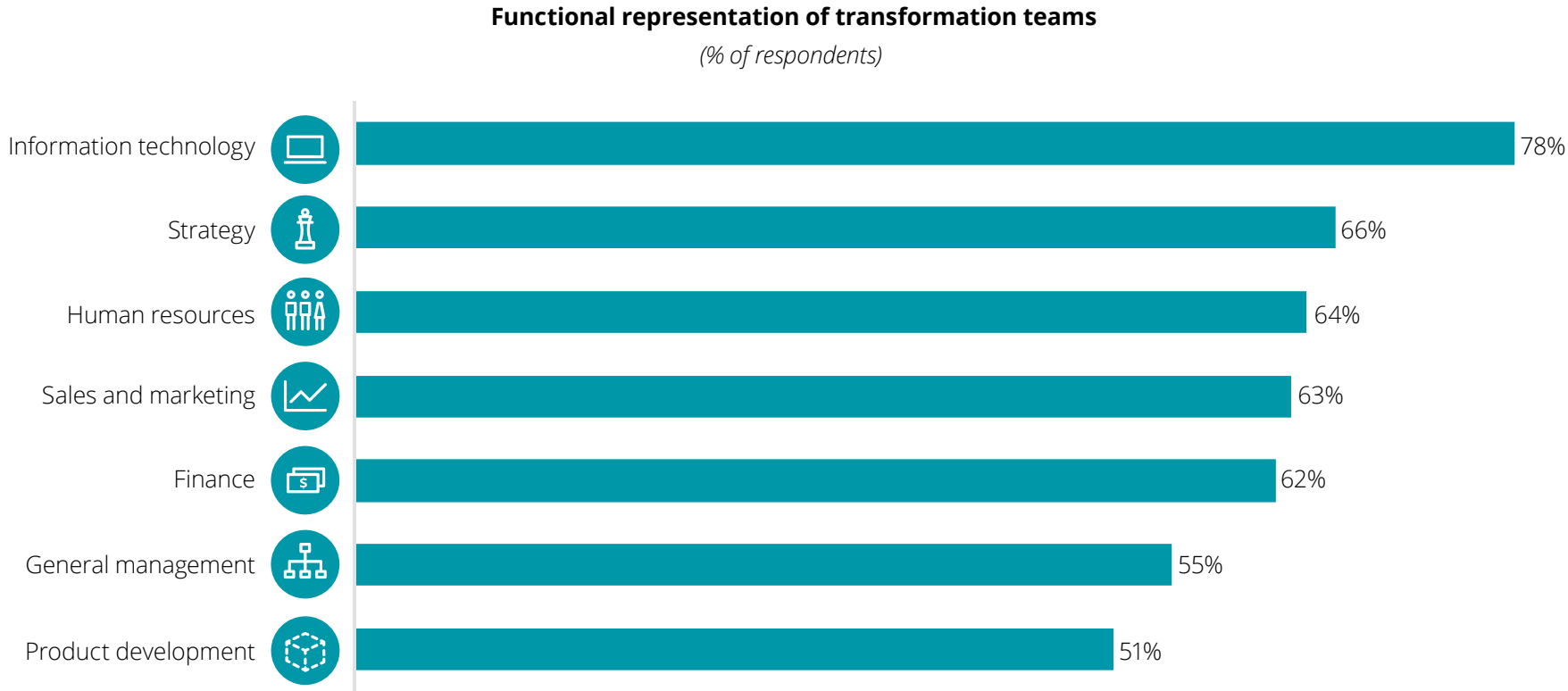
control” for the program. Responsibilities fall into two categories: program management and people management. Program management activities include budgeting, value management, metrics measurement, and executive reporting. People management activities include partnering with workstream leads to orchestrate cross-functional collaboration; resolving challenges; and synchronizing workplan assumptions, timing, and interdependencies.

# How do companies structure their transformations?

## Strong talent pool

Effective transformation programs require a dedicated talent mix representing the entire organization's functional breadth and skills depth. According to respondents, successful transformations typically have formal representation from five to seven functions, with IT, HR, and Strategy being the most common.

