BUSINESS TRANSFORMATION

The Secret to a Successful Transformation? An Engaged Board.

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ARTICLE JUNE 01, 2026 5 MIN READ

The scope and pace of transformations are rapidly changing, yet board engagement may not be keeping up. Companies are transforming more frequently today than in the past and have a wider variety of objectives: implementing digital or AI, reducing costs, tapping into new growth opportunities, improving sustainability, managing geopolitical risk, and more. However, in BCG's recent survey of chief transformation officers (CTOs), nearly two-thirds of these leaders said that involvement from the board of directors in their transformation is mostly limited to reviewing status updates. Directors receive information, rather than take an active part in shaping decisions and aligning strategy.

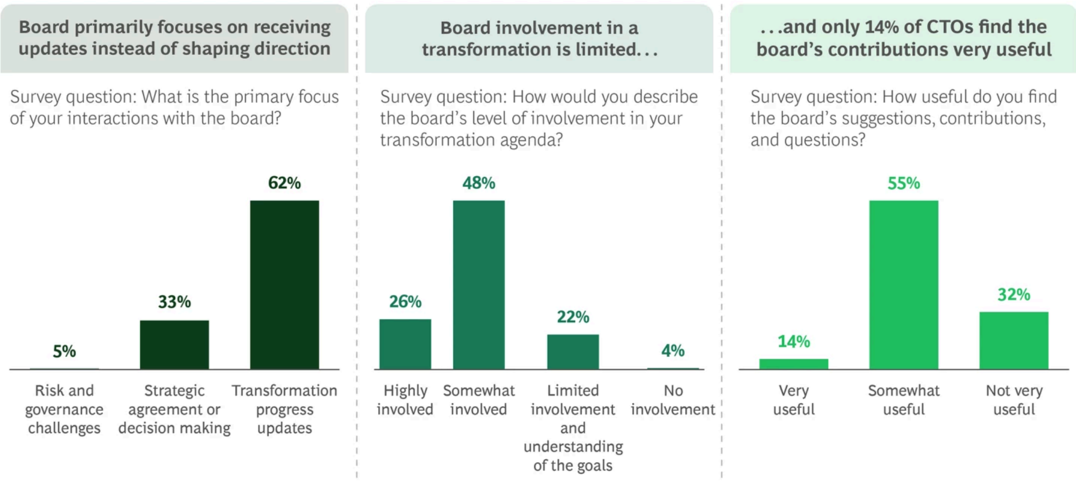
In fact, stronger board engagement can lead to far better outcomes in a large-scale change program. Directors frequently have direct experience running transformations, along with the strategic discipline and an external perspective that can complement the C-suite and increase the likelihood of a successful transformation. To tap into this resource, companies need a different engagement model for how boards and CTOs interact—straightforward measures that can make a big difference in whether a transformation succeeds or fails.

Boards Are an Untapped Resource

Our survey drew responses from several dozen CTOs at large companies around the world, spanning a variety of industries. Key findings include:

- **Leadership is critical.** Support from company leadership, including the backing from the CEO and true agreement among the executive team, was cited as the most critical success factor in a transformation.
- **Boards are viewed positively.** Roughly 90% of CTOs said that their board supports their transformation. In contrast, transformation leaders were less likely to say that they got support from the CFO (71%), chief information and technology officers (69%), or business unit leaders (just 48%).
- **Many boards aren't directly involved.** Just 26% of CTOs said their board is currently highly engaged in transformation programs, and only 14% found their board's contributions to be "very useful" to the point where they have made changes based on the board's comments or recommendations. A higher number, 55%, rated their board's contributions as "somewhat useful." (See the exhibit.)

Some Boards Are Less Involved in Shaping the Strategic Direction of a Transformation, Making Them Less Useful to Management Teams



Source: BCG's chief transformation officer survey, 2025.

Some of the limited engagement in change programs may stem from boards' traditional oversight role. Typically, they have been more involved in supporting management in advance of a transformation—making the determination that one is needed, along with aligning on or approving the scope and target outcomes. Once the strategic alignment was done, boards tended to rely on quarterly (or, in some cases, monthly) progress updates on the pipeline of initiatives, material changes in scope, and whether there's continued confidence that the program will achieve its targets.

