TRANSFORMATION SIGNALS

Moved Fast. *Stayed Put.*

Ten signs transformation is generating motion without operating-model change.

A point of view for sponsors, boards, and value-creation leaders who need to know whether transformation activity is becoming real operating change.

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IN BRIEF

Most transformation does not fail dramatically. *It advances.*

Budgets are released. Workstreams mobilize. Platforms go live. New structures appear. Leaders receive regular updates. The sponsor begins to sense the problem before anyone declares failure: the work is moving, but the enterprise is not operating differently where the strategy depends on it.

The market has documented the broad pattern. Bain finds that only about 12 percent[1] of business transformations achieve their original ambition. McKinsey found that successful transformations realized only 67 percent[2] of maximum financial benefits; later operating-model work restated the shortfall as an approximately 30 percent[2] strategy-to-performance gap. The numbers describe the wound. They do not tell a sponsor where the conversion first broke.

Current guidance is increasingly clear about the destination: make operating logic explicit, rewire workflows, clarify decision rights, equip people, and force real prioritization. The remaining executive problem is diagnostic. *Which operating condition is still carrying the old model, and what would prove it changed?*

This paper offers that earlier read. The ten signs come from recurring operating conditions observed across transformation programs and strategy-execution mandates. Public research validates the context; the signs themselves reflect applied practice.

THE MARKET PATTERN

12%

of business transformations achieve their original ambition.

— Bain & Company, 2024[1]

~30%

strategy-to-performance gap — even successful transformations fall short of maximum benefit.[2]

— McKinsey & Company

SIGNAL

A condition becomes a sign only when the enterprise cannot show the control that contains it — or the evidence that the operating condition has *changed.*

WHAT STAYING PUT COSTS

The old model does not disappear. *It absorbs the value.*

⅓

Even successful transformations leave roughly one-third of maximum financial benefit unrealized. In practice, the old model absorbs it through three channels.

— McKinsey & Company[2]

FIGURE 2 · BENEFIT REALIZATION

Maximum benefit realized — Unrealized shortfall (~⅓)

01 **Margin & delivery economics**
Retained run-rate and duplicated capacity — the cost base the transformation was meant to remove keeps drawing funding.

02 **Delayed or unsupported value**
Recurring intervention and executive heroics stand in for a working model — value arrives late, or only when the right person is in the room.

03 **Control & customer exposure**
Funding the same correction again — the risk the program was chartered to close reopens under a new name.

> These are not one-time write-offs. They compound quietly, because the operating condition that produced them was never changed — only worked around. *Staying put is a recurring cost, not a missed milestone.*

HOW TO READ THE TEN

Moved fast is a program observation. *Stayed put is an operating-model finding.*

The operating model is not the org chart, technology stack, process repository, or transformation portfolio. It is the live conversion system beneath them: how intent enters, becomes a governed commitment, crosses functions, produces evidence, and is corrected. *Transform the Core* calls that working system the Core.

The ten signs make conversion failures legible. They do not replace a locked work population, baseline, causal mechanism, accountable benefit owner, or proof-confidence standard. They show leaders where to look before the transformation hardens around an unresolved operating condition.

Each sign carries two tests.

DIAGNOSTIC BOUNDARY
Separates ordinary friction from a structural signal.

EVIDENCE OF CHANGE
States what the enterprise should be able to show if the operating condition has actually moved.

TWO RULES FOR READING

01 · READ UPSTREAM FIRST

The earliest unresolved conversion point usually scopes the correction, even when the visible symptom sits downstream.

02 · DON'T WAIT FOR COMPLETION

The signs become readable the moment transformation makes operating commitments — admitting demand, changing funding or capacity, activating workflows, enforcing decisions, or claiming benefits.

SIGNAL *The most visible problem is rarely the first problem.*

FIGURE 1 · THE CONVERSION LIFECYCLE

Where each sign sits in the operating cycle

Strategic intent must cross five conversion points to become governed operating change. Each stage carries two of the ten signs.

