THE FUTURE-READY CFO MASTERCLASS

MODULE 15 OF 20 | PILLAR IV: LEADERSHIP, TALENT AND ORGANIZATIONAL TRANSFORMATION

Change Management and Cultural Transformation

MODULE SUMMARY

This module explains why transformations stall and how a chief financial officer leads one through. It covers the published evidence on success rates, the models of Kotter, ADKAR and Lewin, reading resistance with a scored stakeholder map, aligning incentives with a verified example, and sequencing change with a change load heat map. It treats communication, governance, stage gates and benefits tracking, a culture that adapts with a pulse survey, restructuring with empathy and counsel, and sustaining change after the program ends. A fictional case, boardroom questions, a change impact assessment, a communication plan and a ten question self assessment follow.

MODULE AT A GLANCE

Core question	Why do transformations stall, and what must a CFO do to read resistance, align incentives, sequence the work, govern the program and build a culture that carries change through to results?
Why it matters to the CFO	The CFO owns the budget, targets, incentive plans and measures that decide whether change is adopted, and a program that overloads its people delivers a fraction of its promised value.
Key sources	McKinsey (2015, 2021), BCG (2020), Kotter Inc., ADKAR and Lewin as described by secondary sources, Deloitte, Google re:Work, Gallup (2026), EY (2022) and Gartner (2026).
Executive artifact	A change impact assessment and a stakeholder communication plan, each completed for a fictional company.

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1. Executive overview and learning objectives

A note on Pillar IV. Modules 13 to 16 form the fourth pillar of this program, which treats the human side of the role. Module 13 described the CFO as an enterprise leader and as the partner of the chief executive, and Module 14 described the workforce of the finance function. This module, the third of the four, turns to the question that every other module quietly depends on, which is how an organization of real people is brought to do something different from what it did last year. Module 16 follows with the skills of communication, negotiation and influence that a leader of change must command.

The core question. Why do transformations stall after a promising start, and what must a chief financial officer do to read resistance, align incentives, sequence the work, govern the program and build a culture that carries the change through to measured results? The question matters to a CFO more than to most executives, because the CFO controls the instruments that decide whether a change is adopted: the budget that funds it, the targets that define it, the bonus plans that reward or punish it and the reports that show whether it is working. A change program that is sound in design and unsound in its treatment of people will produce a business case that is correct on paper and a result that is a fraction of the promise.

Why this matters over the next five years. The earlier modules of this program each describe a change that finance leaders must carry out, whether it is the continuous close of Module 2, the technology investments of Module 4, the controls over artificial intelligence of Module 10 or the new finance workforce of Module 14. All of them rest on the willingness and the capacity of people to work differently. Published research on the subject is largely based on surveys of executives, so that it describes what managers believe about their own programs and does not prove cause. It is nevertheless consistent in one respect. McKinsey reported in December 2021, from a global survey of 1,034 participants, that fewer than one third said their transformations had both improved performance and sustained the improvement. Gallup reported on April 8, 2026 that global employee engagement was 20 percent in 2025, down from a peak of 23 percent in 2022, and that manager engagement had fallen from 27 percent in 2024 to 22 percent in 2025. The point for the reader is that the people who must carry the next five years of change are, on the evidence of surveys, less engaged than they were, and that a CFO who plans change without allowing for this will pay for it.

Terms used in this module. Change management is the discipline of preparing, equipping and supporting people to adopt a new way of working, and it is distinct from **project management**, which delivers the technical work on time and on budget. A **transformation** is a change large enough to alter how the organization makes money, serves customers or operates, and is usually made of several linked initiatives. **Adoption** is the share of the intended users who actually use the new process, system or behavior as designed, and it is the measure on which the value of most programs depends. **Resistance** is any behavior that slows or blocks a change, and the module treats it as information about the change and not as a fault of the people who show it. **Change load** is the total demand that concurrent changes place on a person or team, measured here in hours per week against the hours available for change work. A **stakeholder** is any person or group that can affect the change or is affected by it. **Psychological safety** is a shared belief that the team is safe for interpersonal risk taking, a definition used by Amy Edmondson and quoted by Google. A **pulse survey** is a short, frequent survey of a few questions. Other terms are defined where they first matter.

What the module covers. Section 2 sets out the evidence on why programs stall, with care about the quoted failure rates, and the three best known models of change in plain terms, together with the forms of resistance. Section 3 supplies the tools, each verified in Python, a programming language widely used for financial modeling: a scored stakeholder map, a worked example of an incentive plan that rewards the wrong behavior, a change load heat map before and after resequencing, communication cadences, a governance structure with stage gates and a benefits tracker, a pulse survey with a test of whether a change in the results is real, the economics and the conduct of a restructuring, and the means of sustaining a change once the program

team has gone. Section 4 places a fictional CFO before a proposal to launch six initiatives at once, Section 5 prepares the boardroom, Section 6 supplies the executive artifacts, and Section 7 reports the research that was read.

How the module connects to the others. Module 2 set out the sequence of a finance transformation and the measures that prove it, and this module explains why the people side decides whether that sequence is followed. Module 4 supplied a return framework for technology investments, and the benefits tracking of this module is the means of checking afterward that the promised benefits arrive. Module 13 described decision rights and the partnership with the chief executive, on which the sponsorship of a transformation depends, and Module 14 described the reskilling, the entry level pipeline and the retention of the people who carry change. Module 16 treats storytelling and difficult conversations in more detail. Readers who wish to go further should consult the Master Classes in this series on Crisis Finance and the CFO Under Pressure and on Investor Relations as a CFO Discipline. Nothing here is accounting, tax, legal or employment advice, and the reader must consult qualified professionals, above all employment counsel on any restructuring, before acting.

Learning objectives. After completing this module the reader should be able to do the following. Each objective is tested by the self assessment in Section 8.

1. Explain why transformations stall, state what the published research does and does not show about success rates, and treat quoted failure percentages with the care that their provenance deserves.
2. Describe the models of Kotter, ADKAR and Lewin in plain terms, choose among them for a given problem and recognize the limits of each.
3. Read resistance by type, map and score stakeholders, and design incentives and measures that reward the behavior the change requires and not a perverse substitute.
4. Sequence change in waves with pilots and quick wins, measure change load against the capacity of each team, and use a heat map to decide what must wait.
5. Run a communication program and a governance structure, with a transformation office, stage gates and benefits tracking, and report honestly to the steering committee and the board.
6. Build and measure a culture that adapts, lead a restructuring or a difficult announcement with candor and care in consultation with employment counsel, and leave the new way of working stronger than the old.

2. Conceptual foundations and frameworks

Why transformations stall. A transformation rarely fails in a single dramatic event. It usually slows in stages, as early enthusiasm meets daily work, as the people who were asked to change are given no relief from their other duties, and as the targets, the incentives and the reports of the company continue to reward the old behavior. The pattern is familiar to anyone who has led an enterprise system implementation or a reorganization. The project reports are green until the date on which the new process goes live, and then the old spreadsheets reappear, the workarounds multiply and the benefits fall short. Exhibit 1 lists seven causes that recur in practice, what each looks like to the CFO and the first remedy.

Exhibit 1 Seven Recurring Causes of Stalling and the First Remedy

Cause of stalling	What it looks like	First remedy for the CFO
No shared reason for the change	Managers can recite the program name and cannot say what is wrong with the present way	Write a one page statement of the problem, the cost of inaction and the intended result, and test it with ten managers

Cause of stalling	What it looks like	First remedy for the CFO
Sponsors who are named and absent	The sponsor opens the kickoff meeting and does not attend the steering committee	Agree the time the sponsor will give, and report attendance to the chief executive
Overload of the people who must change	The same teams carry the system upgrade, the new policy and the reorganization in one quarter	Measure the load by team, as in Section 3, and move work that cannot be absorbed
Incentives that reward the old behavior	Bonus plans, targets and promotion criteria are unchanged while the process is replaced	Review every target and bonus plan that touches the change before launch
Benefits assumed and not tracked	The business case is approved and never examined again, so that shortfalls are found at year end	Assign an owner to each benefit line and report plan against realized each quarter
Communication that runs one way	Announcements are sent and questions are not collected, so that rumor fills the gap	Set a cadence with a channel for questions and a named person who answers them
Declaring victory at go live	The program team disbands and the first quarter of operation proves that the new process was not embedded	Fund and staff the period after go live, and set measures for adoption and for the old way going away

Source: author's synthesis from practice, stated from the author's own knowledge. The causes are consistent with themes in the McKinsey and BCG research described in Section 7 but are not themselves findings of those studies.

What the evidence shows, and the failure rate that should be used with care. It is often said that seventy percent of change programs fail. The statement appears in many books, articles and presentations. A guide published by Reliamag, which was opened for this module, reports that the figure has no clean empirical source and traces it to several loosely connected claims, among them a 1993 estimate of 50 percent to 70 percent made for business reengineering efforts that its authors called unscientific, a McKinsey article of 2015 that gave 70 percent without a stated method, and a 2011 review by Mark Hughes of five published sources of the claim that found no valid empirical evidence for it. The same guide notes that surveys which did measure outcomes used different definitions of success. For that reason this module does not use the seventy percent figure as a fact. The reader should know the figure, because directors and consultants will quote it, and should be able to say that its provenance is weak. The better evidence is the set of surveys that asked executives directly about their own programs, and Exhibit 2 compares them. The comparison is a summary of what each source reports, and the reader should note the different samples, years and definitions.

Exhibit 2 Published Findings on Transformation Outcomes and Engagement

Source and date	Sample	What was measured	Reported result
McKinsey, How to beat the transformation odds (2015, survey fielded November 2014)	1,946 executives, of whom 1,713 had been part of a transformation in the past five years	Share saying the transformation was very or completely successful at both improving performance and sustaining it	26 percent, against 20 percent in a 2012 survey. Where organizations took all of the listed actions the rate was 58 percent
McKinsey, Losing from day one (December 7, 2021, survey fielded May and June 2021)	1,034 participants who had been part of a transformation in the past five years, weighted by national share of global GDP	Share saying performance improved and was sustained; share of maximum financial benefit captured	Fewer than one third. Successful programs captured about 67 percent of the maximum benefit against about 37 percent for others

Source and date	Sample	What was measured	Reported result
BCG, Flipping the odds of digital transformation success (October 29, 2020)	825 senior executives surveyed, plus internal data from BCG work with 70 companies	Share meeting or exceeding target value with sustainable change	30 percent met or exceeded target, 44 percent created some value and missed targets, and 26 percent created limited value (under 50 percent of target) with no sustainable change
Gallup, State of the Global Workplace (press release of April 8, 2026)	Sample not stated in the document that was read	Global employee engagement and manager engagement in 2025	20 percent of employees engaged, down from 23 percent in 2022. Manager engagement 22 percent, down from 27 percent in 2024. Cost of low engagement estimated at about 10 trillion dollars in 2024

Source: the McKinsey 2015 article (PDF), the McKinsey December 2021 article, the BCG press release of October 29, 2020 and the Gallup press release of April 8, 2026, each opened for this module. These are surveys of executives and employees and show opinion and self reported results, not audited outcomes. The definitions of success differ, so the percentages are not directly comparable.

