

Monitor
Deloitte.

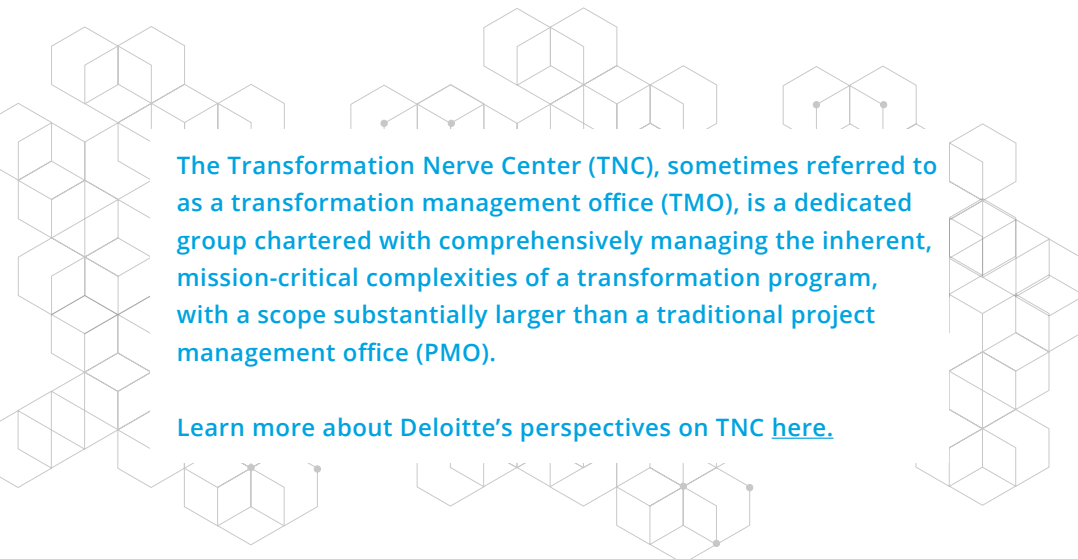


Executing successful transformations:

How to design the right Transformation Nerve Center
for your transformation program

Executing successful transformations: How to design the right Transformation Nerve Center for your transformation program

Chief transformation officers (CTrOs) hold the keys to unlocking the organization's potential through a successful enterprisewide transformation. According to [Monitor Deloitte's 2022 Global CTrO Study](#),¹ the amount of time a CTrO spends shaping, architecting, and executing a transformation program is the most significant predictor of success. With such high stakes, how do leaders ensure that they get the transformation right? This article, part of Monitor Deloitte's CTrO eminence series, will outline how CTrOs can optimally structure a transformation program that aligns with the organization's ambition and define the remit of the Transformation Nerve Center (TNC).



The Transformation Nerve Center (TNC), sometimes referred to as a transformation management office (TMO), is a dedicated group chartered with comprehensively managing the inherent, mission-critical complexities of a transformation program, with a scope substantially larger than a traditional project management office (PMO).

Learn more about Deloitte's perspectives on TNC [here](#).

The remit and role of the TNC varies widely based on the objective, focus, starting point, and scope of the transformation program

Prior to determining the role of the TNC, CTrOs must first blueprint the transformation program itself. This consists of clearly defining the known dimensions of the program, such as what is changing, what the objectives are, what the starting point is, and who is involved. Outcomes of these dimensions have a direct impact on the approach, initiatives, functions, success measures, and role of the TNC. Ensuring alignment and clarity across these dimensions is critical, as the term transformation can mean different things to different stakeholders. For some, it might mean optimizing back-office functions using modern technology. For others, it might mean reimagining their entire business model to enter new markets.

In our experience shaping transformation programs for clients across industries, we find that leaders need to ask four key questions (figure 1) to effectively characterize their transformation:

1. *Why are we transforming?*

This is your organization's transformation objective or "North Star," such as accelerating growth or improving profitability. More ambitious objectives—such as capturing meaningful market share—typically signal the need for a more involved and visionary transformation program.

2. *What are we transforming?*

This outlines your transformation's focus or domains, such as process optimization or business model innovation. We observe that the more

defined the focus area—such as technology modernization—the more targeted the transformation program scope and approach must be.

Where you start, and the ambiguity that comes with it, influences how you stand up and staff today's transformation program.

