



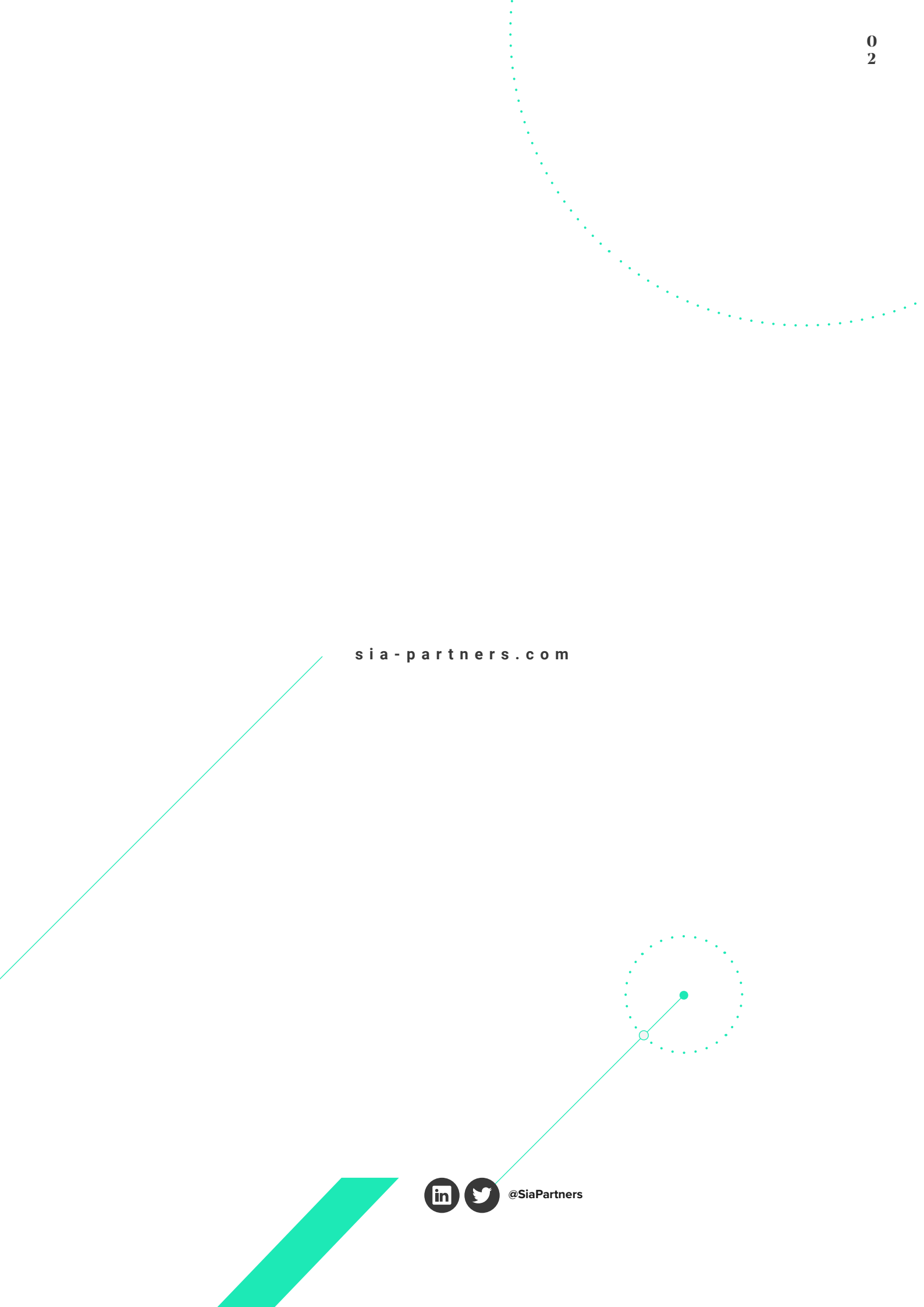
Catalyze Transformation with a Transformation Management Office.

*Building a New Organizational Capability
Vital to Future Sustained Competitiveness*

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Introduction.