STAGE 01	STAGE 02	STAGE 03	STAGE 04	STAGE 05
Entry	**Choice**	**Execution**	**Evidence**	**Correction**
Intent and admission	Priority and commitment	Work and technology	Governance and value	Learning and recurrence
01 · 02	03 · 04	05 · 06	07 · 08	09 · 10

↻ INTENT ENTERS → BECOMES A COMMITMENT → EXECUTES → PRODUCES EVIDENCE → IS CORRECTED

READING THE CHAIN

Read separately, each condition can be explained as ordinary friction. Read in lifecycle order, the signs reveal where strategic intent may have stopped becoming a governed operating commitment.

The sequence is not mechanically deterministic – a technology decision can fail even when strategy was clear. The practical rule is narrower: *start upstream.* The earliest unresolved conversion point usually scopes the correction, even when downstream symptoms are louder.

STAGE 01 · ENTRY — INTENT AND ADMISSION

01 The strategy arrived. The requirements did not.

The transformation can recite the strategic objective but cannot show what the enterprise must do differently to deliver it. "Grow faster," "become AI-first," "take cost out" are directions — not yet executable operating conditions.

~¼ of a transformation's potential value is lost before it begins — when targets are set too low or the actual state is never rigorously assessed. — McKinsey[2]

A Transformation Requirement names the operating condition that must become true for intent to execute. An Enablement Requirement names what must be owned, funded, sequenced, governed, or installed so that condition can hold. Without the distinction, the roadmap fills with initiatives while the undeclared work stays outside funding, authority, and proof.

DIAGNOSTIC BOUNDARY

The objective has funded work beneath it, but no named Transformation Requirement connects the ambition to a changed rule, decision, workflow, authority, or proof standard. Enablement is assumed rather than owned.

EVIDENCE OF CHANGE

For each strategic claim, leadership can show the required operating condition, accountable owner, dependent Enablement Requirements, funding and sequence, and the evidence that will demonstrate the condition now holds.

02 New work still enters through old doors.

The transformation has a new governance model, but demand still arrives through email, executive escalation, local spreadsheets, account promises, and work discovered after execution has begun.

The issue is not that every path must be centralized — urgent work needs speed. The requirement is a governed normal path *and* a governed fast path, not a side door that turns urgency into invisible exposure. When work becomes visible only after staffing, cost, or customer commitment has formed, the model has lost its first chance to govern it.

DIAGNOSTIC BOUNDARY

A material unit of work can be detected downstream without an admitted origin or explainable lineage established at or before commitment. The exception path lacks an owner, work class, exposure reference, or escalation rule.

EVIDENCE OF CHANGE

Normal and fast-path admissions are explicit. Work carries an accountable owner, work class, basic economic or risk exposure, and followable lineage before first material execution.

Intent that never became a requirement was never truly funded.

STAGE 02 · CHOICE — PRIORITY AND COMMITMENT

03 Everything is still a priority.

The transformation portfolio grows, but the enterprise's choices do not become sharper. Ranking changes on the dashboard while funding, capacity, leadership attention, and legacy commitments remain protected.

Prioritization becomes operating change only when a choice changes what the enterprise funds, sequences, staffs, defers, or stops. Persistent outcome funding also requires the legacy run-rate to be re-baselined — otherwise the transformation adds new work without removing the old cost and capacity.

DIAGNOSTIC BOUNDARY

The portfolio has a rank order but no stopping, defunding, resequencing, or capacity-release rule. Lower-ranked work continues because no decision is attached to the ranking.

EVIDENCE OF CHANGE

A priority decision changes a commitment. The record shows what moved, what stopped, what capacity or funding was released, who accepted the trade-off, and when the decision will be revisited.

04 The terms changed. The delivery equation did not.

A discount is approved. A deadline compresses. Scope expands. A synergy target rises. The commercial or strategic condition changes, but staffing, capacity, workflow, controls, and value expectations continue as if it did not.