What the better research says about success. McKinsey's 2021 article drew several lessons that bear directly on a CFO. Success depended on the number of actions taken over the life of the transformation and not on any one subset, so that no single technique was enough. Value was lost early, since the page summarized the article as reporting that roughly 55 percent of value loss occurs during and after implementation, nearly one quarter during target setting, and about 20 percent after implementation. Successful programs were more likely to embed their practices in the ordinary planning and review cycles of the business, to use face to face communication such as manager briefings and town halls, to give influencers active roles and to assign high performers to the most valuable initiatives while limiting their workloads. The 2015 McKinsey article associated open communication from senior managers about progress with a likelihood of success 8.0 times higher, and leaders who modeled the desired behavior with a likelihood 5.3 times higher. These are associations in a survey and not proof that one causes the other. The BCG press release reported that the odds could be raised from 30 percent to 80 percent when six factors were in place, but the text that was read did not list the factors, and they are not described here.

Three models of change in plain terms. Three models are cited most often in practice, and each answers a different question. **Lewin's model**, proposed in the 1940s according to a TechTarget description opened for this module, uses the picture of a block of ice. In the first stage, unfreeze, leaders build awareness that change is needed and address denial and doubt. In the second, change, the new structures and practices are put in place with the input of those affected. In the third, refreeze, the new practices are reinforced with rewards, feedback, training and measures until they are part of daily operations. **Kotter's eight steps** are a longer sequence, described by Kotter Inc. as the common success factors of leading change, and **ADKAR** is a model of the individual, attributed to Prosci, that asks whether each person has awareness, desire, knowledge, ability and reinforcement. The Lewin model is useful for its simplicity and its insistence that the period after the change deserves as much attention as the change, and its weakness is that organizations in practice are never frozen. Kotter's steps give a leader a checklist, and ADKAR gives a manager a diagnostic for one person at a time. Exhibit 3 compares the three, and Exhibit 4 lists the eight steps with the action that suits a CFO.

Exhibit 3 **Three Models of Change Compared**

Model	What it describes	Elements	Question it helps answer	Limit, in the author's view
Lewin, three stages	The shape of a change in an organization	Unfreeze, change, refreeze	Have we prepared people before changing, and do we reinforce after?	Suggests a tidy sequence, whereas real organizations face many overlapping changes
Kotter, eight steps	The leadership work for a large change	Urgency, coalition, vision, volunteers, barriers, short term wins, sustained acceleration, instituted change	Has the leadership done each piece of work that a large change needs?	Reads as a strict sequence, though Kotter later described the steps as accelerators to run in parallel
ADKAR, five elements	What one person needs in order to change	Awareness, desire, knowledge, ability, reinforcement	At which element is this person or team stuck?	Diagnoses individuals and groups, and says little about structure, incentives or the sequencing of many changes

Source: descriptions of Lewin (TechTarget), of Kotter (Kotter Inc. web page, with the 2014 reference to the eight accelerators from a second Kotter web page) and of ADKAR (a factsheet of the Tasmanian government crediting Prosci), each opened for this module. The column on limits is the author's own view, stated from the author's own knowledge.

Exhibit 4 **Kotter's Eight Steps and the Corresponding Action for a CFO**

Step	Kotter's description	What the CFO does
1. Create a sense of urgency	Motivate people to pursue an ambitious opportunity with energy and a clear picture of the future	Quantify the cost of standing still in terms of cash, margin or risk, and present it candidly
2. Build a guiding coalition	Assemble a committed group from within the ranks to lead, coordinate and communicate the effort	Recruit respected leaders from sales, operations, technology and people, not only from finance
3. Form a strategic vision	Explain how the future will differ from the past, and build support for initiatives tied to that vision	Translate the vision into a few measures that the company already reports
4. Enlist a volunteer army	Get large numbers of people to want to contribute and unite behind a shared goal	Name change champions in every team, and give them time and recognition
5. Enable action by removing barriers	Eliminate obstacles so that people can innovate, collaborate across silos and create impact quickly	Remove conflicting policies, approvals and targets, which are the CFO's to change
6. Generate short term wins	Identify, recognize and share early and frequent successes	Choose early wins that are measurable, visible and unrelated to cost cutting
7. Sustain acceleration	Keep pushing after early successes, using growing credibility to drive successive changes	Resist declaring victory, and use the credibility of the first wins to tackle the harder processes
8. Institute change	Link new behaviors to organizational success and align systems and processes so that they become lasting habits	Embed the new measures in the planning cycle, the bonus plan and the promotion criteria

Source: the step names and descriptions are from the Kotter Inc. web page on the eight steps, opened for this module and summarized. The third column is the author's application to the CFO role, stated from the author's own knowledge.

Reading resistance. Resistance is often treated as an attitude problem, and a leader who sees it that way will respond with more persuasion and with more pressure. A more useful view is that resistance is a signal. Deloitte's CFO Insights article on driving change, which was opened and carried no date, states that whenever a change initiative is announced there is invariably resistance, and that resistance tied to workload, job satisfaction or power can usually be addressed through process and work design and strong sponsorship. The article adds that cultural change is harder, and that a CFO, who typically has less authority than the chief executive, usually supports company wide efforts or works on beliefs within the finance function. The author's own classification, which is consistent with that view and with the ADKAR elements, distinguishes six sources of resistance, each of which calls for a different response. Exhibit 5 sets them out.

Exhibit 5 Six Sources of Resistance and the Response That Fits

Source	What the person is thinking	How it shows itself	Response that fits	Response that fails
Loss of status or role	I will matter less after the change	Slow approvals, criticism of the design, requests to be consulted on every detail	Define the new role clearly and early, and give the person a part in the design	Telling the person that nothing will change
Uncertainty	I do not know what will happen to me	Rumor, questions in the corridor, a fall in productivity, absence	Communicate what is known, what is not known and when it will be known	Silence until every detail is decided
Workload	I cannot do this and my job as well	Missed training, deferred tasks, a pattern of delays in the busiest weeks	Measure the load, remove other work and sequence the changes	A request for more commitment and a faster timetable
Incentives	I will be paid or promoted for the old behavior	Compliance in form and the old behavior in substance	Change the target, the bonus or the measure before launch	Appeals to the good of the company while the bonus plan is unchanged
Competence	I will look foolish with the new system or skill	Avoidance, workarounds, reliance on a few expert colleagues	Training with practice, coaching and safe places to make mistakes	A single training session and a help desk number
Disagreement on the merits	The design is wrong	Specific objections, offers of an alternative, repeated factual challenges	Listen, test the objection with evidence and change the design where it is right	Treating the objection as a refusal to change

Source: author's classification, stated from the author's own knowledge. The statement that resistance linked to workload, job satisfaction or power can usually be addressed through process and work design and sponsorship is from the Deloitte CFO Insights article, which carried no date.

Loss, and why it matters to a finance leader. Every change takes something from someone, even when it benefits the company. A new close calendar takes the weekend that a team had come to treat as its own, a shared service takes the local control that a plant controller valued, and a new planning tool takes the craft that an analyst had spent a decade learning. A CFO who sees a change in terms of savings and efficiency may fail to notice what the change costs the individual, and so may fail to acknowledge it. The leaders who handle change well name the losses aloud, say which are permanent and which are temporary, and offer something real in return, whether that is a new skill, a larger role or a more interesting task. A person who is told the truth about a loss can grieve and move on, whereas a person who is told that nothing is being lost will not believe anything else that is said.

The role of the CFO in change. The CFO is rarely the formal owner of cultural change, and yet the CFO controls many of the levers that determine it. The CFO sets the targets, approves the budget, designs the bonus plan jointly with human resources, runs the planning cycle and the business reviews of Module 13, and decides what is measured. A culture follows what is measured and rewarded much more than what is said, so that the CFO's part is both larger and less visible than it appears. The Deloitte article noted that CFOs on average aspire to spend about 60 percent of their time as a catalyst for change and a strategist, according to its North American CFO Signals survey, a figure that describes aspiration and not the time spent. The practical implication is that a CFO who wishes to lead change should begin with the instruments in the CFO's own hands before asking others to change theirs.

3. Practical applications and tools

This section gives the CFO a working method in ten steps. Each step has a tool, and each tool is illustrated with a fictional company, Tessarine Industrial Group, a manufacturer with revenue of 900 million dollars and about 3,100 employees whose finance and shared operations teams are about to absorb six changes. The same company appears in the case of Section 4. All figures in the exhibits are fictional, and every sum, ratio and ranking was computed in Python and checked by assertion.

Step one: map and score the stakeholders. A transformation is carried by people, and the first practical question is who they are, how much they matter to the outcome, and where they stand. Exhibit 6 scores ten groups at Tessarine. For each group the CFO rates influence, which is the power to help or block the change, on a scale of 1 to 5, and impact, which is the degree to which the change alters the work of the group, on the same scale. The CFO then records the present support on a scale from minus 2, which means active opposition, to plus 2, which means active advocacy, and the support the change needs from that group, which is the target. The gap is the target less the present level, and the priority score is influence multiplied by impact multiplied by the gap. The arithmetic is simple by design, since its purpose is to direct scarce attention and not to measure people with precision. The ranking can surprise. The chief executive and the chair of the audit committee have the highest influence and need no more support, since their gap is zero, and so they score zero, while the regional sales heads, who are opposed and whose work changes the most, score 60. The three highest groups, the regional sales heads, the plant and operations leaders and the controllers, account for 150 of the total score of 212, or 70.8 percent, so that these three groups deserve most of the time of the leadership team. A ranking by influence alone would have placed the chief executive and the audit committee chair among the top three and would have directed the effort to people who were already supportive.

Exhibit 6 Stakeholder Map With Priority Scores, Tessarine Industrial Group (Fictional)

Stakeholder group	Influence	Impact	Support now	Support needed	Gap	Priority score	Rank
Chief executive	5	5	+2	+2	0	0	9
Plant and operations leaders	5	5	-1	+1	2	50	2
Regional sales heads	4	5	-2	+1	3	60	1
Controllers and accounting managers	4	5	0	+2	2	40	3
Accounts payable and receivable staff	2	5	-1	+1	2	20	4
FP&A analysts	3	4	+1	+2	1	12	5*

Stakeholder group	Influence	Impact	Support now	Support needed	Gap	Priority score	Rank
IT and data team	3	4	+1	+2	1	12	6*
Procurement leads	3	3	0	+1	1	9	7*
Human resources partners	3	3	+1	+2	1	9	8*
Audit committee chair	5	2	+1	+1	0	0	10
Total						212	

Fictional. Computed in Python. Influence and impact are rated 1 to 5, and support from minus 2 (active opposition) to plus 2 (active advocacy). Priority score is influence times impact times the gap between support needed and support now. Ranks marked with an asterisk are tied (FP&A analysts and the IT and data team at 12, procurement leads and human resources partners at 9) and are listed in the order of the table. The ratings are judgments and should be made by the leadership team, not by the CFO alone.

Step two: turn the map into engagement. A score becomes useful only when it is attached to an action, a person and a date. Exhibit 7 gives for each of the three top groups and for the supporters the form of engagement, the owner and the first action. The principle is that opposition tied to a real concern should be met with a change in the design, opposition tied to a loss should be met with a clear offer, and support should be used and not merely noted. The CFO should repeat the mapping every quarter, since the scores move quickly once the change becomes concrete, and the movement is itself the best early indicator of whether the program is gaining or losing ground.