The pandemic taught us that organizations need to be agile, customer-focused, and digital-ready. It required companies to rewrite their strategy playbooks to overcome new obstacles and demands from employees, suppliers, and customers. Now, before the world has fully recovered from this disruption, new challenges have emerged ranging from increased cyber attacks to the increasing role of artificial intelligence and the metaverse, to the growing impacts of climate change and a looming recession. Companies face the stark choice of undertaking significant changes or risk lagging further behind in competitiveness, profits, or consumer satisfaction. In response, organizations have adopted one of these strategies:

- Turnaround:** If the company is losing market share or operational expenses are too high, the company initiates a process of strategic repositioning or launches a large initiative to increase operational efficiency.
- Consolidation:** The company initiates a merger or acquisition with a competitor to consolidate its positioning or conquer market share and generate operational synergies.
- Development:** If the company has the necessary resources (financial and human), then they initiate a diversification of activities or a refocusing on markets with higher added value.
- Acceleration:** Companies positioned in very resilient markets or having a strong capacity for technological innovation are able to capitalize and take significant shares in new market segments such as technology companies penetrating retail or healthcare.

All of these strategies require significant organizational shifts, and executives have relied on standard approaches like using an SDO (Strategic Delivery Office) or a PMO (Project or Program Management Office) to drive the change. Yet these traditional institutions are ill-equipped to support true transformation. They run into roadblocks and competing priorities. A new approach is emerging where organizations empower an entity called a Transformation Management Office (TMO) to successfully drive a major evolution.

A TMO inspires radical changes, typically over a short amount of time, to the organization's strategy, sales, market, operations, supply chain, culture, and even how the leaders lead - enabling realignment of the organization to a new normal. Based on research and experience, this whitepaper introduces this new approach to driving transformation. In what follows, we will explain what drives transformation, what a TMO is, and how it is instrumental in effective transformations. To further distinguish what a TMO is, we will then compare it to the more common organizational structures like a Project Management Office (PMO) and a Strategy Delivery Office (SDO). Finally, we will share our approach to launching a transformation initiative and three case studies of transformations to demonstrate how a TMO works in practice.

What Drives Transformation?

Transformation can take many shapes such as moving up the value chain, revolutionizing a service or product, relocating supply chains or production facilities, or implementing a significant technology change. Every transformational change will look different, and understanding the core drivers of change can help uncover the opportunities, risks, and best approach. Here are typical drivers of change and some examples:

- **Changes in competition** (new entrants, lower cost substitutes, market consolidation)
- **Supply chain challenges** (cost, uncertainty)
- **Regulations** (environmental laws, data privacy)
- **Innovation and disruptors** (technology changes, pandemics, artificial intelligence, metaverse, cryptocurrency, (geo)politics)
- **Workforce changes** (work from home, quality & inclusivity, work-life balance)
- **Climate change** (net zero, sustainability, energy scarcity, severe weather impacts, rising sea levels).



The more drivers that are at play increases the need for more radical transformation, requiring a larger investment and higher risk of failure. Lately, launching major transformation initiatives has become a staple, yet these efforts are demanding due to the depth and breadth of change. According to a study published in the Harvard Business Review, of 128 organizations going through a transformation, only 22% succeeded.¹ With a price tag of \$1.3 trillion dollars spent on transformation, yielding only a 1 in 5 chance for a return, it is imperative that organizations learn how to more effectively transform.² To increase the odds of success, organizations should implement a Transformation Management Office (TMO).

Definition of a TMO

A leader-led initiative, the TMO is responsible for driving innovation to revolutionize the business. This involves radical redesigns of processes, facilities, equipment, people, culture, and technology across the breadth of the business. TMOs effectively challenge tried and true practices. Think Netflix's move from on-demand physical DVDs to becoming one of the top suppliers of entertainment enabled by artificial intelligence, or more recently, the shift of traditional oil and gas giants to renewable energy.

