



Center for Board Effectiveness

On the board's agenda | US

Governance of transformation
amid an uncertain business climate

Why it matters

It seems an understatement to characterize the current state of global affairs as “volatile.” If the past few years have shown anything, it’s that boards can be certain of at least one thing: an uncertain governance landscape. Volatility wrought by a pandemic, economic upheavals, and geopolitical conflict—to name just a few challenges of late—have added a suite of new risks for boards to navigate.¹ Finding a way through such turbulent waters isn’t easy. But according to Deloitte’s [MarginPLUS 2024 Survey](#), a growing number of companies are charting a course with the help of transformation initiatives focused on margin improvement.²

Regardless of form, transformation initiatives may involve large-scale changes that aim to bolster efficiency, reduce manual processes, and otherwise modernize business operations. Their scale and scope (from individual business units to organizationwide) can be different across industry as can the governance processes. In this article, we highlight three areas of focus for boards when overseeing transformation initiatives.



> External pressures

Governing the (sometimes) turbulent transformation process.



> Targeted transformation

A possible emerging trend of focused initiatives is on the governance horizon.



> Vigilant governance

Proactive board oversight of strategy may help organizations realize transformation goals.



External pressures: Governing the (sometimes) turbulent transformation process

With the complexity of board governance growing, increasing uncertainty of macroeconomic winds, and numerous destabilizing geopolitical events, new risks have emerged for boards to navigate. No single strategy can fully address the shifting list of macro-level challenges that companies find themselves in. In an uncertain business climate, the board's governance of transformation may help add value for shareholders.

The challenge with these transformation programs, according to Deloitte's MarginPLUS 2024 survey, is that many are not achieving their targets. Over 8 in 10 reported falling short of their cost reduction goals in the past year (Figure 1). That's an all-time high in the survey's 16 years of existence and shows there could be benefit to boards that consider a higher level of transformation initiative oversight.

While directors have no control over the external forces, maintaining awareness of them may bolster the transformation effectiveness. For example, on average, companies report a 13% increase in input costs versus an average price increase of 10% (Figure 2). Put another way: for a \$1.00 in input cost increases, \$0.76 was recovered. Respondents attributed the gap to rising inflation and consumer behavior changes.

Nevertheless, there is a common theme in a transformation strategy: it begins and ends with oversight via proactive monitoring.³ Even with proactive oversight, executing large-scale change is rarely easy. But how boards navigate transformation projects from a governance perspective could help their organizations to proactively identify and mitigate potential issues.

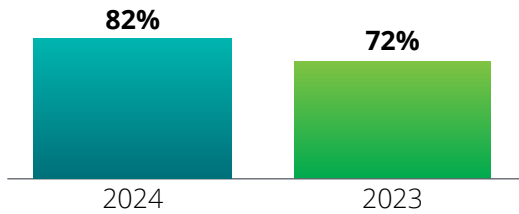
“ In uncertain times, it's important to manage what we can control, like costs, to stay agile and adapt to the ever-changing market. By actively endorsing transformation efforts and keeping a close watch on progress, company boards can help businesses face challenges with confidence, fostering steady growth that benefits everyone involved. ”

Jason Salzetti, principal,
Deloitte Consulting LLP; Member,
Deloitte US Board of Directors

Governance insights from the 2024 MarginPLUS Survey

Most companies did not meet their transformation goals.

Figure 1. Percent that fell short of their cost reduction targets



Key finding

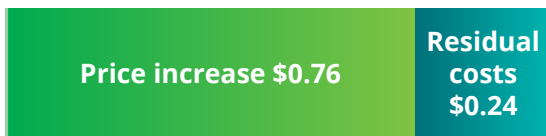
More than 8 in 10 reported falling short of their cost reduction goals in the past year. That's an all-time high in the survey's 16 years of existence.

Board implications

If the trend holds, there could be benefit to boards that consider a higher level of transformation initiative oversight.

As input costs surged, price increases did not keep up the pace.

Figure 2. How respondents managed every \$1.00 of rising costs



Key finding

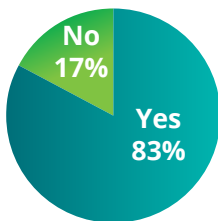
On average, companies report a 13% increase in input costs versus an average price increase of 10%. Put another way: For every \$1.00 in input cost increases, \$0.76 was recovered. Respondents attributed the gap to rising inflation and consumer behavior changes.

Board implications

While directors have no control over external forces, maintaining awareness of them may bolster transformation effectiveness.

Most executives said their margin improvement strategies need updating.

Figure 3. Percent planning to change how they run their margin improvement efforts



Key finding

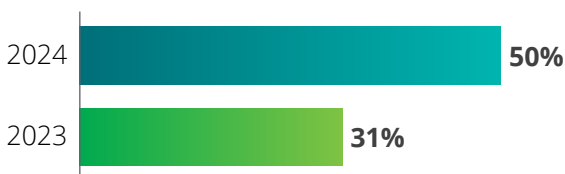
The bulk of respondents indicate their current margin improvement efforts need updating. Many planned to do so by adopting a broader tracking system.

