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Rethinking transformation: The outsized value of small changes

What if your company's last transformation could also be its *final* transformation?

Some organizations leapfrog from one transformation to the next, spurred by the desire to integrate digital tools, reduce costs, or leverage innovative technologies. The need to make such sweeping changes, however, often signals that leaders have ignored subtle warning signs and gradual shifts until a crisis forces major action.

In their book ***Hone: How Purposeful Leaders Defy Drift*** (Wiley, November 2025), Deloitte LLP's Steve Goldbach and Deloitte Consulting LLP's Geoff Tuff argue that leadership too often defaults to the kind of expensive,[1] time-consuming overhaul that can carry high risks. Such transformations, they say, should be used sparingly. While transformations may boost margins in the short term, companies can drift toward irrelevance afterward, the consequence of an ever-widening misalignment between strategic intent and operational reality.

Goldbach and Tuff propose another option: honing. It's a concept they poached from the culinary world in which chefs routinely hone their knives to realign the blades. Without regular honing, knives grow dull and need sharpening, a more intensive process that weakens their blades and shortens their lifespans. Similarly, in business, regular micro-adjustments keep companies prime and nimble without wearing down their edge.

Honing offers another advantage over transformations. It can dramatically reduce the risk of catastrophic failure that comes with large-scale upheavals, which may heighten its appeal to CFOs. Simply put, in an atmosphere of unrelenting volatility, uncertainty, complexity, and ambiguity (VUCA), making smartly designed incremental moves can lower the stakes of each choice. Between one step and the next, companies are unlikely to find that their relevance to their customers has plunged, or that costs have soared. By focusing on what they can control in the present moment, both CEOs and CFOs can avoid making bet-the-firm strategic transformations that entail complex, cross-functional risks.

In this edition of *CFO Insights*, we'll explore how small-scale behavioral shifts can create long-term strategic value—and the role CFOs play in honing, from setting objectives to spotting drift.

Small talk

In *Hone*, Goldbach and Tuff build on a theme they've cultivated in two previous books[2] and explored through their podcast, *Provocateurs: Profiles in Leadership*. As they see it, too many senior executives pay insufficient attention to what drives the behavior of employees and others in their company's ecosphere, including suppliers and partners. "Human behavior," they state in their 2021 book, *Provoke: How Leaders Shape the Future by Overcoming Fatal Human Flaws*, "is the most basic subatomic element of business."

Businesses now confront an onslaught of exponential technologies—the latest being generative AI—that can disrupt the behaviors of customers and employees. Facing such challenges, senior executives typically try to figure out exactly how a new technology can be integrated into

the business *before* they deploy it. With AI, in fact, some companies actually prohibit employees from experimenting with it in advance.

A better approach, the authors say, would be to make what they term minimally viable moves (MVM), a twist on the concept of minimally viable products that's commonly used in product development. The basic concept is quite similar. Keep iterating the intended management move and testing it to collect and incorporate feedback and to confirm its underlying value proposition.

Taking small steps, the authors argue, challenges one of the business world's deeply rooted orthodoxies. Faced with the need to change, business leaders often see only binary choices: either decide to be a "first-mover" or opt for the position of "fast follower."[3] Either model presumes that businesses have to take a large leap, either to get and stay ahead of rivals or to catch up to others who have paved the way for them. Almost in spite of the question, transformation can seem like a fitting answer (see Figure 1).

Honing offers another option. Instead of waiting to completely figure out the new technology, start immediately testing it in small ways. This enables a company to keep learning more and expanding its use of the tool over time. Throughout the book, the authors champion a continuous cycle of focused, behavioral changes—quick experiments that result in tangible value and learning. Their emphasis is on accelerating the cadence of change and not simply reducing its scale. Far from being plodding, honing centers on agility, adaptation, and resilience, driven by a recognition that the business can achieve its ambitions more speedily by staying in motion, while assuming that there will be setbacks.

Rather than taking the time to construct a complete hypothesis, leaders may want to break down their assumptions into small, testable actions, and course correct as needed. Such an approach may require abandoning well-established ways of working. One example: swapping out the rigid, linear product-development approach for the supple mindset of software developers, who add functionality based on the feedback they receive from the marketplace. To borrow a favorite metaphor from the authors, the most effective way to escape from a pitch-black forest is not to run fast, but to edge forward gingerly, adjusting the path accordingly. Small victories fuel momentum and build confidence.