(1) Argenti, Paul A., et al. "[The Secret Behind Successful Corporate Transformations](#)," *Harvard Business Review*, September 14, 2021

(2) [New IDC Spending Guide Shows Continued Growth for Digital Transformation in 202, Despite the Challenges Presented by the COVID-19 Pandemic](#). (2020). Business Wire

Anointed by the CEO and/or Board of Directors, the Chief Transformation Management Officer (CTMO), becomes the driver and custodian of transformation.

Unlike a PMO, which is often led by middle management with executive sponsorship, the leader of the TMO, a CTMO, is a member of the executive team. This allows the CTMO direct access to the leadership of the organization, which is important because:

- *The very top leadership is behind the change as a visible symbol to the whole organization, countering the common attitude of “this too, shall pass” to organizational initiatives that come and go.*
- *The TMO has the access needed to override functional silo thinking and create alignment across the organization -- even challenging the executive leadership to rethink competing priorities that are working against the desired transformation goals.*
- *The CTMO can challenge executives to act in alignment with the organizational change, creating a visible coherence needed to support the change throughout the rest of the organization.*



‘The CTMO sets the blueprint and guides the organization in implementing the transformation.’

The CTMO sets the blueprint and pace of change and guides the organization in implementing the transformation. He or she will build a team of internal champions and innovators from within who deeply understand the current business but who are also open and wanting change. Joined by external consultants who bring a fresh perspective, deep knowledge, and experience with transformation to help coach, guide, and challenge thinking when necessary, this cross-functional team will work across the organization and at all levels to determine what needs to change and how it needs to change. Escalating significant challenges and roadblocks to the CTMO who can work directly with leadership to remove barriers, the TMO effectively catalyzes the firm.

Besides championing the transformation, the CTMO also has a unique, but critical challenge: to help coach and hold accountable the leaders of the organization to new ways of thinking and working. This close collaboration with the C-suite is a defining aspect of a TMO. A well-executed TMO can improve business confidence in the ability of an organization to transform and reach the set objectives.

The Harvard Business Review said it best after analyzing the top business transformations from the last decade:

“In an era of relentless change, a company survives and thrives based not on its size or performance at any given time but on its ability to reposition itself to create a new future and to leverage a purpose-driven mission to that end. That’s why strategic transformation

may be the business leadership imperative of the 21st century.³”

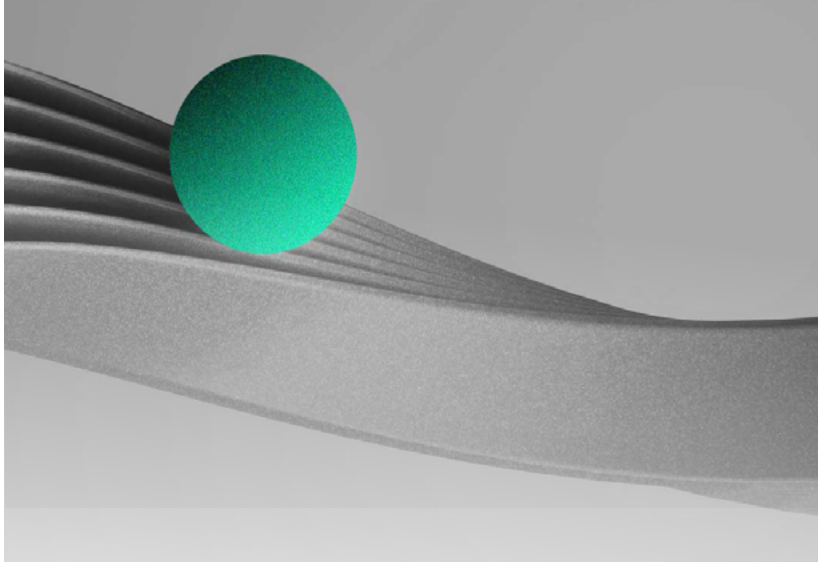
Why Not a PMO or a SDO?

Many would argue that organizations already assume responsibility for transformation programs under specific departments or teams. Most already have well-established Project Management Offices (PMOs) and/or Strategy Delivery Offices (SDOs), often called an Office of Strategy Management (OSM). Both are essential for driving performance improvement but given the inherent complexity and criticality of managing large-scale transformations, they cannot and should not be driven using the same approach used for managing projects, strategy, or performance.

