



Welcome to the “no normal”: Exploring *The Transformation Myth*

Feel free to embrace the new normal, but don't get attached to it. It's not staying for long.

That may not be the message finance chiefs want to hear—especially those who have helped lead their companies through a transformation this past year. After having weathered peak disruption (thanks to the COVID-19 pandemic), they may reasonably expect to settle into a more stable environment.

As it turns out, however, the new normal is really no normal at all. Around the corner lurks even more uncertainty and unpredictability. The relentless pace of change, intensified by the cascading crises kicked off by the pandemic, requires that CFOs and other C-suite leaders enable their

organizations to forge a new relationship with the ever-changing marketplace. That means fostering a culture of ongoing innovation and continuous improvement to confront the next unknown, as well as implementing a digital infrastructure to maximize agility.

Above all, it means rejecting the myth that transformation is “an event with a start and end, whereby organizations migrate from one steady state to another as opposed to a continuous process of adapting to a highly volatile, ambiguous and uncertain environment shaped by multiple, overlapping disruptions.” So write the co-authors of *The Transformation Myth: Leading Your Organization Through Uncertain Times* (The MIT Press, 2021),

who include Rich Nanda, a principal in Deloitte Consulting LLP, and Anh Nguyen Phillips, Deloitte's Global CEO Program Research Director.

The authors propose that transformation is a skill that companies need to cultivate through a combination of human qualities (leaders who embody purpose, values, and mission, for example), organizational capabilities (automated scenario planning) and technological tools (cloud computing). And in this edition of *CFO Insights*, we'll explore the drivers of this new era of serial transformation, the characteristics common to companies that have the ability to continuously transform, and what kind of mindset it takes for a CFO to be a transformational leader.

The transforming business

There is no shortage of transformation efforts these days, motivated by a range of urgent needs (see sidebar “The changing nature of transformations”). In Deloitte’s North American CFO Signals™ survey for the second quarter of 2021, a majority of CFOs indicated that a range of transformations were underway at their businesses. These included digitalization of functions, supply chain optimization, integrated business planning, and moving to a hybrid work model (see Figure 1).

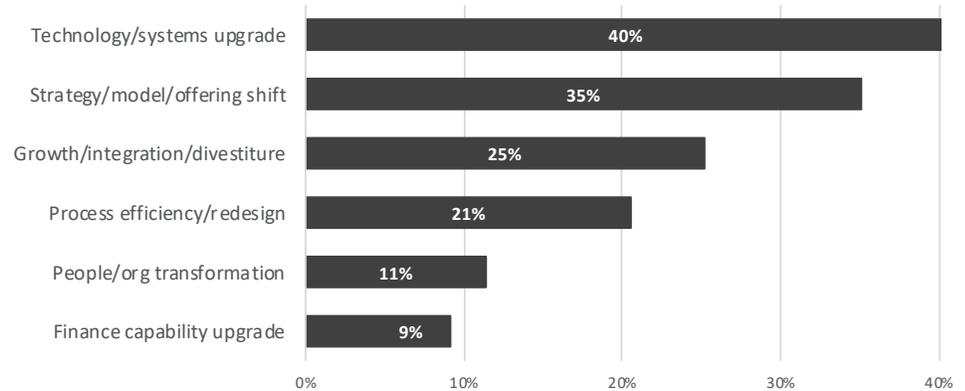
Still, despite all the attention showered on digital transformation, it’s key for CFOs to remember that digital technologies are not a panacea, say the authors. The brand of digital resilience that companies will need moving forward requires elements of strategy, talent, and culture. A combination of technological tools and organizational capabilities enables organizations to sense, test, and adapt in a turbulent business environment.

A robust digital infrastructure is indeed invaluable for companies that need to get in the habit of being adaptable. But technology isn’t solely what drives transformation (see “The technology fallacy: Embracing the human face of digital transformation,” *CFO Insights*, October 2019). It also requires a flexible mindset, one that’s able to fuse future thinking with current operating reality. That’s as true for CFOs as for all other employees, despite the fact that finance types are often assumed to be most comfortable when they are acting as operators and stewards. But developing a growth mindset—both as an individual and as a company—leads to the belief that the organization is capable of developing the skills and processes that will enable it to thrive in a fast-paced digital universe.

The pandemic may have shocked companies into undertaking transformations, but it will be up to business leaders to maintain that momentum. That may mean thinking of transformation as a skill, not unlike leadership, that can be modeled and spread. CFOs may need to give their finance teams greater autonomy,

Figure 1. Transformative experiences

What is the most important enterprise transformation your company is undertaking or plans to undertake? Percent of CFOs selecting each transformation type (N=131)*



*131 (95%) of 138 respondents answered. Numbers in parentheses sum to more than “N” because some respondents named more than one transformation type.