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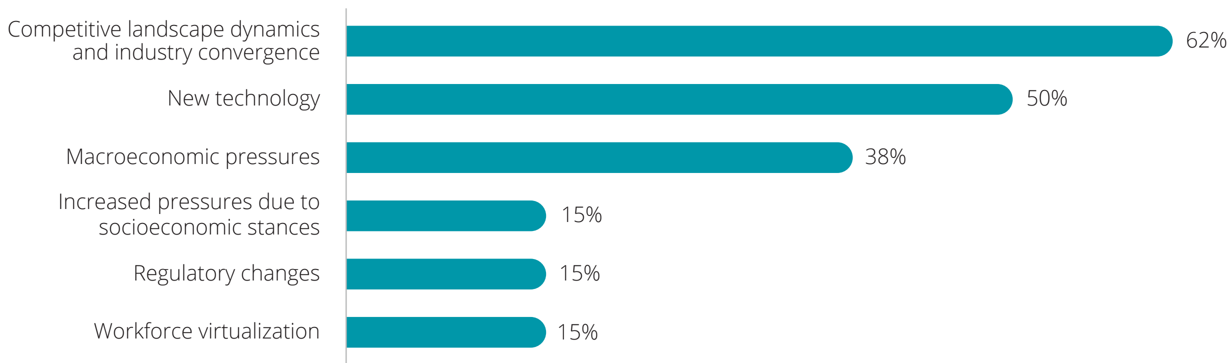
Figure 1. External triggers for transformation

Percentage of respondents ranking each factor among top-two influencers



Source: Monitor Deloitte's *2025 Chief Transformation Officer Study*, Deloitte Development LLC, April 2025

Everyone in a business may recognize the need to identify new sources of value. But unless people actually start doing their work differently, they may naturally revert to old habits.

Not that business leaders typically lack confidence. In fact, their self-assurance may explain why some C-suite types are drawn to transformations, despite the rising costs (see Figure 2). Some see themselves as bold visionaries or innovators, fated to issue grand edicts. If that's the case, it's incumbent upon them to understand exactly where and how the company will compete—and ultimately share those ambitious plans with shareholders and other constituencies. The leaders expect the rest of the organization to respond by falling in line and concentrating on reaching the goals that have been set out for them.

The problem, according to the authors, is that too many business leaders focus on that part of their job and lose sight of another, more important role.

Behavior as a unit of change

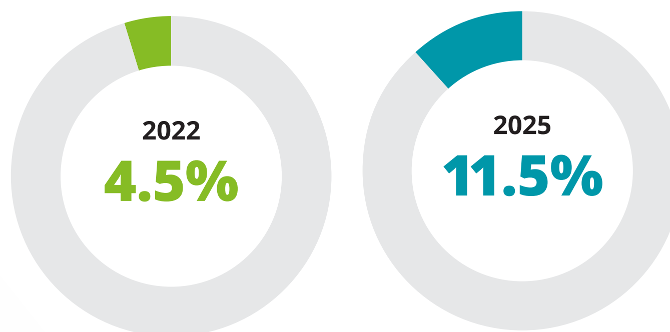
The approach outlined in *Hone* centers on behavioral insight. Everyone in a business may recognize the need to identify new sources of value. But unless people actually start doing their work differently, they may naturally revert to old habits.

Failing to foresee the scale and scope of change or the magnitude of the disruption to their existing business, CFOs can mistakenly let the costs of not investing compound. An organization may conceive the correct strategy but ultimately fail to succeed because its execution systems are misaligned. In *Hone*, the authors encourage both CEOs and CFOs to focus on driving behavior that will have the most direct positive impact on change. The goal is for employees to make choices, day in and day out, that position the company toward the future.

For CEOs and CFOs alike, achieving that goal means getting much more deeply involved in the mechanics of shifting the company's "management systems." Those systems, as the authors define them, consist of "the intricate web of formal and informal systems that shape how people act and think inside the organization." Examples include performance reviews, organizational design, meeting structures, and decision rights. CEOs, the book argues, should act as "chief system designers," with a clear understanding of what behaviors the organization is trying to drive at both a functional and business level. (For more on management systems, see accompanying story, "Retooling management systems by design.")

Obviously, this doesn't mean CEOs need to reach into every single function or business unit and take control of the management systems themselves. Instead, CEOs can give license to functional leaders like CFOs to find ways to drive the desired behavioral changes. Typically, finance chiefs not only oversee the finance function but also play cross-functional roles. Given that capital allocation is a powerful management system, for example, CFOs need to apply a thorough understanding of their company's specific behavioral objectives when making investment decisions.