This is where the old model quietly absorbs the exception. Margin pays first; then quality, employee effort, customer confidence, or delayed proof absorbs what margin cannot. A changed term must trigger a changed operating choice *before* the work is accepted.

DIAGNOSTIC BOUNDARY

Material changes to price, scope, timing, risk, or value expectations do not trigger a required recalculation of delivery path, staffing economics, capacity, control intensity, or proof. The exception is absorbed downstream.

EVIDENCE OF CHANGE

Defined thresholds force a pre-commitment response: redesign the delivery path, change resources, narrow scope, reprice, resequence, escalate, or refuse. The changed economics and accepted exception are visible in the work record.

A ranking that changes nothing is a preference, not a priority.

STAGE 03 · EXECUTION — WORK AND TECHNOLOGY

05 The target model is visible. The work is not different.

The enterprise has a new structure, target operating model, or capability architecture. Employees see what changed on paper but cannot explain how the work will run differently on Monday morning.

88/36 88% of senior leaders believed a new structure would achieve its aims; only 36% of the people working in it agreed. — Bain[3]

Support is broader than communications. It includes the workflows, decision rights, tools, routines, measures, coaching, and transition capacity that let people perform the new work while the old model is still receding.

DIAGNOSTIC BOUNDARY

The target state is described, but the critical value-producing workflows still use the old handoffs, approvals, escalation paths, or informal workarounds. The transition is treated as adoption rather than operating design.

EVIDENCE OF CHANGE

For the workflows that carry the strategy, affected teams can show the new sequence, decision rights, handoffs, routines, tools, measures, and exception path – and demonstrate those mechanics are used under real demand.

06 The technology moved ahead of the operating logic.

A platform goes live. AI use cases scale. Workflow is automated. Yet ownership, decision rules, exception paths, evidence standards, and human intervention points remain implicit or contested.

56% of CEOs had seen neither revenue nor cost benefit from AI; only 12% reported both. — PwC, 2026[4]

Technology can execute a rule at scale. The enterprise must still decide the rule, its tolerance, who may override it, what evidence the override requires, and how the outcome will be judged.

DIAGNOSTIC BOUNDARY

The capability can execute, recommend, or automate work, but the operating decisions that give it meaning remain unresolved. Human-machine boundaries, exceptions, ownership, and proof are discovered during use rather than designed before scale.

EVIDENCE OF CHANGE

Critical decisions and exceptions have named owners, thresholds, evidence requirements, human-intervention rules, and outcome measures. The enterprise can show the deployed capability changed a working decision or workflow – not merely that it was adopted.

A new structure on paper is not new work on Monday.

STAGE 04 · EVIDENCE — GOVERNANCE AND VALUE

07 Governance can report the program. It cannot change the work.

The transformation office can show schedule, spend, milestones, risks, and benefits. It cannot resolve the cross-functional decision causing the delay, stop work that no longer supports the outcome, or reassign authority at the broken handoff.

The problem is not weak reporting. Governance was built around initiatives while the operating choice lives at the conversion seam — sales to delivery, strategy to funding, technology to operations. A status forum sees the symptom; operating governance must be able to act where the condition is produced.

DIAGNOSTIC BOUNDARY

The same seam appears in successive reviews, but the forum lacks authority to alter priority, funding, decision rights, workflow, or escalation. The issue remains a dependency owned by everyone and resolved by no one.

EVIDENCE OF CHANGE

Each critical conversion point has an accountable owner, decision authority, tolerance, escalation path, and evidence standard. Governance records the operating decision, not only the program discussion – and measures the time required to close it.

08 Benefits are visible. The work behind them is not.

Savings are booked. Revenue is attributed. A value-capture number appears. The enterprise cannot follow the population of work that produced the result from governed origin through execution and evidence.

42% of investors want greater disclosure of AI investment and returns; only 37% say companies disclose enough today. — PwC[6]

A favorable number may include demand changes, temporary capacity, accounting treatment, or local heroics. That puts five elements under scrutiny: a locked work population, baseline, causal mechanism, accountable benefit owner, and proof-confidence standard.