Board implications

It's worth thinking about a specific process for *how* and *when* the board reassesses transformation strategy.

Technology infrastructure can be a notable barrier.

Figure 4. Percentage citing technology infrastructure as a barrier



Key finding

The most frequently cited transformation barrier was technology. The number of respondents selecting this item surged between 2023 and 2024.

Board implications

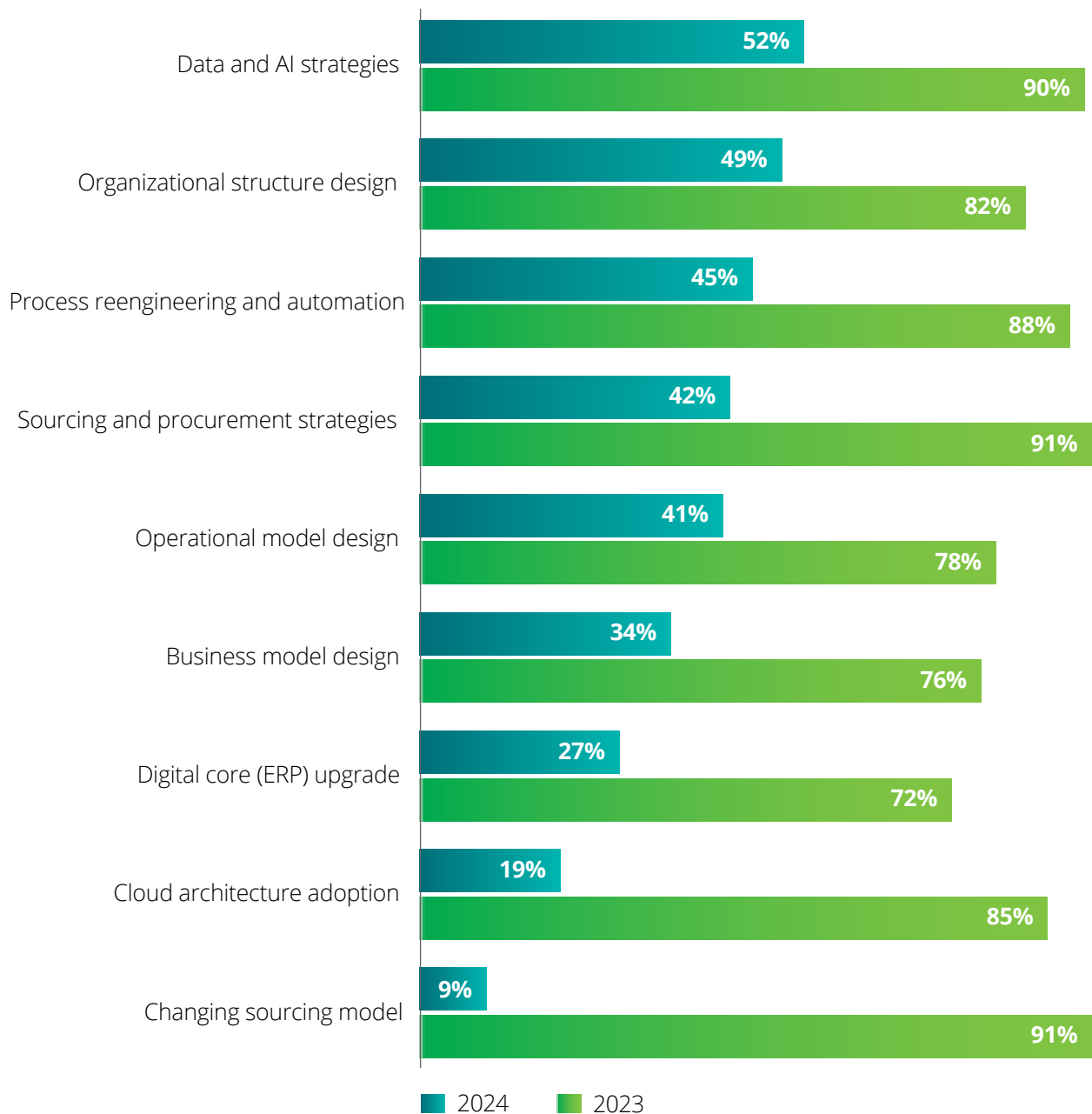
When crafting a transformation oversight strategy, there could be value to paying particular attention to legacy technology systems.



Targeted transformation: A possible emerging trend on the governance horizon

According to the data, more companies are using a smaller number of enterprise-level strategies. Across the nine enterprise transformation strategies presented to respondents, the highest utilization rate was for AI and data strategies (52%). That is a stark decline from the previous edition of the survey, where it was 90%. Similar drops were observed in utilization rates of every strategy.⁴ According to respondents, these reversals are a shift from “do everything” initiatives to those targeting specific business units or areas of geography.