Exhibit 7 Engagement Plan for the Highest Scoring Groups (Fictional)

Group (rank)	Probable source of resistance	Form of engagement	Owner	First action and date
Regional sales heads (1)	Incentives and status: the new discount approval and commission plan reduce their discretion	Co design of the incentive plan, with a test of the plan on past deals, as in the next step	CFO with the chief revenue officer	Two working sessions in the first month, with the results of the test of the plan on last year's deals
Plant and operations leaders (2)	Workload and loss of local control: the upgrade and the new close take plant staff and standardize reporting	Seat on the steering committee, a say in the timing of each plant, protection of the peak production periods	CFO with the chief operating officer	Agree the blackout calendar for each plant before any dates are published
Controllers and accounting managers (3)	Uncertainty about roles in the new organization, and workload in the close	Role design workshops, a named career path, early release of the new structure	Corporate controller with human resources	Publish the role descriptions and the selection process within six weeks
Accounts payable and receivable staff (4)	Uncertainty and competence: fear of automation and of the new system	Training with practice, honest statement of what automation will and will not do, change champions	Shared services director	Recruit one champion per team and run the first hands on session before the pilot

Group (rank)	Probable source of resistance	Form of engagement	Owner	First action and date
Supporters: FP&A, IT, human resources (5 to 8)	Low resistance, and some risk of fatigue	Use as champions, trainers and designers, and protect their time	Finance transformation lead	Name each supporter's role and the hours that the company will release from other work

Fictional illustration. The sources of resistance follow the classification of Exhibit 5. Ranks are those of Exhibit 6.

Step three: align incentives, and test the plan on past behavior. Incentives are the clearest case of the CFO's direct influence. People respond to what they are paid, promoted and praised for, and a company that changes a process and leaves the incentive unchanged has made a decision to keep the old behavior. Exhibit 8 lists six common measures that produce perverse behavior, which is behavior that raises the measure while harming the purpose it was meant to serve, and a remedy for each. The pattern is sometimes called Goodhart's law, which says that a measure ceases to be a good measure once it becomes a target, a principle that the author states from the author's own knowledge and not from a source read for this module.

Exhibit 8 Six Measures That Invite Perverse Behavior, and a Remedy for Each

Measure rewarded	Perverse behavior it can produce	Remedy
Bookings or revenue only	Deep discounts, weak terms, deals pulled forward and a large receivable that is slow to collect	Pay on gross margin, with a modifier for collection within terms
Cost reduction against budget	Cuts to training, maintenance or controls, with the cost reappearing next year	Pair the cost target with a quality or service measure, and review cuts after twelve months
Days to close	Closing early with estimates and later corrections	Add a count of post close adjustments, as in the scorecard of Module 14
Headcount held below plan	Use of contractors and hidden roles, and burnout among those who remain	Measure total labor cost including contract spend, and track regretted attrition
Number of projects delivered	Many small projects and few that matter	Reward the benefit realized and not the count
Forecast accuracy judged against the first number	Sandbagged targets, since a low number is easiest to beat	Judge against an agreed method, and reward early disclosure of risk

Source: author's synthesis from practice, stated from the author's own knowledge. No empirical frequency is claimed.

A worked example. Tessarine pays its sales representatives a commission of 8 percent of bookings. A representative has a choice on a large prospect between two deals. The first holds the list price of 1.00 million dollars. The goods cost 0.60 million, so that the gross margin is 0.40 million, the probability that the deal closes is 50 percent and the customer pays in 45 days on average. The second discounts the price by 20 percent to 0.80 million, so that the gross margin falls to 0.20 million, the probability of closing rises to 90 percent and the customer, who negotiated hard, pays in 90 days. Exhibit 9 computes the result. Under the present plan the expected commission is 40,000 dollars on the first deal and 57,600 on the second, so that a sensible representative discounts. The company, however, expects a gross margin of 200,000 dollars from the first deal and 180,000 from the second, and after a financing cost of 8 percent a year on the receivable, which is 4,932 against 14,203 dollars, its expected value is 195,068 against 165,797, a difference of 29,271

dollars in favor of holding the price. The plan therefore pays the representative to do what costs the company money. A revised plan pays 18 percent of gross margin, reduced to 80 percent of that amount when the customer pays after 60 days. The expected commission becomes 36,000 on the first deal and 25,920 on the second, and the representative's interest and the company's now point the same way. The lesson is general. Before a new plan is announced, the CFO should apply it to the behavior of last year, deal by deal, and ask what a rational person would do, and the exercise should be repeated with the heads of sales, who know better than finance where the plan can be gamed.

Exhibit 9 An Incentive That Rewards the Wrong Choice (Fictional, Dollars Unless Stated)

Item	X. Hold the list price of 1.00 million	Y. Discount by 20 percent to 0.80 million
Probability of closing	50 percent	90 percent
Price (millions of dollars)	1.00	0.80
Gross margin (millions of dollars)	0.40	0.20
Days to cash	45	90
Expected commission now (8 percent of bookings)	40,000	57,600
Expected commission proposed (18 percent of margin, 80 percent if paid after 60 days)	36,000	25,920
Expected gross margin to the company	200,000	180,000
Financing cost of the receivable	4,932	14,203
Expected value to the company	195,068	165,797

Fictional. Computed in Python. Commission now is probability times 8 percent times the price. Proposed commission is probability times 18 percent of gross margin, multiplied by 0.8 if payment takes more than 60 days. Financing cost is probability times price times 8 percent times days over 365. Expected value is expected margin less financing cost. The probabilities and the cost of goods are assumptions.

Exhibit 10 Six Tests for an Incentive Design Before Launch

Test	Question to ask	Evidence to gather
Behavior	What exactly will a rational person do to raise this measure, and is it what we want?	Run the plan against last year's transactions, person by person, and list the winners
Balance	Does a second measure restrain the first, as margin restrains volume?	Pair each quantity measure with a quality or cost measure
Time	Does the reward arrive before the consequence does?	Defer part of the payment until the benefit is realized, or allow clawback within counsel's advice
Control	Can the person influence the measure, and is it measured reliably?	Check the data source, the owner and the audit trail of the measure
Fairness	Do the people believe that the plan is fair and the data right?	Share the method, and let the heads of the affected teams test it
Legal and tax	Does the plan comply with employment, tax and securities rules?	Review with employment counsel and the compensation committee as the case requires

Source: author's checklist, stated from the author's own knowledge. Compensation plans are subject to law, and counsel and the compensation committee must review them.

Step four: measure the change load. The most common cause of a stalled program, in the experience of the author, is that the organization is asked to absorb more change than it has the hours to carry. A CFO who is asked to approve six initiatives that each look reasonable alone can test them together. The method has three parts. First, estimate for each initiative and each team the hours per person per week that the initiative will demand during its active quarters, including training, testing, meetings and rework. Second, estimate the hours per person per week that a team can give to change without damaging its regular work, which is the capacity. Third, divide the demand by the capacity for each team and each quarter, and mark the cell green when the load is no more than 75 percent, amber from 75 percent up to 100 percent, and red above 100 percent. Exhibit 11 gives the demand of six initiatives on eight teams at Tessarine, with a capacity of 10 hours per person per week, which is one quarter of a forty hour week. The numbers are estimates and should be built with the leaders of each team.

Exhibit 11 Demand on Each Team by Initiative, Hours per Person per Week (Fictional)

Team	ERP upgrade	New close calendar	Expense and procurement policy	Organization redesign	Planning tool	Incentive plan
Accounts payable	6	2	3	3	0	0
Accounts receivable	5	2	0	3	0	1
General ledger and close	7	6	1	3	2	0
FP&A	2	3	1	3	7	3
Tax and treasury	1	2	0	2	1	0
Sales operations	2	0	2	2	3	6
Procurement	4	0	5	2	1	0
Finance systems	9	2	1	2	4	1
Quarters active	3	2	1	2	3	2

Fictional. Hours per person per week of training, testing, meetings and rework during each quarter in which the initiative is active. Capacity of 10 hours is one quarter of a forty hour week and is an assumption.

The load when everything starts at once. Exhibit 12 is the heat map that results when the ERP upgrade starts in the first quarter and the other five initiatives start together in the second, which is the timetable the steering committee had in mind. Each cell shows the load as a percent of capacity and a letter for its color. Of the 32 cells for the first four quarters, 13 are red, and the peak is 190 percent of capacity. In the second quarter, the general ledger, FP&A and finance systems teams each carry 190 percent of the hours that they can give to change, which means that something will give, whether it is the regular close, the change work or the people. The heat map does not prove that the program will fail. It shows where a failure would most probably begin, and which team would be the first to lose its weekends and then its staff.

Exhibit 12 Change Load Heat Map, All Initiatives Launched Together, Percent of Capacity (Fictional)

Team	Q1	Q2	Q3	Q4	Peak percent
Accounts payable	60 G	140 R	110 R	0 G	140
Accounts receivable	50 G	110 R	110 R	0 G	110
General ledger and close	70 G	190 R	180 R	20 G	190
FP&A	20 G	190 R	180 R	70 G	190

Team	Q1	Q2	Q3	Q4	Peak percent
Tax and treasury	10 G	60 G	60 G	10 G	60
Sales operations	20 G	150 R	130 R	30 G	150
Procurement	40 G	120 R	70 G	10 G	120
Finance systems	90 A	190 R	180 R	40 G	190
Red cells in 32; peak of all teams					13; 190

Fictional. Computed in Python from the demand of the previous exhibit. R means above 100 percent of capacity, A means above 75 percent and up to 100 percent, G means 75 percent or less. ERP upgrade starts in quarter 1 for three quarters, and the other five initiatives start in quarter 2. Quarters 5 to 9 carry no load in this plan, because every initiative has ended by quarter 4.

Step five: resequence with waves, pilots and early wins. The remedy for overload is rarely to cancel work. It is to move it. A good sequence follows four rules. Work that other work depends on goes first, so that the upgrade of the ERP system precedes the new close calendar, which uses it. Work that loads the same team does not overlap unless the load allows. Work whose natural moment falls at a point in the business calendar, such as a new incentive plan that begins with the fiscal year, takes that moment. And each wave opens with a pilot, in which a single team or plant uses the new way for a quarter before it is extended, so that the design can be corrected while it is still cheap to correct. At Tessarine the CFO moved the five later initiatives as shown in Exhibit 13. The expense and procurement policy stays in the second quarter, since it is light and gives an early, visible win. The organization redesign begins in the fourth quarter, after the upgrade has gone live. The close calendar follows in the fifth, the incentive plan in the sixth to coincide with the new fiscal year, and the planning tool in the seventh, once the close is stable. The program now takes nine quarters and not four. The total hours of demand are the same, namely 271 person hours per week summed over quarters and teams, and the peak load falls from 190 percent to 100 percent, with 0 red cells and 9 amber cells in 72.

Exhibit 13 Change Load Heat Map After Resequencing, Percent of Capacity (Fictional)

Team	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Peak percent
Accounts payable	60 G	90 A	60 G	30 G	50 G	20 G	0 G	0 G	0 G	90
Accounts receivable	50 G	50 G	50 G	30 G	50 G	30 G	10 G	0 G	0 G	50
General ledger and close	70 G	80 A	70 G	30 G	90 A	60 G	20 G	20 G	20 G	90
FP&A	20 G	30 G	20 G	30 G	60 G	60 G	100 A	70 G	70 G	100
Tax and treasury	10 G	10 G	10 G	20 G	40 G	20 G	10 G	10 G	10 G	40
Sales operations	20 G	40 G	20 G	20 G	20 G	60 G	90 A	30 G	30 G	90
Procurement	40 G	90 A	40 G	20 G	20 G	0 G	10 G	10 G	10 G	90
Finance systems	90 A	100 A	90 A	20 G	40 G	30 G	50 G	40 G	40 G	100
Red and amber cells in 72; peak of all teams										0 and 9; 100

Fictional. Computed in Python. Start quarters are ERP upgrade 1, new close calendar 5, expense and procurement policy 2, organization redesign 4, planning tool 7 and incentive plan 6, with the durations of Exhibit 11. The colors follow the thresholds of the previous heat map. Amber cells remain and should be watched, and the pulse survey of Step eight is the means of watching them.