(3) Anthony, S.D., Trotter, A., & Schwartz, E. I. (2019, September 24). [The Top 20 Business Transformations of the Last Decade](#). Harvard Business Review. Retrieved September 23, 2022

‘Strategic transformation may be the business leadership imperative of the 21st century.’

The Harvard Business Review



Both offices, PMO and SDO/OSM, sustain key responsibilities that should not be compromised. While key decision-makers could be tempted to embed a transformation program within the scope of responsibilities of the PMO or the SDO/OSM, this is ill-advised. The PMO's mandate is to ensure that projects are managed efficiently and to establish procedures, be they strategic initiatives or large tactical or operational projects. Take for example the implementation of a new finance and accounting system within an organization: this can, and should, be steered by the PMO. It is typically a complex project with many involved stakeholders (internal and external) so a robust project management discipline will be key to a successful implementation. But this is not an initiative that would fall within the remit of the transformation management office; moreover, PMOs are established entities that understand how to work within the system to accomplish certain goals. They accept, rather than question, the limitations of the existing framework. Unlike a PMO, TMOs are equipped to handle efforts to challenge and evolve the system. They are mandated with an overarching mission to identify opportunities for transformation, and are better equipped to avoid the trap of conducting "business as usual."

When it comes to strategy implementation, a major transformational effort

can be seen as a key strategic initiative; hence, the natural owner is the Strategy Deliver Office. However logical this may seem, it is not the best approach. Transformation requires large amounts of change management, coordination of multiple stakeholders, and, more importantly, a unique and broad set of skills. Organizations can't expect to design a list of 'transformation' projects and tell the PMO to get on with it, or expect that the SDO will do this with the required focus, at the same time as it executes its other key processes (e.g., managing performance, strategic alignment, managing risk, reviewing and updating the strategy, etc.). Therefore, organizations can maintain their existing structures and add a TMO to drive transformation; three distinct offices that have their own purpose, but can work together in driving performance.

This is not necessarily suggesting that all organizations will require three stand-alone offices. One size does

not fit all and the best approach depends on the size of the organization. Organizational preferences regarding structure and culture will also come into play. In many cases, the roles of the PMO and the TMO could be embedded into the SDO. What is more important is to recognize the distinct, yet complementary roles of the three offices. Each requires its own charter, whether merged or not. By being fully cognizant of the specific requirements dictated by joining the three offices, impactful end-to-end enterprise performance management becomes achievable (from short-term operational planning, through medium-term transformation planning to long-term strategic planning). Confusion, turf-wars and the overlapping of efforts are eliminated as the three offices become laser-focused on what they have to deliver and how this positively impacts the organization more broadly. The below chart further clarifies the differences between these three important office types.

	TMO	PMO	SDO
<i>Focus</i>	Focus is on steering profound change . <i>'We are quickly changing and adopting to achieve a new normal.'</i>	Focus is on achieving project efficiency . <i>'Our projects are on-time and on-budget.'</i>	Focus is on delivering value and managing strategy implementation. <i>'We are gradually realizing our outcomes.'</i>
<i>Timespan</i>	Medium-term , focusing on complex initiatives that profoundly impact operations and strategy.	Short-term (typically), focusing on operational change, but has a role in ensuring the efficiency of longer-term initiatives.	Long-term , focusing on delivering the ultimate strategic vision.
<i>Planning Approach</i>	Using agile approach to tackle complex problems with real-time planning.	Planning and execution of work on initiatives and deliverables.	Big-picture planning : ensuring that projects, processes and actions are always aligned to the strategy.
<i>Performance Management Approach</i>	Performance managed by KPI and goal achievement.	Performance managed by project/program milestones achieved.	Performance managed by overall results achieved and outcomes delivered (strategic KPIs).
<i>Stakeholder & Communication</i>	Actively engage stakeholders through constant feedback loops .	Communicate and engage stakeholders for project reasons .	Communicate and engage stakeholders for strategic reasons .
<i>Knowledge Base Required</i>	Deep understanding of all aspects of the business, agile methods, coaching, change management, process improvement, project management and transformation.	Deep understanding of the project management world.	Deep understanding of strategy execution, performance management and associated skills.

