BUSINESS TRANSFORMATION

The Hidden Cost of Inattention: How Boards Can Stop Transformation Value Leakage

Boards Lead the Way

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ARTICLE SEPTEMBER 29, 2025 5 MIN READ

This is the second in a series of articles on the crucial role of boards of directors in actively supporting corporate transformation.

More than 85% of executives say they are leading or planning a transformation, yet most companies capture only a fraction of the value they set out to create. Fewer than one in three reach their intended outcomes.

Board engagement can be the difference between falling short and fully delivering. As transformation becomes a permanent feature of the corporate landscape, boards are being called to play a more deliberate role in ensuring the right conditions are in place for success.

"The board's oversight of transformation is as critical as its oversight of capital allocation," says a chair of a Fortune 100 board. "It's one of the few decisions that can shift the trajectory of a company for a decade."

Transformation Value Leakage: A Solvable Problem

Transformation programs rarely fail all at once. More often, they fall short gradually, delivering progress, but significantly below their original ambition. This gap between projected and realized value is known as transformation value leakage.

Leakage occurs for a variety of reasons: discretionary cost increases, shifts in demand or product mix, delays in operational initiatives, or unplanned reinvestments. These internal factors alone can erode as much as 10% to 20% of anticipated gains, according to BCG benchmarks—even before accounting for inflation, currency swings, or external market pressures.

Delivering transformation promises is more critical than ever. Investors expect clarity, accountability, and measurable results. If anticipated savings do not appear in the P&L, trust erodes—and so does company value. That is why managing leakage is not a side task; it is a strategic imperative.

BCG's experience across hundreds of transformations shows that leakage is common, but not inevitable. Programs that clearly differentiate between gross value creation and net financial impact, and that rigorously manage the factors in between, are far more likely to deliver on their potential.

Boards are uniquely positioned to support this discipline. When engaged early, they can help set the right level of ambition, reinforce alignment across the leadership team, and ensure that transformation targets are not just aspirational, but achievable and well-defined. But their role shouldn't end here. Ongoing board engagement throughout the transformation journey is critical to sustaining focus, adapting to evolving conditions, and holding leadership accountable for delivery. By remaining active stewards from initiation through execution, boards can help ensure that transformation efforts stay on track and deliver to their full potential.

Five Ways Boards Can Help Capture Full Transformation Value

To fulfill their evolving role in transformations, boards must apply five practical actions that reduce leakage, improve delivery, and ultimately increase value creation.

1. Establish a Clear and Comprehensive Value Baseline

Many transformation programs overestimate their impact by failing to rigorously define where value will be created and how it will be captured. Boards can strengthen transformation plans by insisting on clear visibility into gross and net value targets, that is, the total value a program aims to generate (gross) from major initiatives and what ultimately reaches the bottom line after accounting for costs, delays, and other leakage (net). This includes anticipated leakage from cost headwinds, execution delays, or internal friction. A robust value baseline enables sharper governance and ensures the program is anchored in financial and strategic reality from the outset.

2. Ensure Senior Leadership Ownership and Alignment

Transformation outcomes hinge on collective accountability at the top. Boards should look beyond surface-level declarations of support to assess whether the entire leadership team is aligned on transformation priorities, cadence, and trade-offs. When executives act in silos or pursue parallel agendas, leakage increases. Sustained leadership coherence, supported by incentives and performance dialogue, is essential to driving momentum and maintaining focus.

3. Reinforce Focus Through Controlled Scope and Resource Allocation

Overextension, taking on too many initiatives beyond the organization's real capacity, is a leading cause of value dilution in transformation programs. Boards can help reinforce discipline by ensuring that transformation scope is tightly linked to value potential, and that resources such as talent, capital, and leadership attention are concentrated on the initiatives that matter most. Efforts to expand their scope without proportional investment or impact should be scrutinized and, when appropriate, deferred. Focused execution outperforms broad ambition.

4. Embed Outcome-Based Accountability Mechanisms

Boards should expect regular reporting on transformation progress, but not in the form of superficial status updates. Effective oversight requires data that links execution to financial and operational outcomes, including leading indicators, pacing against milestones, and visibility into emerging risks. As part of this, boards should ask for transparency on net impact and periodically review the gross-to-net bridge—meaning the reconciliation between planned value and what is actually delivered—ideally on a quarterly basis. Well-structured transformation management offices (TMOs) and governance routines can help embed this transparency into the operating rhythm, giving boards the visibility they need to ask the right questions at the right time.

5. Anchor the Program in Long-Term Strategic Value Creation

Transformations are most effective when they serve a clear long-term purpose. Boards should test the coherence between transformation initiatives and the company's broader strategic direction, including its positioning, capital allocation, and innovation agenda. Programs that drift from this anchor risk delivering short-term wins at the expense of sustainable value. By helping the organization to stay on course and avoid distractions, boards can reduce the risk of early leakage and ensure efforts remain focused on what drives lasting impact. Board engagement helps ensure the transformation remains directionally sound and strategy-led from start to finish.

Board Engagement as a Force Multiplier

When boards are engaged as thought partners and strategic stewards, transformation efforts become more coherent, resilient, and impactful. By asking sharper questions, reinforcing alignment, and maintaining strategic focus, boards can help turn promising ambitions into measurable outcomes.

With the right kind of involvement, boards can be the difference between good intentions and great results.

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