Exhibit 14 **Wave Plan With Pilots, Early Wins and Gates (Fictional)**

Wave	Quarters	Initiatives	Pilot	Early win to publish	Gate to the next wave
1. Foundation	1 to 3	ERP upgrade, expense and procurement policy	One plant and one regional team for the upgrade in quarter 1	Faster purchase approvals, visible in the second quarter	Adoption of the pilot team above 80 percent, no red cell in the heat map, pulse favorable on workload above 35 percent
2. Structure	4 to 6	Organization redesign, new close calendar, incentive plan	One shared service team for the new roles, one entity for the new close	Close shortened by one day in the pilot entity	Regretted attrition at or below plan, the incentive plan tested on prior deals, pilot close accuracy no worse than before
3. Capability	7 to 9	Planning tool	FP&A team of one business unit	A forecast produced in half the time for that unit	Tool adopted by the pilot unit for two forecast cycles, then release to the other units

Fictional illustration. The thresholds are proposals for teaching and not standards, and a company should set its own with the leaders who will be held to them.

Step six: communicate on a cadence, and answer the rumors. McKinsey's 2021 article found that face to face communication, such as manager briefings and town halls, was more common among successful transformations, and its 2015 article associated open communication from senior managers about progress with a likelihood of success 8.0 times higher in a survey of executives. These are associations, but they agree with ordinary experience. People who are told nothing will invent an answer, and the answer will be worse than the truth. The rules are four. Communicate on a fixed rhythm, so that silence does not itself become news. Use channels that let people respond, which means that every announcement is paired with a place for questions and a person who answers them within a stated time. Let the leader tell the story, in plain words, with the reasons, the costs and the uncertainties, and let managers explain what it means for each team. And treat rumors as data. Exhibit 15 sets out a cadence for the audiences at Tessarine, and Exhibit 16 sets out a method for handling a rumor.

Exhibit 15 **A Communication Cadence for a Transformation (Fictional Illustration)**

Audience	Message	Channel	Owner	Frequency	Two way element
All employees	Why the change, what is decided, what is not yet decided, and the date of the next update	Town hall and written note from the chief executive	Chief executive, with the CFO	Monthly	Anonymous question box, with answers published within five working days
Managers	Talking points for their teams, the answers to the hardest questions and the schedule for their own team	Manager briefing before each announcement	Transformation office with human resources	Before every announcement	Managers report the questions they heard, within two days

Audience	Message	Channel	Owner	Frequency	Two way element
Affected teams	What changes in their work, when and what support is available	Team meetings led by the line manager, with the change champion	Line managers	Every two weeks in an active wave	Open discussion and a feedback form
Steering committee	Progress against plan, benefits, risks, change load and pulse results	Written report and meeting	Transformation office lead	Monthly	Decisions recorded, with owners
Audit committee and board	Status, risks to controls, benefits at risk and any restructuring	Report in the regular meeting, with a short summary of the program	CFO	Quarterly	Directors' questions answered in writing within one week
Lenders, auditors and investors where relevant	Matters that affect financial reporting, covenants or guidance	Scheduled calls and the normal reporting channel	CFO, with counsel on disclosure	As required by the calendar and the rules	Q and A as the rules allow

Fictional illustration. Disclosure to lenders, investors and markets is subject to law and to contract, and counsel must advise on what may be said and when.

Exhibit 16 A Five Step Method for Handling Rumors

Step	What to do	Why
1. Collect	Gather rumors from managers, from the question box and from the pulse survey comments, and log them without judgment	A rumor shows what people fear, which is more useful than whether it is true
2. Classify	Mark each as true, partly true, false or not yet decided	The response differs in each case
3. Respond	If true, confirm it and give the date and the reasons. If false, correct it with facts and the source. If not decided, say so and give the date of the decision	Silence confirms the worst version
4. Use the right voice	Let the person whom the staff trust most deliver the answer, usually the line manager or the chief executive and not an announcement from the center	Credibility depends on the sender
5. Close the loop	Report back on what was heard and what changed because of it	People speak up again only if speaking up appears to matter

Source: author's method, stated from the author's own knowledge.

Step seven: govern the program, and track the benefits. A transformation needs governance as surely as a capital project does, and the governance serves a purpose that is often forgotten: it keeps the program honest about whether it is working. The elements are familiar. A **steering committee**, chaired by the sponsor and including the heads of the affected functions, decides on scope, funding, sequence and the release of each stage. A **transformation office** is a small team that holds the plan, the risks, the benefits and the change load, and that reports the same facts to everyone. **Stage gates** are the decision points at which the steering committee reviews evidence and decides to proceed, to correct or to stop. **Benefits tracking** is the regular comparison of the benefits realized against those in the business case. Module 2 described the sequence of a

finance transformation and its measures, Module 4 supplied the return framework for technology investments, and the transformation office of this module is the place where both are held to account. Exhibit 17 describes the roles, and Exhibit 18 sets out the gates.

Exhibit 17 Governance Roles for a Transformation

Body or role	Purpose	Members	Cadence	Decides or reports
Steering committee	Direction, funding, sequence and release of stages	Sponsor (chief executive or CFO), heads of the affected functions, the transformation lead	Monthly, and at each gate	Decides on scope, sequence, funding and gates
Transformation office	Holds the plan, risks, benefits, change load and the reporting	Transformation lead, a finance partner for benefits, a change lead, a project analyst	Weekly internal, monthly report	Reports facts, proposes decisions
Workstream leads	Deliver each initiative	A business owner and a delivery lead for each initiative	Weekly	Report progress and request decisions
Change network	Carry the change into the teams and bring back what is heard	A champion in each team, with released time	Every two weeks	Reports adoption and concerns
Benefits owners	Own each benefit line and its measurement	A line manager for each benefit, with a finance partner	Monthly	Reports realized benefit against plan
Independent assurance	Tests that reported progress is true and the controls hold	Internal audit or an outside reviewer	At each gate	Reports to the audit committee

Source: author's synthesis from practice, stated from the author's own knowledge. The cross references are to Module 2 on finance transformation, Module 4 on technology investment returns and Module 13 on decision rights.

Exhibit 18 Stage Gates for a Transformation

Gate	Question the committee answers	Evidence required	Possible decisions
G0. Approve the case	Is the problem real, and is the program worth its cost and its change load?	Business case with benefit owners, stakeholder map, heat map and a sponsor with named time	Approve, reshape or decline
G1. Release the pilot	Is the design ready to try on a small scale?	Pilot plan, training ready, baseline measures taken, communication sent	Release or delay
G2. Extend after the pilot	Did the pilot work, and are the people ready?	Adoption above the threshold, benefits per unit, pulse results, lessons learned	Extend, correct and repeat, or stop
G3. Confirm the benefits	Are the benefits real, and who owns them in the budget?	Realized against plan by line, budgets reduced for the savings, cash evidence for working capital	Confirm, recover or write off the shortfall
G4. Close the program	Is the new way embedded, and has the old way gone?	Old system and workaround switched off, measures in the regular review, owner in the line	Close and hand over to the line, or extend support

Source: author's synthesis from practice, stated from the author's own knowledge.

A benefits tracker, and what it shows. Exhibit 19 is the benefits tracker of Tessarine after the first year. Four recurring benefits had a planned run rate for the year of 11.5 million dollars, of which 7.3 million, or 63.5 percent, had been realized, a shortfall of 4.2 million. The one time release of working capital was realized at 75.0 percent of its plan. 3 of the four recurring lines are below 70 percent, and the planning tool line, at 24.0 percent, is the weakest, because the analysts whose capacity was to be redeployed are still doing the old work in the old way, which is a failure of adoption and not of technology. The tracker therefore does what the case could not, which is to tell the CFO where to spend the next hour. The CFO should insist on three conventions. Each line has one owner, who is a line manager and not a member of the program team. The benefit is counted only when it appears in the budget or in cash, since hours released but not redeployed have no value. And recurring and one time benefits are kept apart, since adding them overstates the run rate.

Exhibit 19 Benefits Tracker After the First Year, Tessarine (Fictional)

Benefit line	Type	Planned (millions)	Realized (millions)	Realization percent	Status
Shared close: labor hours released	Recurring	3.2	2.1	65.6	Recovery plan needed
Procurement policy: purchase price savings	Recurring	4.0	3.4	85.0	On track
Planning tool: analyst capacity redeployed	Recurring	2.5	0.6	24.0	Recovery plan needed
Fewer errors and less rework	Recurring	1.8	1.2	66.7	Recovery plan needed
Working capital release from faster collection	One time	6.0	4.5	75.0	Watch
Total recurring	Recurring	11.5	7.3	63.5	Shortfall 4.2 million

Fictional. Computed in Python. Status is on track at 85 percent or more, a recovery plan needed below 70 percent and watch between the two. The thresholds are proposals. The one time line is excluded from the recurring total.

Step eight: build a culture that adapts, and measure it. Culture is the set of habits by which a group decides, speaks and treats failure, and it is the reason that a change which is clear on paper succeeds in one company and stalls in another. The Google re:Work guide on team effectiveness, which was opened for this module, reports a study of 180 teams, 115 project teams in engineering and 65 sales pods, and names five dynamics of effective teams in order of importance: psychological safety, dependability, structure and clarity, meaning and impact. It defines psychological safety, in the words of Amy Edmondson, as a shared belief held by members of a team that the team is safe for interpersonal risk taking. The relevance to change is direct. A person who believes that raising a concern will be punished will keep the concern to herself until the failure is public. Exhibit 20 lists five practices of a culture that adapts, with a test for each.

Exhibit 20 Five Practices of a Culture That Adapts

Practice	What it means in action	A test the CFO can apply
Psychological safety	Leaders ask for dissent, thank the person who brings bad news and do not punish an honest error	When did a member of the finance team last tell the CFO something unwelcome, and what happened next?
Learning from failure	A review of each significant miss that asks what happened and why, and does not ask who is to blame	Is the last post mortem on file, and did it change a process or a control?

Practice	What it means in action	A test the CFO can apply
Decision speed	Clear decision rights, decisions taken at the lowest level that has the information, and a deadline for each decision	How many days pass between a request for a decision and an answer, and who waits?
Values in practice	The stated values appear in how people are hired, promoted, paid and dismissed	Name the last person promoted or removed for a behavior that matched or broke a value
Measurement	Culture is measured through frequent short surveys and through behavior, and not left to impression	Does the leadership team see pulse results by team and act on them?

Source: the five dynamics and the definition of psychological safety are from the Google re:Work guide, opened for this module. The five practices and the tests are the author's own synthesis, stated from the author's own knowledge.