Figure 5. Transformational steps companies are taking to drive margin



Source: Deloitte's MarginPLUS Survey, 2023 and 2024



Vigilant governance: Proactive board strategies to navigate transformation

As corporate boards navigate through stormy waters, the ability to adapt and strategically respond to changing market conditions could offer a competitive advantage. The majority of respondents to the survey indicate their current margin improvement efforts may need updating. In the process of working toward sustainable growth and resilience, there are a few navigation aids to consider.

Proactive oversight of transformation amid uncertainty



> Strategy investments

Just as boards and executives are staying current through continuing education on trends around GenAI, digital innovation, ESG, cyber, and others, it is worth considering training on leading practices for strategy and transformation.



> Connecting the dots

Interdependencies are inherent in transformation activities with existing business and functional priorities. Building a clear tracking system and metrics to drive accountability is important to oversight and governance.



> Legacy technology and processes

Companies will face differing internal and external challenges to realizing transformation goals. Yet, one thing is consistent for over 50% companies in our study, outdated technology infrastructure is posing a barrier to success.





Next steps: Boardroom conversation starters

In the role of overseeing transformation strategy or engaging in oversight of multiple enterprise-level/focused initiatives, the following questions might serve as conversation starters within the boardroom and with management.

Assessing completed transformations

- What was the result of the most recent enterprise-level or targeted transformation program?
- Was the management team's staffing model for historic transformation initiatives (e.g., transformation-specific leadership roles) appropriate and helpful for the project's goals?
- How effective was the board's governance and oversight processes in recently completed transformation projects?

Current and future transformations

- For current and future transformations under consideration, is there a clear business case?
- Is the management team sufficiently agile in terms of its ability to assess and adjust transformation goals throughout the implementation of current and future projects?
- How frequently are external factors assessed for potential impact on transformation programs? If no such assessment is made, is there a need for one?

Proactive governance strategies

- Are management's existing tracking processes shared with the board? If not, could doing so be helpful for transformation oversight purposes?
- To facilitate decision-making, is there a need to make additional investments in data tracking processes?



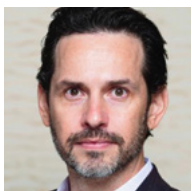
Authors



Carey Oven
National Managing Partner
Center for Board Effectiveness
Deloitte & Touche LLP
coven@deloitte.com

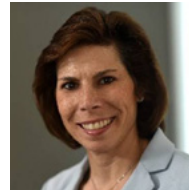


Annie Adams
Managing Director
Deloitte Consulting LLP
anadams@deloitte.com

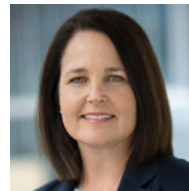


Mauricio Garza Benavides
Managing Director
Deloitte Consulting LLP
maugarza@deloitte.com

Contact us



Maureen Bujno
Managing Director and Audit & Assurance Governance Leader
Center for Board Effectiveness
Deloitte & Touche LLP
mbujno@deloitte.com



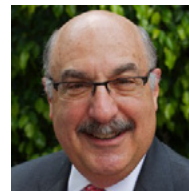
Audrey Hitchings
Managing Director
Executive Networking
Deloitte Services LP
ahitchings@deloitte.com



Krista Parsons
Managing Director and Audit Committee Program Leader
Center for Board Effectiveness
Deloitte & Touche LLP
kparsons@deloitte.com



Caroline Schoenecker
Experience Director
Center for Board Effectiveness
Deloitte LLP
cschoenecker@deloitte.com



Bob Lamm
Independent Senior Advisor to the Center for Board Effectiveness
Deloitte LLP
rlamm@deloitte.com



Endnotes

1. Carey Oven et al., "[Board governance and strategy in a changing global economic landscape](#)," On the board's agenda, Deloitte Center for Board Effectiveness, April 2023.
2. Mauricio Garza, Annie Adams, and Austin Buit, [2024 MarginPLUS Survey: Refocusing amidst uncertainty](#), Deloitte, 2024.
3. Annie Adams and Raed Masoud, "[Boards and transformation initiatives: Strategy is just the beginning](#)," Directorship, Q4 2023.
4. Mauricio Garza, Raed Masoud, and Austin Buit, [2023 MarginPLUS Survey: Transforming through disruption](#), Deloitte, 2023.

About this publication

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

About the Center for Board Effectiveness

Deloitte's Center for Board Effectiveness helps directors deliver value to the organizations they serve through a portfolio of high-quality, innovative experiences throughout their tenures as board members. Whether individuals aspire to board participation or have extensive board experience, the Center's programs enable them to contribute effectively and provide focus in the areas of governance and audit, strategy, risk, innovation, compensation, and succession.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.