DIAGNOSTIC BOUNDARY

The program reports an outcome without a locked work population, baseline, causal mechanism, accountable benefit owner, or proof-confidence standard. Finance can reconcile the number but not the changed work behind it.

EVIDENCE OF CHANGE

The claim identifies all five elements. The supporting record shows when and where proof was generated, letting leaders follow the work from governed origin to reported result and distinguish repeatable change from temporary performance.

Governance that can only report cannot correct.

STAGE 05 · CORRECTION — LEARNING AND RECURRENCE

09 Correction still depends on heroes.

The new model works when the right people intervene. An experienced leader resolves the exception. A delivery manager repairs the handoff. A subject-matter expert knows which rule can bend.

Heroics are not merely a weakness to eliminate — they are a map. Repeated intervention shows where the operating model has failed to absorb knowledge, authority, or an exception rule. The useful question is not who saved the result; it is what operating condition made the rescue necessary, and whether the system learned from it.

DIAGNOSTIC BOUNDARY

The same people repeatedly intervene at the same seams, and the intervention is celebrated or tolerated without becoming a changed requirement, decision right, workflow, control, escalation path, or knowledge asset.

EVIDENCE OF CHANGE

Hero concentration is mapped. The underlying condition becomes a named requirement, and the intervention is converted into delegated authority, a governed fast path, a routine, a control, or an explicit exception rule. Dependency on the individual declines.

10 The pain returned with a new name.

The initiative closes. The issue reappears in another function, quarter, platform, or transformation wave. Cost returns because the work that produced it remains. Manual effort reappears around the new platform.

The recurrence usually means the finding was closed against a deliverable rather than against the operating condition that produced it. The project learned. The operating model did not. The final test is whether evidence altered the working model before the next cycle began.

DIAGNOSTIC BOUNDARY

The enterprise can show completion of the initiative but cannot identify the standard, workflow, authority, funding rule, control, or proof requirement that was permanently changed because of what the initiative learned.

EVIDENCE OF CHANGE

The finding is closed into the operating model. The changed rule or workflow has an owner, funding, measure, and review point. Recurrence is tracked across units and waves, and the condition declines rather than reappearing under a different label.

A recurring hero is a map of where the model still fails.

WHAT THE SIGNS REVEAL

A diagnostic chain, *not a failure score.*

Enterprises often answer a downstream symptom with another initiative. The response improves around the model and leaves the model intact.

THE SYMPTOM ANSWERED

Training is added

↓ but

the missing condition is *decision authority.*

THE SYMPTOM ANSWERED

A dashboard is added

↓ but

the work never entered through a *governable boundary.*

THE SYMPTOM ANSWERED

Automation is added

↓ but

the commercial terms never *recalculated the delivery equation.*

The sequence is not mechanically deterministic. A technology decision can fail even when the strategy was clear. Benefits can be weakly traced even when priorities were sound.

That is why the practical rule is narrower: start upstream. The earliest unresolved conversion point usually scopes the correction, even when downstream symptoms are louder.

SIGNAL

The loudest symptom points to the pain. The earliest unresolved conversion point points to the *work.*

ILLUSTRATIVE · MARGIN PROTECTION

The loud symptom vs. the first cause

Strategic intent is clear – protect margin while sustaining growth. The signs locate where the intent stopped converting.

THE DOWNSTREAM SYMPTOM

Utilization is high. Delivery teams are working harder. Project margin still misses. The obvious response is tighter execution management.

This answers the pain – not the work.

THE UPSTREAM READ

Discounted deals and compressed timelines are still committed without recalculating the resourcing path, delivery model, and price-to-margin logic. The work entered. It was never properly sorted.

The earliest unresolved conversion point is Sign 04.

THE TRANSFORMATION REQUIREMENT

Material changes in commercial terms must trigger a delivery-economic recalculation before commitment.