Measuring culture with a pulse survey. A pulse survey asks a handful of questions every month or quarter, and its value lies in the trend and in the comparison between teams, not in any one score. Exhibit 21 shows two waves at Tessarine, with six statements rated on a scale of 1 to 5. The company invited 240 employees in the finance and shared operations teams, and 192 responded in the first wave, which is 80.0 percent, and 204 in the second, 85.0 percent. The favorable score is the share who answered 4 or 5. Between waves it rose on every statement, and the question that a CFO should then ask is which of the rises are real and which could be chance. A common approximation gives each favorable share a margin of about 1.96 times the square root of p times (1 minus p) divided by n, where p is the share and n the number of responses, which is the 95 percent confidence interval for a proportion. A change between waves is treated as real if it exceeds the square root of the sum of the squares of the two margins, a simplification that ignores the fact that the two groups may overlap and that nonresponse may bias both. On that test, four of the six rises are real, namely the understanding of the reason for the change, clarity of expectations, honesty of leaders and belief in the benefit. The rises in psychological safety, at 6.1 points against a threshold of 9.4, and in time and resources, at 6.3 points against 9.5, are not distinguishable from chance at these sample sizes. The second of these matters most. Only 40.2 percent of respondents say that they have the time and resources to do both their work and the change work, which agrees with the amber cells of the heat map and warns that the company has not yet given its people the room it asked of them.

Exhibit 21 Pulse Survey, Two Waves, Tessarine Finance and Shared Operations (Fictional)

Statement	Wave 1 percent	Wave 2 percent	Change	Margin	Real change?	Mean 1	Mean 2
I understand why the company is making these changes	64.6	77.5	+12.9	8.9	Yes	3.69	4.00
I know what is expected of me during the change	48.4	62.7	+14.3	9.7	Yes	3.33	3.67
I have the time and resources to do my job and the change work	33.9	40.2	+6.3	9.5	Not shown	2.89	3.09
I can raise a concern with my manager without fear of negative consequences	62.5	68.6	+6.1	9.4	Not shown	3.67	3.82
Leaders explain decisions honestly, including bad news	46.9	57.8	+11.0	9.8	Yes	3.27	3.59
I believe the change will make the company better	45.8	56.9	+11.0	9.8	Yes	3.28	3.56

Fictional. Computed in Python. Responses: 192 of 240 invited in wave 1 and 204 of 240 in wave 2. Wave percentages are the favorable share, those rating 4 or 5. Change and margin are in percentage points, and means are on the scale of 1 to 5. The margin for a real change is the square root of the sum of the squares of the two 95 percent margins, each equal to 1.96 times the square root of p(1 minus p) over n. The approximation ignores overlap between the two groups and nonresponse bias.

Exhibit 22 Reading Pulse Survey Patterns and the Action That Follows

Pattern in the results	Likely reading	Action
Low favorable score on time and resources, with red or amber cells in the heat map	Overload is the binding constraint	Move work out of the quarter, release people from other duties and report what was removed
High understanding of the reason but low belief in the benefit	The case is understood and not trusted	Show early benefits with evidence, and let skeptics test the numbers
Strong results in one team and weak results in another with the same change	Local management differs	Study the strong team, and coach or replace the weak manager
Falling response rate	People doubt that anyone reads the answers	Publish what was heard and what changed, within two weeks
Psychological safety low in one function	Fear of speaking up	Skip level conversations, and a review of how managers react to bad news
Comments dominated by a single rumor	A gap in communication	Apply the method of the rumor exhibit and answer in the next briefing

Source: author's synthesis from practice, stated from the author's own knowledge.

Step nine: lead through uncertainty, including a restructuring. There are times when a transformation requires a reduction in the workforce, or when a company in difficulty has no other choice, and the CFO, who usually prepares the numbers, has a part that is more than arithmetic. The CFO owns the economics and should be sure that they are honest, and the CFO is also a member of the leadership team that the staff will watch. Three commitments are useful. The first is to decide as late as honesty allows and to announce as soon as the decision is final, since a long period of speculation does more harm than the news itself. The second is to be specific about the reasons, the numbers and the process, and to avoid euphemism, which people recognize at once. The third is to treat departing employees with dignity and to remember that the people who remain are watching how the leaving are treated. Employment law governs almost every element, including selection criteria, notice, consultation with employees or their representatives, severance, benefits, the handling of data and the language of the announcement. Rules such as the US federal WARN Act and its equivalents in other countries may apply to larger reductions, and the details vary by country and by state. The reader must therefore consult employment counsel before any decision, and before any communication, that affects employment. Exhibit 23 sets out the sequence of a difficult announcement. It is a framework for the CFO's part and is not legal advice.

Exhibit 23 Sequence of a Difficult Announcement

Stage	What the CFO and the team do	Care and counsel
Before the decision	Model the options, with the costs of leaving and the hidden costs of staying, and test the effect on controls and on service	Counsel advises on selection criteria, notice and consultation. Keep the circle of knowledge small and documented

Stage	What the CFO and the team do	Care and counsel
Prepare	Agree the message, the sequence, the severance terms and the support available. Train managers to hold the conversations. Prepare for the questions of those who remain	Counsel reviews every document. Human resources leads the individual conversations
Announce	Tell the whole organization together, in person where possible, by the chief executive, with the reasons, the numbers and the next dates. Individual conversations come first for those affected, on the same day	Be direct and kind. Avoid false hope, euphemism and blame. Follow the notice that the law requires
Support	Provide outplacement, access to counseling, a clear timetable for pay and benefits and a named contact	Respect confidentiality and privacy of employee data
Stabilize	Meet with the remaining teams within two days, state what is not changing, reset priorities and workloads, and watch attrition and morale	Do not promise that there will be no more reductions unless it is true
Review	Compare the result with the plan after one and two quarters, including regretted attrition, productivity and service levels	Report honestly to the board and to the audit committee

Source: author's framework from practice, stated from the author's own knowledge. It is not legal or employment advice, and employment counsel must be consulted before action.

The economics of a restructuring, with the hidden costs. Exhibit 24 works through a reduction of 48 roles out of 600, which is 8.0 percent, in a fictional unit where the average salary is 92,000 dollars and the loaded cost, with benefits and payroll costs at 28 percent, is 117,760. Severance of 14 weeks of pay, which corresponds to two weeks for each of seven years of service, costs 24,769 dollars a person, and with the continuation of benefits and outplacement the cost is 33,669 a person, or 1,616,123 in total. The annual saving is 5,652,480, so that the direct payback is 3.4 months. The direct view is too generous. The 552 people who remain lose time to uncertainty and to the redistribution of work. If the loss is 4 percent of their productive time for two quarters, the cost is 1,300,070 dollars, and if regretted attrition among them rises by one and a half points, which is 8 people, the cost of replacing them at 60 percent of loaded pay is 565,248. These two hidden costs together are 1,865,318, which is 1.15 times the direct cost of leaving. If the exits take place at the start of the second quarter, the saving in the first year is three quarters of the annual figure, or 4,239,360, and the net result for the year is 757,919, which is positive and far smaller than the direct view would suggest, and from the second year the saving is 5,652,480 before any costs of rework. The percentages for lost time, attrition and the replacement cost are assumptions for illustration, and the point is that a CFO who presents only the direct numbers misleads the board about the size and the timing of the benefit.

Exhibit 24 Economics of a Reduction in Force With Hidden Costs (Fictional, Dollars)

Item	Computation	Result (dollars)
Roles removed and share of the unit	48 of 600	8.0 percent
Loaded annual cost per role	92,000 x 1.28	117,760
Severance per person	14 weeks over 52 x 92,000	24,769
Severance, benefits continuation and outplacement per person	24,769 + 5,400 + 3,500	33,669
Direct one time cost	48 x 33,669	1,616,123
Annual run rate saving	48 x 117,760	5,652,480
Direct payback	One time cost over monthly saving	3.4 months

Item	Computation	Result (dollars)
Lost productivity of the 552 who remain	552 x 117,760 x 4 percent x one half year	1,300,070
Replacement cost of 8 additional regretted departures	8 x 60 percent x 117,760	565,248
Hidden costs in total, and multiple of the direct cost	1,300,070 + 565,248	1,865,318; 1.15 times
First year saving (three quarters)	0.75 x 5,652,480	4,239,360
First year net after all costs	4,239,360 less 1,616,123, 1,300,070 and 565,248	757,919
Second year saving, before rework	Annual run rate	5,652,480

Fictional. Computed in Python. The severance weeks, benefits, outplacement, the 4 percent loss of productive time for two quarters, the 1.5 point rise in attrition, the 60 percent replacement factor and the timing of exits are assumptions. Actual severance, notice and consultation obligations depend on the law and on contract, and employment counsel must advise.

Step ten: sustain the change. A change that depends on the vigilance of the program team will fade when the team is disbanded. The aim is to leave the organization stronger than before, and in practice that means that the new way is built into the machinery that runs the business, so that no one needs to remember it. Exhibit 25 lists six embedding mechanisms. Kotter's last step, as described by Kotter Inc., is to link new behaviors to organizational success and align systems and processes so that they become lasting habits, and Lewin's third stage, as described by TechTarget, relies on rewards, feedback, training and metrics, which are the same instruments. The McKinsey 2021 article found that successful transformations were more likely to embed their practices in business planning and review cycles. A CFO who owns the planning cycle, the reporting and the bonus plan can hold most of these mechanisms in one hand.

Exhibit 25 Six Mechanisms for Embedding a Change

Mechanism	What it looks like	Test that the change is embedded	Owner
Process and system	The old system and the workaround are switched off on a stated date	No transactions in the old system after the cut off date	Process owner
Measures	The adoption and benefit measures sit in the regular management report	The measure appears in the monthly review without the program team	CFO
Planning and budget	Benefits are taken out of the budget, and targets reflect the new way	Budgets of the affected teams are lower by the benefit	FP&A lead
Incentives and promotion	Bonus plans and promotion criteria reward the new behavior	The last promotion or bonus decision reflects the new criteria	CFO with human resources
Skills and onboarding	New hires learn the new way first, and training is part of the induction	A new hire cannot name the old way	Head of human resources
Reinforcement and recognition	Leaders praise the new behavior in public, and share stories of the benefit	Staff can give an example from the last month	Business leaders

Source: author's synthesis from practice, stated from the author's own knowledge, consistent with the references to Kotter Inc., TechTarget and McKinsey (2021) in the text.

4. Executive case study and decisions

Fictional case: six changes in one year. Tessarine Industrial Group, the manufacturer of the preceding section, has revenue of 900 million dollars. Its board has approved a program with a run rate benefit of 18.0 million dollars a year at full adoption, and a one time cost of 21.0 million. The program has six parts: an upgrade of the ERP system, a new close calendar, a new expense and procurement policy, a redesign of the finance organization, a new planning tool and a new incentive plan for sales. The steering committee, under pressure from the board to show the savings in the current year, proposes to start all six together, with the ERP upgrade in the first quarter and the other five in the second. The CFO, who is the sponsor of the program, has built the heat map of Exhibit 12 and is troubled by it. The general ledger, FP&A and finance systems teams would be at 190 percent of the hours they can give to change in the second quarter, and the first pulse survey shows that only 33.9 percent of employees believe that they have the time and resources for both their work and the change work. The regional sales heads, who stand to lose discretion over discounts, are opposed. The controller, who has run the close for eleven years, tells the CFO privately that two of her best people are looking for other jobs.

