



## Here's the Passkey to the Success of the Chief Transformation Officer

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The role of Chief Transformation Officer (CTO) is a relatively new concept that has evolved as a result of many new complexities that businesses across the full industry spectrum must contend with today to not only be competitive, but in some cases to survive. Many of the major consulting firms from McKinsey & Company to PWC, BCG, Accenture, Deloitte and Bain are aggressively embracing this philosophy, adding their unique spin to help their clients both compete and survive in an ever-changing and global marketplace.

The traditional strategy associated with cost cutting to become competitive will always be a challenge for business, but what must a company do when that approach has been achieved – and everyone else in your industry has achieved similar economies of scale?

CEO's and Company Boards now are challenged more than ever before to out-innovate their competitors, gain first-mover advantage, apply new technologies and embrace tools like blockchain, innovative distribution, product development, social media and digital challenges. In short, every company must constantly challenge itself to “think outside of the box” and come up with new paradigms for doing business or face the consequences of being left behind. Staying the course and embracing yesterday's business playbooks are a certain path to becoming irrelevant.

With the dynamic pace of global change in our economies today, the option to sit back and “see what happens” will leave stockholders impatient of their CEO's and senior management teams as the cost of “catching up” oftentimes leads to disaster on a multitude of levels.

So, what is a Board or CEO to do? The answer lies in an increasingly popular methodology and executive role – the Chief Transformation Officer, a role typically charged with business and operating model transformation, and often a member of the C-suite. The title is typically synonymous with Head of Transformation although there can be multiple Heads of Transformation in an organization.

The mission of such an initiative is to provide an organization with an internal and objective team, empowered by the Board/CEO, to challenge old paradigms regardless of their past acceptance, evaluate the marketplace and benchmark against key competitors.

The goal is to improve processes, methodologies and standards with a mandate to transform them much more quickly than in the past as a necessary element of increasing market share and growing the business.

The concept behind the role of Chief Transformation Officer is one where the definitions and expectations are varied with many companies having different interpretations. For example, while the title Head of Transformation tends to be synonymous with CTO, the role of Chief Digital Officer may have a more limited mandate than the CTO, one focused on digital marketing or advanced technology integration. Adding to the confusion, we have found that financial services' companies and banks prefer the titles Chief Digital Officer and Head of Transformation, whereas insurance companies prefer Chief Transformation Officer. When polled, we have learned that the definition and mission for each title is not universal. Whatever title is used, both the mission and opportunity need to be clearly defined and put on a path to succeed. This is important because the role typically lasts approximately two years. And there is a discrepancy as to how to measure whether the initiative was successful.

Here are a few crucial questions that need to be addressed prior to embarking upon a CTO recruiting initiative:

### Is your organization ready to transform itself?

Unfortunately, meaningful change typically only occurs as a result of a traumatic event or series of traumatic events. Has your organization been rocked by such an event? Can your organization rally around such an event? Does management have the mindset to take a step into the unknown that likely will require a substantial change in power from executive leadership? Without these commitments, in all likelihood, the CTO can fail to achieve their change objectives.

### How do you attract a CTO?

Candidates can be secured from either an internal or external search. Internal candidates possess the advantage of already knowing a company's culture and key leaders, but that could very well impede an objective approach to challenging the status quo. The more advisable way to truly seeking improvement requires the CTO to be void of personal politics and alliances.

To provide a true objective approach, most companies have opted to hire from the outside to not only gain a fresh perspective, but also to incorporate best practices learned from other companies, oftentimes from the competition.

There is a war for talent today due to the strong economy exacerbated by the fact that many companies are now embracing CTO's. So how do you secure interest from a discriminating talent pool to become their first choice?

First, sell the mission and make it clearly understood that both the Board of Directors and CEO consider the role to be of utmost importance. Stress that you are hiring a CTO that **"Shares the Transformation priorities of the Board and CEO"** and will become a direct extension of their influence. Stress that while the company may have a predisposition regarding where issues need improvement within the company,

the Board will rely on the CTO's abilities to challenge those perceptions and come up with new ones where appropriate. The CTO may never become a CEO in his/her career, but this role will provide them with many of the same broad strategic challenges that CEO's experience. A CTO's mission is to "think like a CEO" and influence new strategic initiatives that will have a major impact on a company's success. Stress this point with passion to excite the CTO to recognize the profound importance of the role.