THE ENABLEMENT REQUIREMENTS

- Decision rights for exceptions
- Threshold logic
- Reliable cost & capacity data
- Workflow support across commercial & delivery systems
- Evidence standard for accepted margin exposure

CORRECTION AT THE CONVERSION POINT

Correction occurs at the conversion point, not only in delivery. The sponsor can then test whether changed terms now produce changed staffing, scope, price, timing, escalation, or refusal – and whether the accepted exposure remains traceable through delivery and value proof.

THE RESPONSE

Do not answer a system signal with another *disconnected initiative.*

1 Read actual work.
Use records, decisions, handoffs, exceptions, capacity, economics, and evidence – not only the roadmap or target-state design.

2 Locate the earliest unresolved conversion point.
Start where intent enters and move downstream until the first operating condition cannot be shown to hold.

3 Name the Transformation Requirement.
State the operating condition that must become true for the strategic intent to execute.

4 Declare the Enablement Requirements.
Name the authority, funding, capability, data, workflow, technology, governance, and adoption work required to make the condition hold.

5 Install the operating decision.
Change the rule, owner, funding, workflow, threshold, escalation, or proof standard at the point where conversion breaks.

6 Prove the changed result and close the finding.
Show that real work now follows the changed condition, produces different operating evidence, and feeds correction back into the model.

ETEGY's *Zero-Based Transformation™* begins with a zero-assumption operating-model read: actual state is tested rather than inferred from the roadmap, target-state design, process inventory, or platform configuration. *GSDPI™* organizes that read through the lifecycle by which work enters, becomes a commitment, is executed, produces evidence, and is corrected.

The model is not imposed on the enterprise. *The enterprise reveals it.*

THE SPONSOR READ

Five questions for the next governance review

Q1	What now enters the enterprise differently?
Q2	What decision now changes funding, scope, capacity, timing, or economics?
Q3	What work now crosses functions without the old friction or recurring heroics?
Q4	What evidence now connects changed execution to the claimed result?
Q5	What did the enterprise learn that permanently changed the way it operates?

When the answers are visible in the work, transformation activity is becoming real operating change. When the answers remain inside the roadmap, status report, or target-state deck, the program may be advancing while the enterprise stays put.

SOURCE NOTE

Method and evidence base

This paper combines two evidence classes. **Public research** establishes the market-level pattern: transformation ambition frequently fails to convert into expected performance, operating-model design requires more than structure, and AI and investor scrutiny are increasing the demand for explicit work logic and defensible value evidence.

The **ten signs** reflect recurring operating conditions observed across transformation programs and strategy-execution mandates led, structured, or architected by ETEGY.

The signs are applied-practice diagnostic hypotheses – not a statistically validated scale and not a predictive score. No sign independently proves failure. Each requires direct enterprise evidence and becomes diagnostic only when the operating condition repeatedly reproduces the old result and the enterprise cannot show the control or evidence that should contain it.

Earlier transformation research, including Kotter's landmark work, concentrated primarily on leadership and change failures. This paper examines a different object: *failures in converting strategic intent into changed operating conditions.*

A NOTE ON TERMS

ETEGY *Zero-Based Transformation™* is distinct from zero-based budgeting and cost takeout. *GSDPI™* provides the lifecycle taxonomy used to locate findings and structure correction.

THE TWO EVIDENCE CLASSES

CLASS 01 · PUBLIC RESEARCH

Bain, McKinsey, PwC, and BCG establish the market-level pattern and the rising bar for explicit operating logic and defensible value.

CLASS 02 · APPLIED PRACTICE

Transformation programs and strategy-execution mandates across services-heavy enterprises, private-equity portfolios, post-merger integrations, and enterprise operating-model work.

SOURCES & NOTES

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ABOUT ETEGY

ETEGY

ETEGY advises executives, boards, and value-creation leaders on operating-model transformation, enterprise governance, and provable value realization — helping organizations convert strategic intent into governed work, measurable performance, and defensible enterprise value.

FOR EXECUTIVE DISCUSSION OR BOARD-LEVEL APPLICATION OF THIS POINT OF VIEW

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GET · SORT · DO · PROVE · IMPROVE