What the CFO has found. The CFO has built Exhibit 26. The business case assumes a benefit of 4.5 million dollars a quarter at full adoption. If the program is launched together, the CFO expects adoption to rise quickly at first, to 35 percent in the second quarter and 50 percent in the third, and then to stall at 70 percent by the eighth quarter, because the teams that carry the load will be unable to complete the training and the redesign of their work. The CFO also expects rework of 1.0 million dollars a quarter for four quarters from the third quarter on. If the program is staged in the waves of Exhibit 14, the one time cost is higher, at 23.5 million, because it includes a larger transformation office, a change network with released time and backfill for the pilots, but adoption rises more slowly, to 45 percent in the fourth quarter and 95 percent by the eighth, with no rework. A third alternative is to do only the ERP upgrade and the procurement policy, at a one time cost of 12.0 million and a run rate benefit of 7.0 million a year, with adoption of 95 percent by the seventh quarter. The assumptions about adoption are judgments, which the CFO has tied as far as possible to the heat map and to the pulse survey and which the board should challenge.

Exhibit 26 Tessarine Industrial Group (Fictional): Assumptions and Arithmetic Behind the Options

Item	Computation or assumption	Result
Quarterly benefit at full adoption	18.0 million over four quarters	4.50 million dollars
Option A, launch all together: one time cost	21.0 million spread over four quarters	5.25 million dollars a quarter
Option A: adoption path	35, 50, 58, 62, 65, 68 percent, then 70 percent from quarter 8	Run rate at 70 percent: 12.6 million a year
Option A: rework	1.0 million a quarter in quarters 3 to 6	4.00 million dollars
Option B, staged waves: one time cost	23.5 million spread over four quarters	5.875 million dollars a quarter
Option B: adoption path	10, 25, 45, 65, 80, 90 percent, then 95 percent from quarter 8	Run rate at 95 percent: 17.1 million a year
Option C, ERP and policy only: one time cost and benefit	12.0 million over three quarters; 7.0 million a year at full adoption	Run rate at 95 percent: 6.65 million a year
Difference in steady state run rate, B over A	(0.95 minus 0.70) x 18.0	4.50 million dollars a year

Item	Computation or assumption	Result
Adoption ceiling that A would need from quarter 8 to match B over twelve quarters	Solved numerically	97.1 percent

Fictional. Computed in Python. The adoption paths, the rework, the one time costs and the benefit are assumptions for illustration. No discounting is applied, and benefits are before tax.

Exhibit 27 Cumulative Net Cash by Quarter, Tessarine Industrial Group (Fictional, Millions of Dollars)

Quarter	A: launch all together	B: staged waves	B with one time cost 30 percent higher	A with adoption reaching 85 percent	C: ERP and policy only
Quarter 1	(5.25)	(5.88)	(7.64)	(5.25)	(4.00)
Quarter 2	(8.93)	(11.30)	(14.82)	(8.93)	(7.74)
Quarter 3	(12.93)	(16.05)	(21.34)	(12.70)	(11.12)
Quarter 4	(16.57)	(19.90)	(26.95)	(15.89)	(10.07)
Quarter 5	(14.78)	(16.98)	(24.02)	(13.47)	(8.67)
Quarter 6	(12.85)	(13.38)	(20.42)	(10.87)	(7.10)
Quarter 7	(9.79)	(9.33)	(16.37)	(7.14)	(5.44)
Quarter 8	(6.64)	(5.05)	(12.10)	(3.31)	(3.77)
Quarter 9	(3.49)	(0.78)	(7.82)	0.51	(2.11)
Quarter 10	(0.34)	3.50	(3.55)	4.34	(0.45)
Quarter 11	2.81	7.77	0.73	8.16	1.21
Quarter 12	5.96	12.05	5.00	11.99	2.88
Lowest point of cumulative cash	(16.57)	(19.90)	(26.95)	(15.89)	(11.12)

Fictional. Computed in Python. Cumulative net cash is the benefit at the adoption of the quarter less the one time cost spread over the first quarters and less rework. Negative numbers are in parentheses. No discounting and no taxes. The lowest point is the largest cumulative cash outlay.

The decision point. The CFO must tell the steering committee and the board how to proceed. Exhibit 27 shows the shape of the choice. The launch of all six together leads in cumulative cash through the sixth quarter, and the staged program passes it in the seventh, so that at the end of twelve quarters the staged program has 12.05 million dollars against 5.96 million, a lead of 6.09 million. The staged program has a deeper trough, at 19.90 million of cumulative outlay against 16.57 million, and it turns positive in the tenth quarter against the eleventh for the launch of all together. The comparison is not a one sided one. If the one time costs of the staged program overrun by 30 percent, it ends at 5.00 million, below the 5.96 of the launch together, and if the launch together reaches an adoption of 85 percent and not 70 percent it ends at 11.99 million, which is very close to the 12.05 of the staged path. Adoption is therefore the decisive variable, and the case for the staged path rests on the belief, supported by the heat map, the pulse survey and the attrition risk, that an overloaded organization will not reach an adoption of 85 percent. To match the staged path over twelve quarters, the launch together would have to reach 97.1 percent adoption from the eighth quarter, which no one in the room thinks is likely.

How each option feels to the people who carry it. The numbers describe the company, and the options also differ in what they ask of individuals. Under option A the accounts payable clerk, the ledger accountant and the planning analyst each receive new systems, new duties and a new reporting line within the same two quarters, while still closing the books each month. Under option B each of them meets one change at a time, with a pilot colleague who has already found the problems, and with a gate that allows the company to correct course. Under option C the question of the organization and of incentives is simply deferred, which spares the staff for a time and leaves the largest part of the benefit unclaimed. The CFO should say these things to the steering committee in plain words, since a board that understands what each option asks of the staff is better placed to judge the risk to adoption than one that sees only the cash.

Exhibit 28 Tessarine Industrial Group (Fictional): Options for the Steering Committee

Option	Run rate at steady state (millions a year)	Cumulative cash, quarter 12 (millions)	Strength	Principal weakness
A. Launch all six together	12.6	5.96	Fastest benefits in the first six quarters, simplest message, meets the board's wish for early savings	Overloads three teams at more than 175 percent of capacity, adoption stalls, regretted attrition is likely and the program may be reshaped later at greater cost
B. Staged waves with pilots and gates	17.1	12.05	Largest steady state benefit, no team above 100 percent, lessons from pilots, gates that allow a stop	Higher one time cost, deeper trough, slower early cash, and a lead that disappears if one time costs overrun by 30 percent
C. ERP and policy only	6.65	2.88	Lowest cost and risk, quickest to a stable base	Gives up two thirds of the benefit and leaves the organization and the incentive problems untouched

Fictional. Figures from the preceding exhibits. The comparison depends on the adoption assumptions, and the company must use its own.

The recommended path. The CFO should recommend option B, in six steps, and should say plainly that it trails the launch together on cash until the seventh quarter and that its advantage depends on the adoption assumption. First, present the heat map and the pulse survey to the steering committee and ask each member to state which team will give up what, so that the overload becomes a decision of the committee and not a hidden cost borne by the staff. Second, sequence the initiatives as in Exhibit 13, with pilots and gates, and publish the early win of the procurement policy in the second quarter, so that the program has a result to show the board. Third, redesign the sales incentive plan with the regional sales heads before it is announced, and test it on last year's deals as in Exhibit 9, since the opposition of that group is the largest single risk on the stakeholder map. Fourth, protect the controller and her team, by naming deputies, releasing time from the regular close and setting the retention measures of Module 14 for the critical people. Fifth, set up the governance of Exhibit 17, with a benefits owner in the line for every line of Exhibit 19 and an assurance review at each gate. Sixth, report to the board each quarter with the same four numbers, which are adoption, benefits realized against plan, change load and the pulse survey, and agree in advance that the committee will stop or reshape the program if adoption at a gate falls below the threshold. Throughout, the CFO should consult employment counsel on the organization redesign and on any role that changes.

What a weaker answer misses. A weaker answer accepts the proposal to start everything together, because it brings the savings forward and because the board has asked for it. It counts the benefits of the business case and does not ask how many hours each team has. It treats the opposition of the sales heads as a matter of persuasion and does not test the incentive plan on past deals. It assumes that adoption will follow go live, and so does not set up a benefits owner or a gate. It reports progress by milestones passed and not by adoption, and it learns of the overload from a resignation. The stronger answer is not more cautious by temperament. It takes the same business case and asks what the organization can absorb, then shows the board in numbers that the staged path is worth more under the most plausible assumption, and says honestly under which assumptions it is not.

Questions for reflection. What would the CFO do if the board insisted on the launch together and accepted the stated risk? Which assumption of Exhibit 26, the stalled adoption of 70 percent, the rework or the one time cost of the staged path, would most change the ranking, and how could the CFO test it before the decision? How should the CFO explain to the regional sales heads that the plan will change their discretion, and what should be offered in return? Which teams in the reader's own company would be red in a heat map for next year, and who knows it already?

5. Boardroom discussion and key takeaways

The questions below are those that directors can ask about a transformation, with the answer that a prepared CFO can give. A board that asks them early prevents the usual pattern in which a transformation is approved with enthusiasm and reviewed only when it has gone wrong. Exhibit 29 lists ten.

Exhibit 29 Ten Questions Directors Should Ask About a Transformation

Question a director should ask	What a ready CFO can say
Why is this change needed, and what happens if we do nothing?	The statement of the problem and the cost of inaction, tested with managers, and the numbers behind it
Who is the sponsor, and how much time will that person give?	The named sponsor, the hours committed and the record of attendance at the steering committee
Who is affected, and where do they stand?	The stakeholder map of Exhibit 6 and the engagement plan of Exhibit 7
How much change are we asking each team to carry, and in which quarter?	The change load heat map of Exhibit 13, with the amber cells identified
Do our incentives reward the new behavior or the old?	The review of targets and bonus plans against Exhibit 10, with the test on last year's transactions
How will we know the change is working before the end?	Adoption, benefits tracked as in Exhibit 19 and pulse results, reported by team and by quarter
What are the gates, and what would make us stop?	The stage gates of Exhibit 18 and the thresholds for stopping or reshaping
How are we communicating, and how do we hear what people think?	The cadence of Exhibit 15 and the pulse survey with its action log
Are we planning a reduction in the workforce, and how will it be done?	The economics of Exhibit 24 with hidden costs, and the sequence of Exhibit 23, reviewed by employment counsel
How will the change last after the program team has gone?	The embedding mechanisms of Exhibit 25, each with an owner and a test

Source: author's synthesis. Module references follow the program numbering.

Advising the CEO and the board. The CFO should make three arguments. The first is that the capacity of the organization to change is a scarce resource, to be budgeted like capital, and that the heat map is the means of budgeting it. The second is that the benefits of a program are realized by the line and not by the program team, so that each benefit needs an owner who is accountable in the budget. The third is that culture is not a separate subject from performance, since it determines the speed at which decisions are made and the quality of the information that reaches the leaders, and it can be measured and managed with the same seriousness as cost.

Common errors in leading change. Eight errors recur. The first is to announce a change without a reason that people can repeat. The second is to start too many initiatives at once. The third is to leave incentives unchanged. The fourth is to count benefits that are not in the budget or in cash. The fifth is to communicate in one direction only. The sixth is to declare victory at go live and disband the team. The seventh is to treat resistance as a fault of the people. The eighth is to carry out a restructuring without counsel, without candor and without a plan for the people who remain.