3. Where do we begin?

Transformations evolve—they are “waypoints,” not endpoints. For example, one global technology company we supported focused initially on technology as the sole anchor for its transformation, which later evolved into a broader, enterprise-wide strategic transformation.

4. Who is involved?

Finally, the scope and scale of the transformation indicates the degree of complexity of the program. Not surprisingly, the more functions that are involved in a transformation, the more the overall program must be able to manage cross-functional complexity and risks.

Figure 1. Transformation dimensions

Non-exhaustive, multiple options can be selected



The unique dimensions of your transformation directly affect the program approach; specifically, which functions are involved, which stakeholders are engaged, what the nature of initiatives is, and how success is measured. For example, a large US technology client² established growth and market share increase as its North Star. To achieve this North Star, the client outlined the overall strategy to digitize its entire business portfolio, which would have rippling effects across its enterprise model, processes and technology, and talent resources. With the dimensional guardrails of transformation established, the right structure and approach for the transformation could be devised. The CPO (chief product officer), who reported directly to the CEO, was entrusted to help the transformation, given the focus on product portfolio innovation. Commercial functions (e.g., product, sales, and services) and corresponding digitization initiatives were prioritized, given the need to enhance customer-centricity and rapidly capture market share. And finally, transformation success key performance indicators (KPIs) were designed to tangibly measure market share and revenue growth, such as gross margin and revenue per sales representative.

Another client—a US health care organization³—aspired to grow profitably by becoming more customer-centric. The initial transformation focus was to redesign the enterprise operating model and supporting organizational capabilities to better serve the company's customers. Given the enterprisewide, operations-oriented scope of this program, the COO was selected to lead the transformation. Moreover, given the cross-functional nature of operating model, all commercial and enabling functions—such as Services, GTM, HR, and Finance—were involved. And unsurprisingly, the transformation program success KPIs were developed to measure customer-centricity, such as CSAT (customer satisfaction scores), CLV (customer lifetime value), and contract turnaround time.

Once you have aligned on the unique dimensions of your transformation program and clarified the approach, the next step is to identify the role and scope of the TNC required to bring that transformation program to life. In the following sections, we'll also revisit the aforementioned US technology and health care clients to illustrate what their TNCs looked like.

The TNC is the backbone of the transformation program and can play multiple roles

Transformation Nerve Centers (TNCs)⁴ are critical for the successful execution of any transformation program. They serve as the central control towers for the transformation. Furthermore, it's not simply the presence of the TNC, but in fact the nature of the TNC—its role and remit—that increases the probability of transformation success. In our experience, there are two role archetypes that leading TNCs fall into: Orchestrator and Architect (figure 2).

Orchestrator:

In this role, the TNC is responsible for bringing all the moving parts of your transformation together. Leveraging technology and data, the Orchestrator archetype can improve efficiency and manage the transformation initiative portfolio. This role coordinates with external partners and workstreams, addressing program escalations and conflicts. This role also maintains a repository of decisions, assets, and deliverables to ensure that everything stays on track. Orchestrators “read the room” by taking a pulse of activities across the transformation program, consolidating observations, managing complexities, and reporting outcomes.

Architect:

In this role, the TNC is responsible for driving and shaping the transformation agenda. This defines the scope of each workstream in line with your transformation ambition and strategy, and leads both internal and external communications. Often, the TNC offers dedicated, hands-on support for each workstream and initiative, and works collaboratively with workstream leaders to identify and resolve risks. Architects “set the tone” of the transformation program, empowered with a higher degree of agency, decision rights, and discretion compared to Orchestrators.

The two major TNC archetypes—Orchestrator and Architect—are part of a spectrum, with organizations often choosing to adopt a hybrid approach that handpicks elements from each of the archetypes. Moreover, we often see that CTROs initially set up their TNC as an Orchestrator but soon realize that they need the TNC to be an Architect.