Source: CFO Signals: 2Q 2021, CFO Program, Deloitte LLP

encouraging employees to challenge and change existing norms, automating and customizing the newly configured workplace. And, while they are giving their teams greater latitude, finance leaders can also assign them the sufficient resources they require.

Change climate

Companies that can keep innovating through multiple and overlapping disruptions typically start by taking decisive action to deal with an immediate threat, using that response as an opportunity to build longer-term capabilities.

The most successful organizations, conclude the authors of *The Transformation Myth*—whose research, conducted in the early months of the pandemic, included interviews with nearly 50 executives and thought leaders, across multiple industries—share some common characteristics. Continuously transforming businesses include traits such as:

- **Retaining and attracting desirable talent through its culture.** Even in the midst of the Great Resignation, digitally mature organizations can find and keep their valuable human assets. That’s because the kind of company that invests in employee learning and growth creates an engaging environment that insulates

the business from worrying about talent shortages or employee disengagement.

- **Implementing technology to battle disruption.** For companies confronting an urgent need to transform, it’s easy to identify technology that the business feels it *needs* to have, likely because of marketplace pressure. When that happens, however, the IT investment’s contribution toward more critically strategic aims—connecting with customers more efficiently, for example, or enabling expansion into desirable markets—can fade into the background. Investing in IT for its own sake is unproductive.
- **Applying automation to scenario planning.** Long a core strategic financial and planning capability, **scenario planning** has regained currency in an ultra-dynamic environment. By applying digital intelligence to scenarios, they are no longer static renderings that CFOs file away, only to resurrect them if a company stumbles on a serious threat. Using technology, companies can set up risk-sensing tools that can monitor events, scanning the horizon for triggers of disruption and offering indications as to how the situation might impact the company’s existing scenarios.

• **Absorbing lessons from past crises.**

True, the COVID-19 pandemic was quite unlike any crisis anyone now living has experienced. But many companies have weathered acute crises in the past, ranging from the dot-com bust to 9/11 to Brexit, which has graduated into a chronic crisis. Were they able to pivot and adjust quickly? Did they manage to keep funds for innovation flowing? Such traits should be recognized, as should any new lessons they have absorbed from the pandemic. Veteran CFOs, among others, know better than to expect business to return to the way it was before.

Becoming a transformational CFO

To lead in an ongoing state of transformation, CFOs need to resist the investment decisions that come most naturally to them. They may be tempted, for example, to tackle core and foundational capabilities by reaching for prepackaged solutions to automate those processes. In fact, any aspect of the back office may seem to merit instant attention because of its function as an enabler, and the visibility of its shortcomings.

Yet, harder to observe, but often more critical to invest in, are deficiencies in those capabilities that serve to differentiate the company and create enterprise value. Transformation-savvy CFOs often need to prioritize investments around those capabilities that are key to growth, even if they pay off at a comparatively glacial pace.

While assessing your own qualities as a transformation-ready CFO, consider asking yourself the following questions:

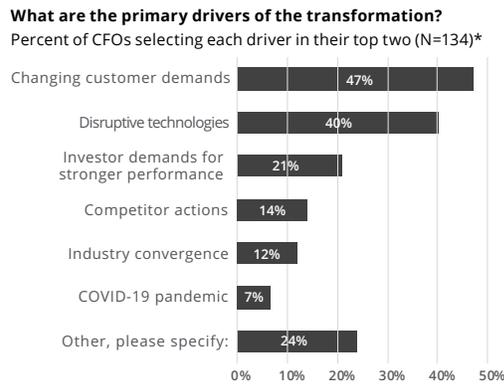
1. **Am I willing to rethink ROI?** Deploying new technology around the workforce to attract better talent or to make customer relationships stickier may offer a non-traditional return. Other initiatives may require collaboration with the CIO to justify project funding. The pressure to prioritize may require CFOs to reduce spending in areas where they have to squint to see any business value. Those may include implementing potentially disruptive emerging technologies.
2. **Can I introduce new metrics?** To support transformation-driven projects where the business outcomes may

The changing nature of transformations

Transformations happen for a reason—a multitude of them, in fact.

Deloitte’s North American **CFO Signals™** survey for the second quarter of 2021 offered CFOs six choices when it came to identifying the primary drivers of their company’s transformation. In response, 24% selected “other,” a higher proportion than the COVID-19 pandemic and industry convergence combined—and slightly above the 21% who cited investor demands (See Figure 2).