Figure 2. Average transformation budget (as a % of annual revenue)



Source: Monitor Deloitte *2025 Chief Transformation Officer Study*, Deloitte Development LLC, April 2025

In spearheading the company's budgeting process, CFOs also need to make sure that sufficient funds are devoted to updating management systems. It also falls to CFOs to help identify extraneous management systems, de-layering the enterprise and moderating its complexity. Some budgeting systems, for instance, promote internal rivalry by motivating salespeople to focus more on which division of the company will own a customer rather than winning the business in the first place.

In designing metrics such as KPIs or OKRs, CFOs ensure that what gets measured and rewarded aligns with the behaviors and strategic objectives that the organization wants. When leaders' performances are measured according to different parts of the P&L (gross profit margin, say, or revenue growth rate) they can end up competing for capital, resources, and, sometimes, customers. In some companies, geographies manage marketing dollars, forcing brands to compete for funding. As a result, finance may end up with a hodgepodge of different funding mechanisms from year to year.

Incentivizing the wrong behavior isn't the only way performance indicators can lead to less-than-optimal performance. A welter of KPIs can create confusion as to which of them should be a priority. CFOs may need to streamline their key metrics, relying on a much more targeted set of incentives that foster behavior with a clear economic upside.

Even so, business leaders can get distracted by the actions of competitors or the arrival of shiny new technology. In some cases, they may remain unaware of the need to refine their business models to stay ahead of the marketplace.

Managing the float

Neither CEOs nor CFOs expect the business to shift off course, but large transformations can often produce that result. Executives often move on to other things once the transformation strategy has been set, and delegated actions may falter amid changes and challenges. After a time, write the authors, "small, imperceptible changes" can pull a company "off course over the long haul."

They refer to this phenomenon as "drift." CFOs may spot indications of drift in financial data, giving them a potential early-warning role. But often, these clues are subtle and slow to raise alarm if they're not being monitored closely. Having spotted an undesirable trend in the financials, CFOs can then dig deeper to determine what behavior those numbers reflect, and whether it is inconsistent with the behavior the company wanted to drive.

To keep their businesses anchored, the authors suggest that leaders clearly identify the organization's "elemental purpose"—at its core, the reason that any stakeholder engages with it—and use it as their north star for decision making. Senior executives should evaluate their day-to-day actions against this yardstick, ensuring they make choices aligned with the behavior they want to drive. Making small adjustments to management systems can add up, and such choices pose far less risk than changing all management systems in a big-bang transformation.

Evolutionary road

The corporate addiction to transformation can be hard to shake. Many companies have confronted a raft of unexpected events in recent years that challenge their competitiveness and relevance. It may have become almost instinctive for business leaders to reach for a sweeping solution, seeking to create value by simultaneously redesigning the operating model, investing in technology, restructuring the workforce, and uprooting the overall mindset.

But in many cases, bold, incremental moves often have a more lasting impact than sweeping restructurings. Adopting a practice of continuous, ground-level improvements can itself be transformational.

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Retooling management systems by design

Instead of embarking on costly transformations, it may be better for leaders to focus on adjusting management systems, according to Geoff Tuff and Steven Goldbach, authors of *Hone: How Purposeful Leaders Defy Drift*.

By management systems, they mean the procedures that govern the company's collective behavior. Examples include performance evaluations, bonus structures, and other norms, all of which need to be honed to alleviate the need for drastic change. It's up to leaders to design systems that fit the organization's uniqueness.

What follows are some of the considerations business leaders may want to apply when assessing the company's management systems.

- **Aim for consistency and congruence.** The more engrained the organizational "habit" that needs changing, the more critical is to communicate a consistent counter-message. Unseating orthodoxies requires ongoing work, so leaders should not feel surprised when the organization fails to pivot after a single message to change.
- **Apply continuous, not binary, metrics.** Metrics serve as a key aspect of management systems. An all-or-nothing approach—for example, a bonus that is paid out based on hitting a specific target—has the benefit of being direct and actionable but can create unintended consequences. A continuous incentive, like a sales commission, can encourage consistent effort.
- **Find the balance between incentives and mandates.** While both influence behavior, they do so in different ways. Incentives motivate by offering something desirable in exchange for acting in certain ways. Mandates also prescribe behavior, but with penalties for non-compliance. While mandates shape behavior more quickly, they can also breed resentment. Humans, after all, don't always like being told what to do.

End notes

1. "Monitor Deloitte's 2025 Chief Transformation Officer Study," Deloitte Development LLC, April 23, 2025
2. *Detonate: Why - And How - Corporations Must Blow Up Best Practices (and bring a beginner's mind) To Survive* (Wiley, May 2018) and *Provoke: How Leaders Shape the Future by Overcoming Fatal Human Flaws* (Wiley, September 2021).
3. "Three roles CEOs need to play to scale Generative AI," Deloitte Development LLC, 2024.

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