Figure 2. TNC archetypes

		Orchestrator			Architect
TNC capability		Hybrid			
Integration	<input type="radio"/>	Treat initiatives as a portfolio each with its own distinct goal	<input type="radio"/>	Integrate initiatives into a unified program with common goals	<input type="radio"/>
Priority shaping	<input type="radio"/>	Validate priorities defined by initiative leads	<input type="radio"/>	Define priorities in collaboration with initiative leads	<input type="radio"/>
Financial control	<input type="radio"/>	Audit and track budgets	<input type="radio"/>	Set and approve budgets	<input type="radio"/>
Value estimation & measurement	<input type="radio"/>	Define quantification templates and aggregate key metrics for executive availability	<input type="radio"/>	Define program and initiative metrics, provide coaching on value realization, and proactively identify leakage	<input type="radio"/>
Cross-workstream synergies	<input type="radio"/>	Aggregate and track synergies reported by initiative leads	<input type="radio"/>	Identify and quantify synergies proactively with initiative leads	<input type="radio"/>
Resource management	<input type="radio"/>	Offer shared support across all initiatives	<input type="radio"/>	Offer dedicated support for each initiative	<input type="radio"/>
Risk management	<input type="radio"/>	Identify and escalate risks elevated by initiative leads	<input type="radio"/>	Define risks with initiative leads and work with teams to resolve	<input type="radio"/>

The role and size of the TNC reflects your organization's willingness and capacity to change

Rightsizing the TNC is another critical step in ensuring the success of your program. Oversized and overextended TNCs that micromanage workstreams and initiatives can lead to operational inefficiencies and change management complexity. Conversely, undersized TNCs that have limited access or insight across the breadth of the program can lead to a lack of accountability and mismanaged outcomes. In our experience, CTROs can design their TNC role and size based on two key questions:

1. What is your organization's willingness to change?

The desire—and willingness—of the entire organization to commit to an exponential shift is a critical determinant of what the TNC needs to be. Even if the urgency to transform is high (e.g., significant activist pressure), internal resistance from the organization can reduce the probability of program success. In scenarios where there is high resistance to change, TNCs need to spend a lot more time on mobilization of workstreams, communication of priorities and activities, and change management.

2. What is your organization's capacity to change?

This question enables the CTRo to assess the effectiveness of underlying capabilities that an organization has to execute a transformation program. Typically, a clearer transformation vision, culture of rapid decision-making, and prior experience undergoing large-scale strategic shifts indicate a high capacity to change and the need for a lower-touch TNC.

For instance, a global technology client was triggered to transform by way of its rapidly declining market share. Its organization had a high willingness to change due to a deep-rooted desire among employees to reinstate the company's iconic stature. However, its capacity to change was low since its organizational culture lacked discipline and rigor. Furthermore, it hadn't undergone any major change management initiatives or transformations in the recent past and thus didn't have the necessary infrastructure to execute a transformation on the scale and scope it imagined. In this scenario, the CTRo determined that the ideal TNC role would be that of an Architect and would be of a larger size (consisting of three full-time and multiple part-time employees). The TNC, empowered by the CEO, took the lead in shaping the transformation ambition, activating more than 15 cross-functional workstreams, proactively identifying and resolving risks, designing new capabilities and operating models in collaboration with workstream leaders, actively shaping and managing a portfolio of 30 enterprise-wide transformation initiatives, and building a \$1 billion transformation benefit thesis and implementation roadmap.

In another instance, a US health care products company was facing stagnant margin growth from its products business. The mandate to transform into a services business was compelling and sponsored by the highest levels of the organization. Its organizational culture was accepting of and favorable to change; however, it had limited experience and infrastructure to support such enterprise-wide, large-scale transformation efforts. The CTRo stood up the TNC as a hybrid between an Orchestrator and an Architect, with a moderate size (consisting of one full-time and three part-time employees). The TNC, once again empowered by the CEO, championed the design of a new services-led operating model consisting of 12 functions and more than 100 capabilities, shaped the design of net-new roles and responsibilities, managed the operating rhythm for more than 10 cross-functional workstreams led by functional