Next, have the CTO report to the CEO with frequent reporting updates to the Board and CEO. This ensures close coordination of issues, challenges and change while underscoring the importance of the role. Hiring an outside search consulting firm to find this level of talent will provide yet another opportunity to sell the importance of the position.

### **How do you help to ensure success of the role?**

While the CEO and Board may support the concept of challenging existing paradigms, expect that many people in key line management roles will not. This is especially true if the company has done well or in situations where key executives see themselves as "untouchable" due to their status and past success. It will be natural for many line managers, an integral part of the process, to view a new initiative as a nuisance, requiring an unnecessary investment of their time. It would be natural for some to view change as a distraction and not of a personal high priority.

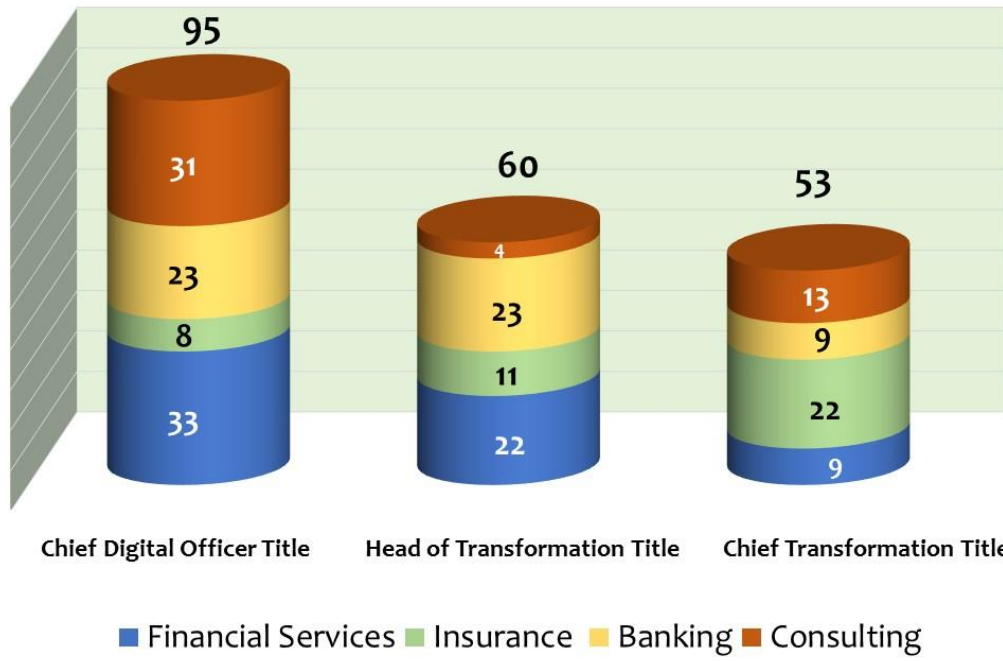
To overcome this challenge, have the CEO and Board establish a clearly communicated mandate that everyone must contribute to the success of any transformation initiative and that their personal involvement will be monitored. Establish clearly defined KPI's aligned with management participation. Align KPI's when calculating both compensation and future consideration for promotion and communicate this clearly.

Involve key line managers from the start of the initiative. While it is the CTO's role to lead the overall strategy, it should be imperative that he/she actively solicit the opinions of line managers as to what they see as opportunities for improvement for their respective areas of the business. Since it will be important for management to coordinate with other functional areas of the company, challenge them to provide additional solutions as to how to improve other functions that are not directly under them. People oftentimes are more inclined to find fault with other areas of the company than within their own team, so encourage a free and open dialogue.

Don't make the mistake of having meetings with line managers and then allow everyone to go off into their own area of the company and never focus on implementation. Therefore, make it known that the transformation team will meet on a regular basis for follow-up on the initiatives discussed in the previous meeting(s). Further, have a scribe take notes so that accountability can be attributed to each member for evaluation.

While making it known that KPI's will be measured individually, as well as by the total efforts of the company, furnish the CTO with valuable resources they can offer, at their discretion, to help line managers become more successful. This might include capital investment for projects impacting their business. The CTO should make it known that he/she can become an advocate for them, providing recognition on their behalf to the Board and CEO. Attention, visibility and recognition are valuable motivators.

## The CTO Title is Relatively New Among Financial & Consulting Organizations



Source: LinkedIn