The Work of Transformation.

While increasing numbers of business and government leaders acknowledge that transformation is critical to sustaining high performance, the challenge many grapple with is precisely how and where to begin. While there is no “one size fits all” for transformation, the following is a high-level overview of the steps necessary to start a TMO and implement a successful transformation effort.

1. Align on the Vision.

The leadership team needs to articulate the desired change by answering a few key questions:

What are the problems that need to be solved? Is everyone in leadership aligned with that?

What are the goals we are trying to accomplish? Does everyone in leadership agree that these are the right goals?

What will success look like? Can leadership articulate what it will look like?

Why do we want and/or need to transform? Can leadership explain the need to transform?

What would be the impact of not transforming? Does leadership believe in the gravity of the risks?

Leaders should also positively respond to questions about their commitment to change. Without full support for transformation by leadership, it will be unlikely that any transformation will succeed. Consider these questions:

Am I (the leader) personally willing to change? Is my leadership team willing to change?

Am I willing to be coached and hold others accountable for the new way of working? Are leaders ready to be coached and held accountable by the transformation leader and team?

Do I and everyone on my team have a willingness and commitment to change? If not, will it be possible to overcome this challenge?

Am I and my team committed to model and become vocal sponsors of the transformation?

If the leadership lacks alignment and commitment, then no amount of money, or internal or external expertise, will “buy” a transformation. Once leadership has a vision and is aligned and

willing to do the work of transformation, then it is time to move to step two.

2. Select a CTMO.

A Chief Transformation Management Officer (CTMO), a leader embedded in the executive leadership of an organization, builds and guides the TMO. This critical role requires a delicate balance between a deep understanding of the current business structure and a clear vision and tools to create a future state through transformation. Finding the ideal candidate, someone with depth and breadth of skills as well as strong leadership capabilities to both lead, guide, and coach from leadership down to front-line employees, is not an easy task. They are also responsible for building the core team.

3. Build the core team.

The CTMO will require an adept and diverse team. These individuals need to not only deeply understand the current business but also have the ability to envision a new way of operating. Then they have to drive the change. Additionally, adding support from external advisors can provide a critical 3rd party perspective and deep knowledge and experience with transformation. Also, they may be better positioned to challenge the status quo with less concern about reprisal.

4. Determine approach and plans.

Clarify the current state as compared to the desired future state by reviewing the business structure, processes, roles, strategy, culture, and assets. This may require assessments, tools, and methods to help uncover the current state. Then, the team will need to consider the vision and what that will tactically look like in a future state. Based on a gap analysis, the team can determine the best approach to start the work of transformation. There are a few different methods to approach transformation. Each one has its pros and cons and transformation may ultimately require only one or all of these approaches.

- a. **Select an isolated business unit that can be more autonomous** and allow the core team and select members of that team to focus on

transformation (create a success story and make it a paradigm of change);

- b. **Select a whole end-to-end product line** or value stream to focus on transforming.
- c. **Focus on implementing top-down values**, principles, and practices that will create change.
- d. **Use a deliberate catalyst for change** that will require employees to have to shift their roles and/or behaviors. Examples are moving to a new facility, reorganization of the company structures, or rolling out new digital tools.

Whichever approach is used, it is critical to achieve success early. Perhaps tackling the easiest areas first to build momentum and quickly collect and implement lessons learned to create a momentum that will serve to drive transformational change.

5. Engage enablers and remove roadblocks.

Consider the plan and determine the enablers that need to be put in place and encouraged as well as uncover and remove roadblocks. This might include getting early buy-in from key influencers in the organization, restructuring employee rewards or appraisals, changes to how materials are delivered, removing past analog or paper systems, or updating employee office or production spaces. Additionally, it can be helpful to identify risks to transformation and work to eliminate, transfer or mitigate them.