Figure 8. Composition of transformation teams





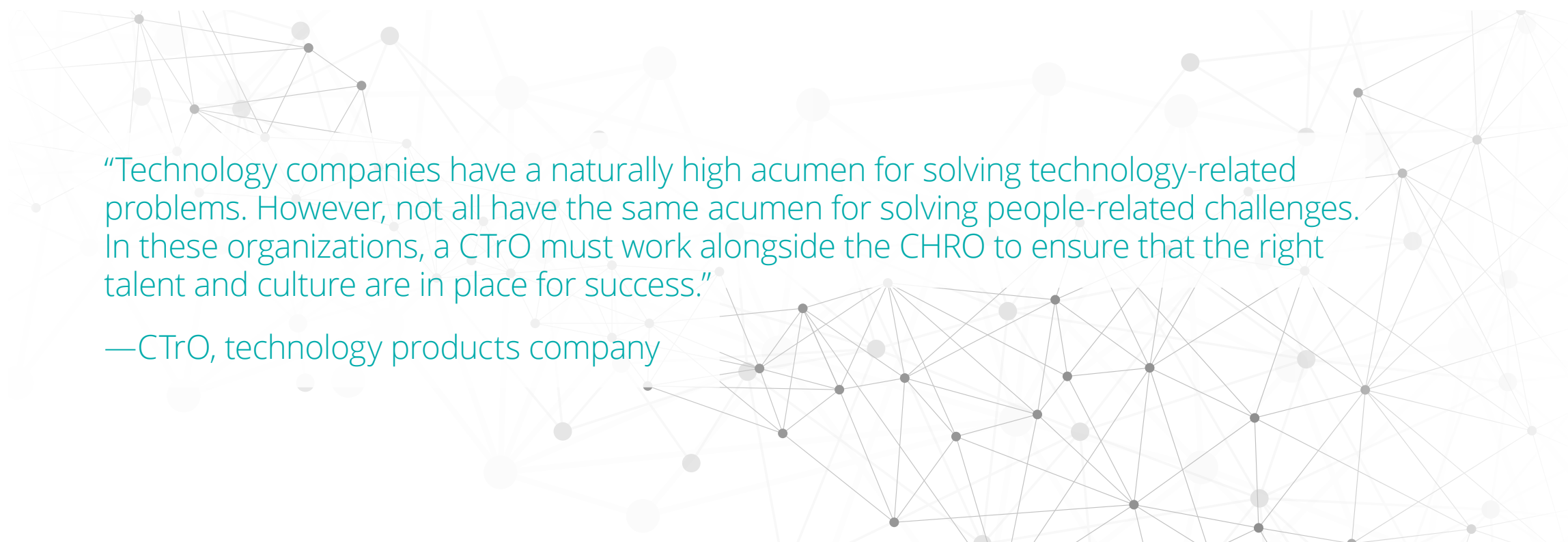
## How do companies structure their transformations?

The functions outlined in figure 8 closely mirror the scope of transformations, and as such, it is unsurprising to see IT as most frequently involved. As the nature of transformation evolves—from process digitization and cost optimization to business model transformation—we expect to see product functions pulled in more often.

We also typically see that the deep expertise of three stakeholder groups is essential to a transformation program: business unit leaders who own development, sales, and service of offerings, who are deeply technical and closely support revenue generation; functional leaders who serve in a supporting role, are often cost centers, and support every business unit; and cross-functional

leaders who are appointed specifically for the duration of the transformation and tasked with driving transformation effectiveness, transparency, and stickiness.

Further, transformation activities cannot be executed effectively only by part-time resources. Our study identifies that, on average, 39% of the team is dedicated full-time while 61% is assigned part-time to transformation efforts.



“Technology companies have a naturally high acumen for solving technology-related problems. However, not all have the same acumen for solving people-related challenges. In these organizations, a CTrO must work alongside the CHRO to ensure that the right talent and culture are in place for success.”

—CTrO, technology products company

## How do companies structure their transformations?

### Subject-matter expertise

Transformations provide an opportunity to see the forest from the trees. They also often require navigating new terrain, including strategic, technological, and organizational. Some organizations do not have the resources to move quickly or drive the change they'd like, and external support can help fill the gap.