Key takeaways. First, published success rates are low and vary with the definition, and the often quoted seventy percent figure has weak provenance and should not be treated as fact. Second, the models of Lewin, Kotter and ADKAR are complementary, one describing the shape of change, one the leadership work and one the needs of the individual. Third, resistance is a signal with six distinct sources, and the response must fit the source. Fourth, incentives are the CFO's most direct instrument, and any plan should be tested against last year's behavior before it is announced. Fifth, change load can be measured, and a heat map turns an argument about capacity into a decision. Sixth, waves, pilots and early wins reduce risk and teach the program. Seventh, communication needs a cadence, a way back and a trusted sender. Eighth, governance with stage gates and benefit owners keeps the program honest. Ninth, culture can be measured by pulse surveys, and a change in results should be tested before it is celebrated. Tenth, a restructuring has hidden costs and needs candor, care and counsel, and a change is finished only when the old way has gone.

A ninety day plan for a CFO who inherits a stalled program. A CFO who joins a company, or who is asked to take over a transformation that has lost its way, can apply the module in a fixed sequence. The first thirty days are for listening and measuring, the second thirty for deciding what to stop, move and protect, and the third thirty for restoring the cadence and the evidence. Exhibit 30 sets out the plan. The discipline of the plan is that it begins with the people and with facts that can be checked, and not with a new design, since a new design announced before the causes of the stall are understood is a new source of load.

Exhibit 30 A Ninety Day Plan for a Stalled Program

Period	Actions	Evidence produced	Decision at the end
Days 1 to 30: listen and measure	Interview twenty people at all levels, map the stakeholders, estimate the change load by team, review the benefits tracker, read the last pulse results and the exit interviews	Stakeholder map, first heat map, list of the benefit lines without an owner, list of the rumors in circulation	Is the program stalled by design, by load, by incentives, by sponsorship or by trust?
Days 31 to 60: decide what to stop, move and protect	Remove or postpone work to bring red cells below 100 percent, test the incentive plans against past behavior, name owners for every benefit line, protect the critical people	Resequenced plan, incentive review, benefit owners named, retention actions agreed with human resources	Which initiatives continue, which move and which stop, approved by the steering committee

Period	Actions	Evidence produced	Decision at the end
Days 61 to 90: restore cadence and evidence	Restart the communication cadence, hold the first gate review, run a pulse survey and publish what was heard and what changed	Gate report, pulse results with the test of real change, first quarterly benefits report to the board	Whether the program proceeds on the revised plan, and what the board will see each quarter

Source: author's framework from practice, stated from the author's own knowledge.

6. The executive artifacts: a change impact assessment and a stakeholder communication plan

The first artifact is a change impact assessment, which states for each group affected by a program how much the change alters six dimensions of its work, how ready the group is, and how great the resulting risk is. Each dimension is rated from 0, which means no change, to 3, which means a major change, so that the total for a group ranges from 0 to 18. Readiness is rated from 1, which means not ready, to 5, which means fully ready, and the risk score is the impact total multiplied by the quantity 6 less readiness, so that a group with a large impact and low readiness scores highest. The assessment is completed in Exhibit 31 for the finance and sales groups of Tessarine for the first two waves. The ratings are judgments, to be made with the heads of each group, and the reader should replace them with those of the company.

Exhibit 31 Change Impact Assessment for Waves 1 and 2 (Fictional Example)

Group	Staff	PR	TE	RO	SK	RL	IN	Impact	Ready	Risk
Accounts payable and receivable staff	64	3	3	2	2	1	0	11	2	44
General ledger and close team	38	3	3	2	2	1	0	11	3	33
FP&A analysts	31	2	3	2	3	0	1	11	3	33
Sales operations	22	2	2	1	1	0	3	9	2	36
Procurement	18	3	2	1	1	0	1	8	3	24
Finance systems	14	1	3	2	2	0	0	8	4	16
Regional sales heads	9	1	1	1	0	0	3	6	1	30
Total staff. Staff in groups with risk of 30 or more are 164, or 83.7 percent	196									

Fictional. Computed in Python. Staff is the number of people. Dimensions are PR process, TE technology, RO role, SK skills, RL reporting line or location and IN incentives or targets, each rated 0 to 3. Impact is their total, and Ready is readiness rated 1 to 5. Risk score is the impact total times (6 minus readiness). Groups with the same score (general ledger and close, and FP&A analysts at 33) are listed in the order of the table. The ratings are judgments and should be agreed with the leaders of each group.

Reading the assessment. The accounts payable and receivable staff carry the highest risk, at 44, though their influence over the outcome is modest, as the stakeholder map showed, because their number is large and their readiness is low. Sales operations come next at 36, largely because of the incentive change. The regional sales heads score lower on impact, at 6 out of 18, but their readiness is the lowest, and the map has already shown that they are the group with the highest priority. The two instruments therefore answer different questions. The stakeholder map asks where to spend leadership attention, and the impact assessment asks where to spend training, coaching and support. Together they direct the effort of the transformation office. The second artifact turns the two into a communication plan.

The stakeholder communication plan. The second artifact is completed in Exhibit 32 for the same program. Each row names an audience, the objective of the communication, the key message in plain words, the channel, the sender, the timing and the measure by which the program will know whether the communication worked. The reader should replace the entries with those of the company, ask human resources and counsel to review any communication that touches employment, and keep the plan alive by revising it after each pulse survey.

Exhibit 32 Stakeholder Communication Plan (Fictional Example)

Audience	Objective	Key message	Channel and sender	Timing	How we will know it worked
Regional sales heads	Move from opposition to constructive engagement	The plan protects margin and cash, and you will help to design it and test it on last year's deals	Working sessions led by the CFO and the chief revenue officer	Month 1, then every two weeks until launch	Support score moves from minus 2 to 0 or better within two quarters
Accounts payable and receivable staff	Reduce uncertainty, build confidence in the new system	What changes, what does not, how you will be trained and who to ask	Team meetings led by line managers, with champions	Every two weeks in the active wave	Favorable score on knowing what is expected rises by at least 10 points between waves
General ledger, close and FP&A teams	Protect capacity, explain sequence	We have moved the work so that no team carries more than its capacity, and here is the calendar	Written note from the CFO and a meeting with each leader	Before wave 1, then monthly	Favorable score on time and resources reaches 50 percent by the third wave
Plant and operations leaders	Secure the calendar and a seat in the decisions	The upgrade will not touch the peak production periods that you have named	Steering committee seat, blackout calendar issued by the chief operating officer	Before any date is published	No date in a blackout period, and attendance at every steering meeting
All employees	Provide the reason, the facts and the next date	Why the company is changing, what is decided, what is not decided and when you will hear more	Town hall and note from the chief executive	Monthly	Response rate to the pulse survey at or above 80 percent, and questions answered within five working days
Audit committee and board	Keep directors informed and the controls assured	Progress, benefits at risk, change load, pulse results and any control concern	CFO report, with an assurance note from internal audit at each gate	Quarterly and at each gate	No surprise reported to the board by a third party

Fictional. The targets are proposals for teaching, and a company should set its own. Communications that affect employment, benefits or the disclosure of information to lenders and investors must be reviewed by counsel.

7. Research and Perspectives from the Leading Firms

The publications below were found by search, and each page was opened before it was described. Some pages returned only part of their content or a summary, and where that was so the description says what was returned and no more. The descriptions of resistance, the stakeholder scoring, the change load heat map, the design of incentives, the governance structure, the benefits tracker, the pulse survey test and the

restructuring economics are the author's own knowledge and experience and not from these pages. Statistics are stated with their source, sample and date, and most describe the opinions of respondents and not audited outcomes.

Exhibit 33 Publications on Change Management, Transformation Outcomes and Culture

Source	Title and URL	What it says
McKinsey	Losing from day one: Why even successful transformations fall short (December 7, 2021). https://www.mckinsey.com/capabilities/people-and-organization/our-insights/successful-transformations	Global survey of 1,034 participants fielded May 18 to June 29, 2021. Reports that fewer than one third said their transformations improved and sustained performance, that successful programs captured about 67 percent of the maximum benefit against about 37 percent for others, and that value loss begins at target setting
McKinsey	How to beat the transformation odds (2015). https://www.mckinsey.com.br/~/media/mckinsey/business%20functions/people%20and%20organizational%20performance/our%20insights/how%20to%20beat%20the%20transformation%20odds/how_to_beat_the_transformation_odds.pdf	Survey of 1,946 executives fielded in November 2014. Reports 26 percent success in improving and sustaining performance, 58 percent where all listed actions were taken, and associations with open communication and leaders who model behavior. The page showed a 2015 copyright and no publication date
BCG	Companies can flip the odds of success in digital transformations from 30% to 80% (press release, October 29, 2020). https://www.bcg.com/press/29october2020-companies-can-flip-the-odds-of-success-in-digital-transformations-from-30-to-80	Based on a survey of 825 senior executives and data on 70 companies. Reports 30 percent of transformations meeting or exceeding target value with sustainable change, 44 percent creating some value, and 26 percent creating limited value. The six success factors were not in the text that was read
Deloitte	Navigating change: How CFOs can effectively drive transformation (CFO Insights, no date shown). https://www2.deloitte.com/us/en/insights/focus/executive-transitions/navigating-change-how-cfos-can-effectively-drive-transformation.html	States that resistance is invariable, that workload, satisfaction or power concerns can be addressed through work design and sponsorship, and proposes four steps for culture change. Reports that CFOs aspire to spend about 60 percent of their time as catalyst and strategist
EY	Why human-centric change management is key to transformation success (January 17, 2022 byline). https://ey.com/en_sg/insights/workforce/why-human-centric-change-management-is-key-to-transformation-success	A consulting firm article that cites a figure of 78 percent of change efforts failing between 2016 and 2020 from a study of 128 companies, attributed to Harvard Business Review, which was not opened. It names weak stakeholder buy in, culture and resistance, and poor measurement as recurring problems
Gartner	Always-On Finance Change Management for a Successful Transformation (no date shown, copyright 2026). https://www.gartner.com/en/finance/trends/boost-finance-transformation-with-a-change-management-strategy	Reports that nearly half of employees say change resistance is a barrier to transformation success, without a stated sample, and argues for an iterative, always on approach to change in finance. The full report was not accessed
Gallup	Global employee engagement falls to lowest level since 2020 (State of the Global Workplace press release, April 8, 2026). https://www.gallup.com/file/workplace/712607/SOGW_Global-Press-Release-2026-04.pdf	Reports global engagement of 20 percent in 2025, down from a peak of 23 percent in 2022, manager engagement of 22 percent, down from 27 percent in 2024, and about 10 trillion dollars of lost productivity in 2024. Sample size not stated in the document

Source	Title and URL	What it says
Google re:Work	Understand team effectiveness. https://rework.withgoogle.com/intl/en/guides/understand-team-effectiveness	Describes a study of 180 teams and five dynamics of effective teams, with psychological safety first, defined in the words of Amy Edmondson as a shared belief that the team is safe for interpersonal risk taking
Kotter Inc.	The 8 steps. https://www.kotterinc.com/methodology/8-steps/	Lists the eight steps from creating a sense of urgency to instituting change, each with a one line description
Tasmanian government factsheet (crediting Prosci)	Change 38 Factsheet, The ADKAR Model Overview. https://www.dpac.tas.gov.au/divisions/ssmo/change_management/Change_38_-_Factsheet_-_The_ADKAR_Model_Overview.pdf	Describes the five elements of ADKAR and credits Prosci, noting that the factsheet is adapted from resources developed in 2015. A secondary description and not the Prosci text
TechTarget	Kurt Lewin's change management model: unfreeze, change, refreeze. https://www.techtarget.com/whatis/definition/Kurt-Lewins-Change-Management-Model-Unfreeze-Change-Refreeze	Describes the three stages and says that Lewin proposed the model in the 1940s. A secondary description and not Lewin's own text
Reliamag	Do 70% of digital transformations fail? Tracing the number. https://reliamag.com/topics/guides/digital-transformation-failure-rate	A trade guide that traces the 70 percent figure to a 1993 estimate for reengineering, a 2015 McKinsey article without a stated method and a 2011 review by Mark Hughes that found no valid empirical evidence for it. A secondary source, and the primary papers were not opened

Each page was opened and the descriptions follow what the tool returned. No PwC, KPMG, Grant Thornton, BDO, RSM US, Baker Tilly, Crowe, CBIZ, Moss Adams, CohnReznick, CLA or EisnerAmper publication is cited, and no document of NIST, the SEC or a standard setter is cited. The original works of Lewin, Kotter and Prosci, the Hughes review and the Harvard Business Review article were not read.