6. Initiate the transformation.

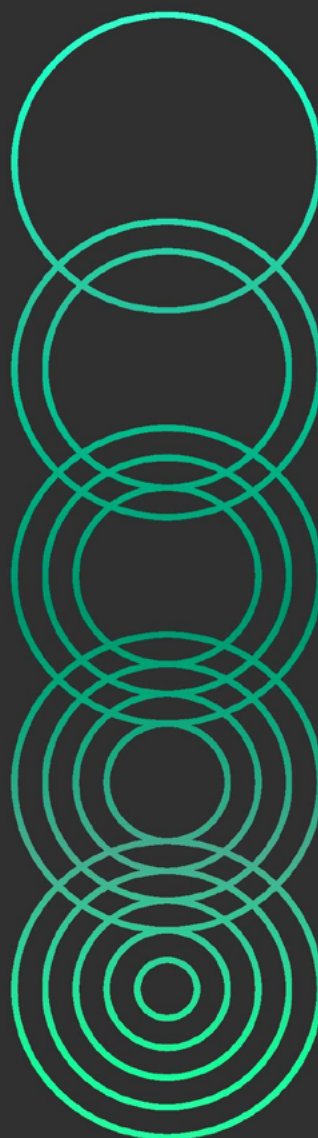
Once there is a plan, even a partial plan, the work of transformation should begin. Using a more agile approach with a focus on small achievable objectives allows the team to pilot and learn. Especially early in transformation, the team will need to adjust and course correct or even restart, as required. No plan will be perfect as transformation can be messy with a lot of trial and error; therefore, the sooner it starts, the more quickly the team will learn what does and does not work.

7. Learn and share in the success.

It will likely be a tumultuous process to successfully transform even a small area or ensure all employees incorporate a new behavior, so **it is good to do frequent retrospectives and incorporate lessons learned** as you continue the transformation. The Transformation team should expect some failure and not be afraid to start over and abandon an approach if it is not going in the right direction. Celebrate the small wins and make successes visible organization-wide.

Replicate what is working and accelerate as tactics and approaches are refined. Leverage success by sharing with other teams and focus on the expansion of the methods that work. Transformation may initially be gradual like a slow wave moving through the organization but then suddenly it will gain significant momentum as the rest of the organization becomes inculcated into the new way of thinking and working; therefore, the TMO should work quickly to reach a tipping point to deliver a return on investment.

‘Replicate
what is
working
and
accelerate.’



Case Study: Reimagining Energy Sector Logistics.

A fully integrated energy logistics business faced significant challenges. The company served the oil and gas industry as a distributor and was becoming one of the largest transportation and logistics companies in the world with a global presence in more than 29 countries across the Middle East, Africa, Asia, the Pacific, and the Americas.

Since its founding in 1998, it experienced spectacular expansion up until 2012, when the business started to show evidence of market satura-

tion. Slower growth rates, reduction of margins, and lower customer retention provided signals of a market that was flooded by competition resulting in the commoditization of services and pressure on margins. In order to regain its earlier competitive advantage and market leadership, the organization needed to respond to the trends and forces of the market by redefining its approach to the growth of the road transport & warehouse business, and redefine its operating model of services.

The organization established the vision for its transformation and determined the right approach for building a TMO. After gaining the support of the Board of Directors for the vision, the organization embarked on a multi-year transformation program beginning with selecting a CTMO and establishing a TMO, which resulted in benefits such as:

Continuous double-digit growth rate due to a focus on growth, expansion, and diversification of all business lines

Creating greater internal synergies and ways of working through a redesigned operating model.

Evolved to a holistic 4PL service provider from a standard 3PL resulting in growth up the value chain and expanding the customer's portfolio.

Higher loyalty and employee satisfaction by reimagining the employee experience.

Increased the HSE standards with zero incidence acceptance level through embedding strong enterprise risk management practices to proactively manage risk appetite.

Significantly increased brand recognition by winning many international awards due to operational excellence.



Case Study: Giving Customer Centricity in Public Sector a New Meaning.