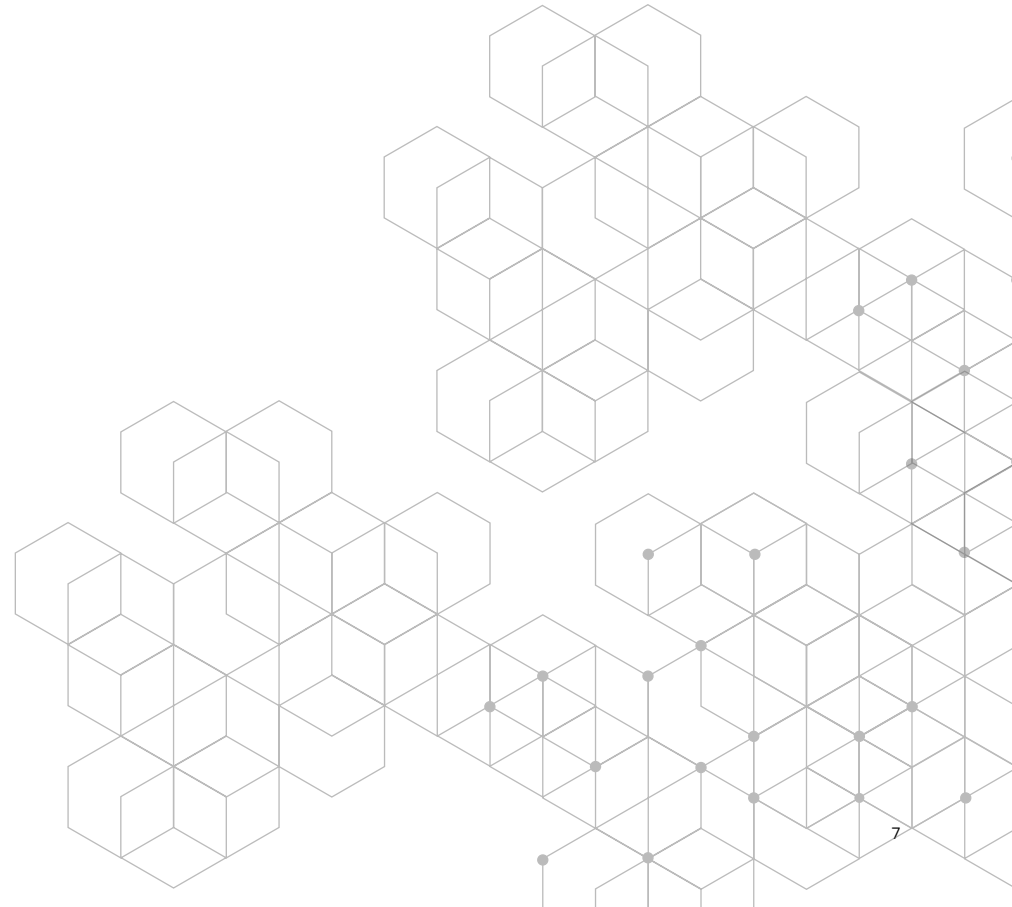
quarterbacks, and developed a portfolio of 12 transformation KPIs to accurately measure success of the transformation.

The three things CTrOs can do to get started

Ultimately, one of the first—and arguably the hardest—decisions that a CTrO needs to make is how to establish a strong foundation for transformation. To get started, we recommend CTrOs take three key steps:

1. Clearly define and communicate your transformation program dimensions.
2. Determine the right approach, thinking through workstreams, in-scope functions, and success measures that align to your transformation's unique characteristics.
3. Design your TNC to align not only with the transformation program characteristics but also with your organization's capacity to change.

With the optimal transformation program structure and TNC in place, CTrOs will be well-equipped to kick-start their transformation journey. In our upcoming articles, we will continue to explore how CTrOs can take the critical next steps to identify, prioritize, activate, and learn from the core elements of their transformation program.





Anne Kwan
Sponsor, Deloitte's Chief Transformation Officer Program
Principal
annkwan@deloitte.com



Vansh Muttreja
Senior Manager, Transformation Program
Design & Execution
vmuttreja@deloitte.com

Endnotes

1. Anna Kwan, Cristina Stefanita, and Rohan Gupta, [2022 Chief Transformation Officer Study](#), Monitor Deloitte, 2022.
2. Deloitte engagement.
3. Deloitte engagement.
4. Maximilian Schroeck, Anne Kwan, and Cristina Stefanita, ["What it takes to execute large-scale and lasting transformations,"](#) Deloitte Insights, November 23, 2020.



About Monitor Deloitte's Chief Strategy and Transformation Officer Program

The Chief Strategy and Transformation Officer Program, co-led by Monitor Deloitte's Business Strategy group and Deloitte Executive Accelerators, helps empower strategy and transformation leaders through personal experiences and relevant insights at moments that matter. Through curated programming including Transition Labs, Annual Summits, Peer Circles, and a wealth of data and eminence, the program provides leaders with unique strategic direction and guidance related to role transitions; setting up a function; influencing key stakeholders; building a strong network; and shaping the enterprise agenda. To learn more, please visit www.deloitte.com/us/chiefstrategyofficer.

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 advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

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.

Copyright © 2023 Deloitte Development LLC. All rights reserved.