Figure 2.
The many motivators behind transformations



*134 (97%) of 138 respondents answered.

Source: *CFO Signals*: 2Q 2021, CFO Program, Deloitte LLP

In the survey, 47% of CFOs identified changing customer demands as one of their organizations’ top-two drivers of transformation, and 40% cited disruptive technologies. Other top-two drivers included investor demands for stronger performance, competitor actions, industry convergence, and the COVID-19 pandemic.

CFOs, transformed

The role of CFOs in their organizations’ transformation reaches well beyond finance. Forty-two percent of surveyed CFOs said their primary role is serving as a co-leader of a transformation, while 16% identified themselves as the

leader. Another 19% each cited serving as a sponsor or as an enabler, and 4% refer to roles such as ensuring affordability, accountability, and realization of expected benefits, as well as facilitating and monitoring transformation efforts.

CFOs appear to spearhead certain types of transformations. In terms of industries, CFOs in manufacturing (23%) and financial services (20%) were more likely to lead a transformation than those from other sectors. Segmented by the transformation’s focus, 50% of CFOs describe themselves as a leader in efforts related to growth, integration, and/or divestitures. An additional 21% saw themselves as co-leaders in such efforts. For technology/systems upgrades, 36% of CFOs serve as the leader, with 30% as a co-leader.

When it comes to shifts in strategy, business model, and offerings, 35% of CFOs say they serve as an enabler. More than one-quarter of CFOs (27%) act in that capacity in transformations, focusing on process efficiency/redesign, and 23% say they serve as an enabler with respect to transformations related to growth, integration, and/or divestitures. And when it comes to sponsoring company transformations, CFOs were most likely to fill that role with respect to technology/systems upgrades (56%), strategy/ model/offering shifts (48%), and process efficiency/redesign (20%).

Of course, not all organizations are undertaking a transformation. In such cases CFOs may be tied up with other major challenges, such as addressing supply chain shortages or striving to return operations to pre-pandemic levels. Then again, it would be understandable if the prospect of taking on a companywide transformation, on the heels of battling a pandemic, sent pulses racing. According to *CFO Signals* survey results, after all, the third most frequently cited internal risk turned out to be transformation and change management.

not be clear in the short-term, CFOs may have to rethink business cases or processes for measuring value. Through creative thinking, CFOs can find ways to broaden metrics, such as quantifying workforce quality or codifying how customer lifetime value drives earnings and revenue growth. For teams to focus on investments and initiatives that accelerate transformation, they need to understand how success will be defined.

3. **Am I comfortable provoking my peers?** In many organizations, CFOs may be far ahead of their C-suite peers in digitizing their function. They can combine their experience and their position to push those colleagues to orchestrate their transformation efforts—assuring them that it’s all in the service of increasing shareholder value.
4. **Can I convey a sense of mission and a set of values to employees, customers, and other stakeholders?** A company intent on carrying out an ongoing transformation needs to adopt

a clear purpose—beyond making money. One that provides sustainability services, for instance, may be motivated by saving the planet; employees of a healthcare provider may rally around the idea of improving members’ health. In the midst of uncertainty, such a message can keep the company moving forward.

Sustaining change

Transformation, insist the authors of *The Transformation Myth*, can no longer be regarded as a one-time initiative that unfolds in a linear pattern. This ongoing journey rather follows a circular model, constantly orbiting and exerting a strong gravitational pull.

For CFOs and other leaders, a crucial capability may be to stay fluid and pragmatic. Collaborate and communicate, and don’t give away better in search of perfect. You’ll know the transformation is succeeding if, just when you like to think you are finished, you find yourself back at the starting line.

Going forward, the co-authors of *The Transformation Myth*, point out that executives need to accept that a transformation is “continuous process of adapting to a highly volatile, ambiguous and uncertain environment shaped by multiple, overlapping disruptions.”



End notes

- 1 Authors also include Jonathan R. Copulsky, former CMO, Deloitte Consulting LLP, and senior lecturer of marketing at Northwestern University, where he also serves as executive director of Medill Spiegel Research Center; and Gerald C. Kane, professor of information systems, Boston College.
- 2 Gerald C. Kane, et al., *The Transformation Myth: Leading Your Organization Through Uncertain Times* (The MIT Press, 2021).
- 3 Deloitte, in partnership with MIT Sloan Management Review, has spent five years researching how technology changes the way companies operate, surveying 21,000 people about their perceptions of digital disruption and the adequacy of their organization’s response.

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