In the past, when business conditions were changing less frequently and companies didn't need to evolve often or comprehensively, that level of oversight was enough. Today, it no longer is.

From Oversight to Active Engagement

For more frequent, large-scale transformations, boards need to be far more involved. Specifically, companies and boards need to shift the primary focus from oversight to agile partnership, with engagement levels that are calibrated to the scope and stage of transformation. (See "Different Types of Transformations, Different Levels of Oversight.") In practice, that requires changes in how frequently the board engages and through what type of mechanism.

— Different Types of Transformations, Different Levels of Oversight

While most boards can and should engage more directly in change programs, their approach should be tailored to the goals of the transformation, along with its initial impetus.

For example, a CEO may initiate and lead a transformation aimed at growth and innovation or to reinforce a company’s competitive advantage. In these situations, the CEO is the core stakeholder, and the CTO is tasked with executing the overall program and reporting primarily to the CEO. Moderate oversight from the board, through quarterly updates, is often enough.

In other cases, a board may initiate a transformation, with the goal of turning around poor operational or financial performance. The board may even bring in a new CEO with this explicit mandate and interact more directly with the CTO. In turn, the CTO may have to coordinate with both the board and CEO as key stakeholders.

Outside-in transformations are led or initiated by an activist investor. Because these typically involve high visibility and public pressure to deliver results—along with major consequences for missing targets—board engagement should be extremely high, with very close monitoring of transformation progress and how KPIs are tracking over time.

To that end, boards can take several approaches:

- **Assign transformation support to a specific board working group.** A smaller team can be more engaged and provide deeper support to management. Some companies stand up temporary transformation committees; these can work well, but boards may face logistical hurdles to setting up a new committee, depending on their bylaws, so often this responsibility will be assigned to an existing committee.

- **Set up touch points between the CTO, CEO, and board on a more agile basis.** For example, companies can go beyond the standard cadence of quarterly in-person meetings and schedule online meetings synced to key transformation decisions or milestones. In our data, 55% of CTOs only engage with the board during full board meetings. Just 17% engage outside of board meetings, such as with individual directors, and 14% engage with a transformation committee. Engaging more frequently and with a smaller set of directors can help ensure that CTOs have access to the right people with the right capabilities and the willingness to engage more directly.

- **Link incentives more directly to transformation goals.** Financial incentives for the CEO and leadership can ensure that the right stakeholders are properly motivated, but in our data, they aren't a commonly used tool. Among CTOs, two-thirds said that their company uses only standard incentives or, at most, adjusts them slightly based on a transformation. Just 29% have a transformation-specific incentive plan with a clear link to improved financial metrics.

How Board Engagement Helped One Company Execute

To see how this level of engagement looks in practice, consider the board of a health care company facing financial distress. The board initiated a transformation, set strategic milestones, such as financial improvement hurdles, and remained heavily involved throughout the execution phase, which included a strategic review of the product portfolio. This review led to a significant revamp of the product investment strategy (redoubling the focus on some product lines while sunsetting others) and the acquisition of a target company with an enabling set of capabilities. The program also led to several transitions in the senior leadership team. Throughout, the board engaged monthly on key milestones, improvements in financial metrics, overall costs, and other factors. The outcome: the company achieved its financial milestones on schedule and, as a result, became one of the top-performing stocks in its index that year. More important, strategic portfolio decisions and increased discipline from the transformation repositioned the company for long-term success.

Boards can be a critical asset in helping CTOs execute a transformation successfully, but as our survey shows, this is often not the case today. When boards engage more frequently and directly—setting expectations before the program launches, communicating more frequently during the execution stage, shaping key decisions, and contributing critical expertise in key areas such as technology—companies can take advantage of the full set of resources and experience that directors offer. As transformations become more important in shaping a company's fortunes, boards should evolve how they engage to ensure successful ones.

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