What the research agrees on. The sources differ in kind, from large surveys to trade guides, and should not be read as one body of evidence. They agree on three points. First, success in sustaining a transformation is the minority outcome in every survey that measured it, although the definitions differ, so that the exact rate cannot be stated and the often quoted seventy percent figure cannot be sourced. Second, the factors associated with success are mostly about people and management and not about technology: communication, leadership that models the change, clear roles, an embedded process and attention to value from the moment that targets are set. Third, the engagement of the workforce is itself under pressure, which makes the load that the CFO places on people a first order matter.

What the research does not show. Four limits deserve a plain statement. The surveys ask executives to judge their own programs, and executives who led a program are not neutral judges of it. The definitions of success differ between McKinsey, which asks whether performance improved and was sustained, and BCG, which asks whether the target value was met, so that the percentages are not directly comparable. The associations reported, such as the likelihood of success being several times higher where communication was open, do not prove that communication caused the result, since well run programs may communicate well for other reasons. And none of the sources read for this module is a study of finance functions in particular, so that the application to the CFO's own function is the author's inference.

How a CFO should use the research. The practical course is to take from the research the questions and not the percentages. Directors will ask what the company's odds are, and an honest answer is that published figures vary with definitions and should not be applied to a particular company. The better answer shows the company's own evidence, which is its adoption, its benefits realized against plan, its change load and its pulse

results, and it states which of the factors associated with success in the research the company has in place and which it lacks. A board that sees such evidence quarter by quarter is better informed than one that is told the odds, and it can intervene while intervention is still inexpensive.

8. The ten question self assessment

Rate each statement from 1 to 5 using the scale below, and mark one box in each row. The ratings must rest on actual experience or documented evidence, such as a stakeholder map you built, a heat map you presented, an incentive plan you tested, a benefits tracker you reported or a pulse survey you acted on, and not on confidence. A rating of 1 means Unprepared: limited understanding and no meaningful application. A rating of 2 means Developing: conceptual familiarity, relying heavily on others. A rating of 3 means Competent: able to apply the capability independently in conventional situations. A rating of 4 means Advanced: the capability is integrated into strategy and delivers measurable results. A rating of 5 means Future-ready: enterprise wide impact, anticipation of change and the development of others.

No.	Statement of demonstrated capability	1	2	3	4	5
1	I can explain why transformations stall, I know what published research does and does not show about success rates, and I do not quote failure percentages without knowing their source.	☐	☐	☐	☐	☐
2	I can describe the models of Kotter, ADKAR and Lewin, and I choose among them according to the problem and not by habit.	☐	☐	☐	☐	☐
3	I distinguish the sources of resistance, and I respond to loss, uncertainty, workload, incentives, competence and disagreement in the way that each requires.	☐	☐	☐	☐	☐
4	I have mapped and scored stakeholders for a program, and I used the result to direct the attention of the leadership team.	☐	☐	☐	☐	☐
5	I test incentive plans against past behavior before they are announced, and I have changed a target or a bonus because the test showed a perverse result.	☐	☐	☐	☐	☐
6	I measure change load by team against capacity, and I have moved work to a later quarter because the heat map showed an overload.	☐	☐	☐	☐	☐
7	I run communication on a cadence with a way for people to respond, and I handle rumors with facts, a trusted voice and a report back.	☐	☐	☐	☐	☐
8	I govern transformations with a steering committee, stage gates and named benefit owners, and I report adoption and realized benefits against plan.	☐	☐	☐	☐	☐
9	I measure culture with pulse surveys, I test whether a change in the results is real, and I act on what the results show.	☐	☐	☐	☐	☐
10	I have led or supported a restructuring or a difficult announcement with candor and care, in consultation with employment counsel, and I have planned for the people who remain and for the change to last.	☐	☐	☐	☐	☐

Total score: _____ out of 50. Ten statements rated from 1 to 5 give a minimum of 10 and a maximum of 50 points. Exhibit 34 gives the proposed interpretation. The scale is that of the source proposal for this program, and the statements are specific to this module.

Exhibit 34 Proposed Interpretation of the Module 15 Score

Score	Reading	Suggested use
10 to 19	Unprepared	Study the module in full, map the stakeholders of one change in your own company and ask a colleague in human resources to review the map with you
20 to 29	Developing	Build a change load heat map for next year and test one incentive plan on past behavior, and review both with the leadership team
30 to 39	Competent	Introduce stage gates with benefit owners and a pulse survey with a test of real change, and report them to the board
40 to 45	Advanced	Run a transformation with resequenced waves, a communication cadence and independent assurance, and teach the method to other finance leaders
46 to 50	Future-ready	Share the method across the enterprise, invite independent review of the program and the culture measures, and help other companies and boards to adopt it

These bands are proposed program standards and have not been empirically validated against a broad population of finance executives.

Development actions by pattern. A single total can hide the pattern behind it, so look at which statements received the lowest ratings and whether the low ratings cluster. A reader who is low only on the models and the research has a gap of knowledge that can be closed within a month, while a reader who is low on incentives and load has a gap of practice that needs a live program and a willing sponsor. Exhibit 35 suggests three actions for each pattern.

Exhibit 35 Development Actions for Low Score Patterns

Low scores on	Pattern	Three suggested development actions
Statements 1 and 2	Knowledge gap: the reader cannot yet describe the evidence or the models	1. Read the McKinsey 2021 article and note the sample and the definition of success. 2. Write one page comparing Exhibit 3 for a change in your company. 3. Trace the source of the next failure statistic you hear
Statements 3 and 4	Reading people gap: the reader cannot yet distinguish or prioritize resistance	1. Classify the objections to a current change using Exhibit 5. 2. Build the map of Exhibit 6 with your leadership team. 3. Write the engagement plan for the top three groups
Statements 5 and 6	Levers and capacity gap: the reader cannot yet test incentives or measure load	1. Apply the six tests of Exhibit 10 to one plan. 2. Run the plan on last year's transactions. 3. Build the heat map of Exhibit 12 for the next two quarters
Statements 7 and 8	Communication and governance gap: the reader cannot yet run the cadence or the gates	1. Draft a cadence like Exhibit 15. 2. Set the gates of Exhibit 18 for one program. 3. Name an owner for each benefit line as in Exhibit 19
Statements 9 and 10	Culture and leadership gap: the reader cannot yet measure culture or lead a hard change	1. Run a six question pulse survey and apply the test of Exhibit 21. 2. Rehearse the sequence of Exhibit 23 with human resources and counsel. 3. List the mechanisms of Exhibit 25 for one change

Source: author's suggestions. The mapping of statements to patterns is the author's proposal, and ratings should rest on experience or documented evidence.

A closing thought. A company changes when enough of its people decide that the new way is better than the old and are given the time and the means to prove it. A CFO who understands this will spend less effort on persuasion and more on the conditions that make the decision easy: a clear reason, a fair incentive, a load that people can carry, honest news and a leader who is seen to keep promises. The measure of success is not the plan that was approved but the habit that remains when the program team has gone.

Using the module with a team. The module is most useful when the leadership team works through a real program together. A practical sequence is to begin with the stakeholder map of Exhibit 6, since a shared view of who is for and against a change alters the tone of every later discussion. The team should then build the heat map of Exhibit 12 for the next four quarters, which usually produces immediate decisions about what to move. Only afterward should the team turn to the benefits tracker, the governance and the communication plan. Taking the people questions before the technical ones signals to the organization, which will hear of the discussion, that the leaders regard the people as the means of success and not as an obstacle to it. Each statement of the self assessment that received a rating of 3 or less should be assigned to a named executive with a date.

The limits of the models. The tools of this module are teaching devices and each simplifies. The stakeholder score treats judgments as numbers, the heat map assumes that hours of change work can be estimated and that capacity is the same for every person in a team, and the pulse survey test ignores overlap between respondents and nonresponse bias. The incentive example takes the probabilities as known when they are not, and the restructuring example uses assumptions for lost productivity and attrition that a company would need to measure for itself. None of these simplifications makes the tools useless. Each is a reason to show the board a range, to state the assumptions and to revisit the numbers after each wave. A CFO who keeps the models simple, and who is open about what they leave out, will be trusted more than one who presents them as predictions, and the trust will be needed on the day that a program meets a result that no model foresaw.

9. Currency check and sources

Currency check: this field changes, and survey results, engagement levels, employment law on notice, consultation and severance, and the practice of incentive design may already have changed. The publications in Exhibit 33 were opened in October 2026, and each statistic is stated with its source, sample and date. The statistics of McKinsey, BCG, Gallup and Google were confirmed on pages that were opened, in several cases only in summary or in a press release, and the full reports were not read. The McKinsey 2015 article carried a 2015 copyright and no publication date. The Deloitte and Gartner pages carried no publication date, and the Gartner page gave no sample. The 78 percent figure quoted in the EY article was not traced to its source. The descriptions of Lewin, Kotter and ADKAR rest on secondary descriptions and on the Kotter Inc. web page, and the original works were not read. The history of the seventy percent figure is taken from one trade guide and was not verified against the primary papers, so that this module treats the figure as unsourced. The following come from the author's own knowledge and were not confirmed in a source read: the classification of the six sources of resistance; the stakeholder scoring method; the perverse incentive examples and the statement of Goodhart's law; the change load heat map method; the communication cadence and the rumor method; the governance roles and gates; the benefits tracker conventions; the pulse survey test of real change, which is a standard approximation for a difference in proportions; the economics of a restructuring; and the embedding mechanisms. The company, people, amounts, ratings, scores, adoption paths and results in the exhibits are fictional, and all sums, ratios, rankings, loads, cumulative cash amounts and survey statistics were computed in Python and checked by assertion. This module is educational and is not legal, employment, tax, accounting or investment advice. Readers must consult qualified professionals in accounting, tax, legal, employment and other relevant services before acting, and matters such as a reduction in force, notice and consultation, severance, retention awards, compensation plans and the disclosure of a restructuring to lenders, investors or markets require the advice of qualified employment counsel and other professionals. Every threshold, weight and assumption in the exhibits is an illustration to be replaced with the company's own.

Sources: the publications listed in Exhibit 33, with titles, dates and URLs there. The five point scale is from the source proposal for this program. Tessarine Industrial Group and every person and unit in the examples are fictional. Cross references follow the numbering of this program: Module 2 (intelligent finance transformation), Module 4 (technology investment and digital economics), Module 13 (the CFO as enterprise leader), Module 14 (the finance workforce) and Module 16 (executive communication, negotiation and influence).