A government entity recognized a disconnect with its customer experiences, leading to low satisfaction. This was a critical problem as the entity, through three primary core business avenues of Tourism, Culture, and National Libraries hoped to diversify the region's economy by strengthening it as a global destination for business and leisure tourism, while also safeguarding and promoting its cultural heritage.

The organization set out a new transformation vision in regard to services management which resulted in the achievement of 90%+ satisfaction scores. Key focus areas included:

Align the organization to fulfill its ambition of operating in a customer-centric manner.

Create a central operating unit where service area owners can drive transformation through the application of customer-centric service design.

Map all services to external-facing customers, benchmark them with leading entities around the world to gain insights into best practices, and then redesign them based on defined principles of customer and digital centrality.

Work with the digital team to fully digitize the redesigned services and relaunch them via a central government platform.

Leadership struggled with how to transform to achieve this new lofty vision. They recognized that they did not have the needed knowledge, skills, insights and coaching to be successful. By securing external transformation help with training and coaching and by augmenting their TMO efforts, the organization became a leader in customer-centric service delivery



in the public sector ecosystem in its region, having achieved significant improvements:

Evolved from a department-centric **to a customer-centric organizational culture.**

Transformed from organization-centric service management **to customer-centric service design and delivery.**

Moved from inactive **to a proactive response** to customer feedback, allowing teams to operationalize customer insights.

Linked employee culture **to customer outcomes.**

Redesigned and digitized customer-facing services within one unified government portal, **resulting in dramatically improved response times.**

Having a transformational vision is a start, but for most organizations, being able to execute to achieve the vision requires a new set of capabilities. Whether this is grown from within or brought in from outside, the skill and knowledge of how to transform is necessary for the TMO to successfully achieve results.

Case Study: Accelerating Transformation in Financial Services.

A financial services company with 600,000 customer contracts and 21.77B Euros in investments was embarking on a transformation initiative to redefine the corporate operating model. The PMO was initially tasked with transformation, yet employee sentiment and optimism toward the program were low. **After leadership coaching, the executives realized they needed an inspired TMO** that could harness the strengths of the traditional PMO alongside the TMO's strong transformational mobilization and change capability. Once the TMO was created, it was a collaborative effort with the CTMO and the Senior Management Team to develop a prioritized set of initiatives and benefits in alignment with the

firm's strategic objectives. Additionally, an overarching change strategy, led by the People and Culture team and supported by communications and engagement activities, was created. This significantly helped to embed the change into the business and build engagement and buy-in. Change impact assessments were used to uncover gaps between the as-is and to-be so that training, knowledge transfers and employee capability uplift could be implemented.

To help speed up project delivery and change, two agile teams were created. **These teams were able to create quick wins** to update and improve processes, add functionality for online customers and automate backend processes.

The agile teams also developed a sustainable process to conduct as-is and to-be assessments to continuously identify improvements to processes, people, organizational structure, and systems.

As a result of the successful transformation initiative, employee engagement increased by 13% within one year. Communication between teams greatly increased and the organization was able to deliver on key technology changes enabling their business to operate more effectively. They were well positioned to continuously improve and continue to capture and grow market share in the financial services industry in their market.







TMO's Provide an Organizational Advantage in Transformation.

As we move into a “digital economy” in the post-pandemic era, organizations (be they commercial, non-profit, or government) are challenged to adapt structures and working practices to the new realities. The demands are heavy and unprecedented and how organizations will be reconfigured going forward is still a work in progress, and will be for some time.

But what is already glaringly evident is that agility and the required focus on transformation will become hallmarks of the most successful organizations, and increasingly a prerequisite for survival. A dedicated Transformation Management Office - distinct from a more conventional Project Management or Strategy Delivery Office - can be a critical tactic in transformation and provide a competitive edge.

The work of a TMO is challenging and will require a high-performing team that can communicate, collaborate, challenge traditional ideas, and deal well with ambiguity, steep learning curves, “impossible” deadlines, and setbacks. It is not easy nor a quick fix, but it is an investment in the future. A dedicated TMO with a laser-focused transformation team empowered with the right leader, approach, and support, will successfully transform the organization, delivering a quicker and more robust return on investment while improving both employee experience and customer satisfaction.

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