On average, we observe that more than a third of transformation work (37%) is conducted by external partners, with 20% by contractors and managed service providers and 17% by consultants. Then, it is no surprise

that survey respondents indicated that they engage third parties—trusted partners, former employees, and even customers—to provide perspective, capacity, and expertise. Such third-party support from advisers can further help leaders challenge internal biases, learn from leading practices, and accelerate outcomes through contingent labor. The most successful of these partnerships are those that align to the interests of the organization, often through risk-sharing mechanisms like joint product development, go-to-market partnerships, or performance-based fees.

### Metrics to measure success and progress

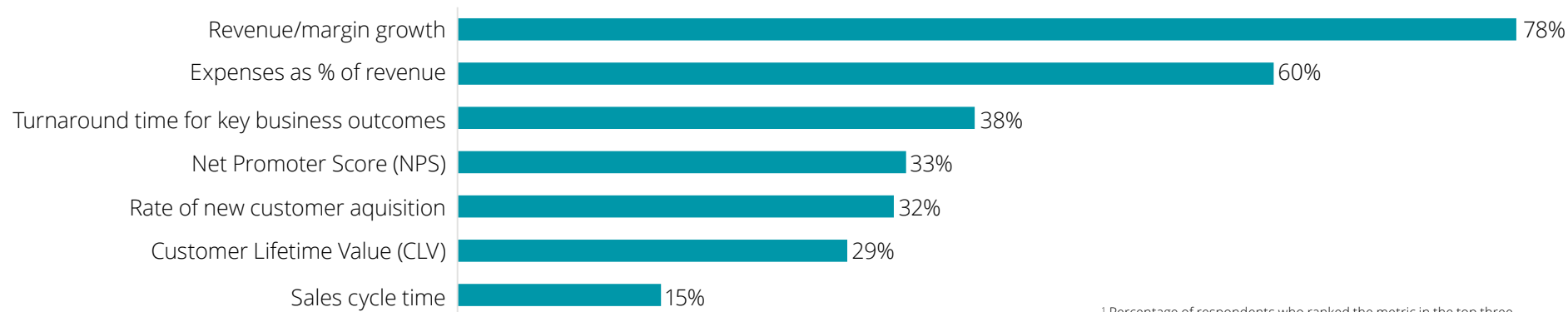
A clear articulation of transformation metrics and targets optimizes business planning and aligns goals to the “north star.” We observe that a substantial majority of respondents (78%) see revenue-focused metrics as most important. However, they also typically establish more than one metric based on the transformation ambition and “north star” (figure 9).

Unsurprisingly, not all transformations meet their stated goals—a third fail to deliver on targets, and more than half fail to materialize at all. As such, a balanced, strategic approach to metrics can help define feasible targets, provide early proof points, and incentivize behaviors that support the organization’s long-term success.

Figure 9. Transformation metrics

#### Most important transformation metrics<sup>1</sup>

(% of respondents)



<sup>1</sup> Percentage of respondents who ranked the metric in the top three.

# Conclusion

Ultimately, the stakes are always high with transformation. While every organization faces unique complexities in the program design and execution, our findings offer insights on the predictors of success and the lessons learned by transformation executives. Our key takeaways for companies starting a new transformation program or even navigating an existing one, are to:

**Layout** a clear, concise, forward-looking **vision** for the enterprise

**Commit** executive **time** to the transformation, from the CEO and CTrO down

**Plan** for a meaningful **investment** across multiple years

**Organize** using an empowered, **cross-functional** Transformation Nerve Center (TNC)

**Eliminate** incumbency **biases** by engaging subject-matter experts as needed

**Over-emphasize talent** vectors, including change management and communication

It is well-documented that most organizations take on transformations and that many of them fail.

However, in our experience, enterprises and executive teams that embody these principles are more likely to beat the odds of transformation success—irrespective of the ambition, metrics, and desired outcomes.

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# Acknowledgments

Monitor Deloitte's Chief Transformation Officer Study would not have been possible without the leadership and contributions of the following individuals:

Rich Nanda | US leader of the Monitor Deloitte Strategy practice

Harrison Bell

Vansh Muttreja

Jenny Spiel D'Alessandro

Jenna Ziesenhene

Lucy An

Alegria Ruseler-Smith

The authors would like to thank them for their support.

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