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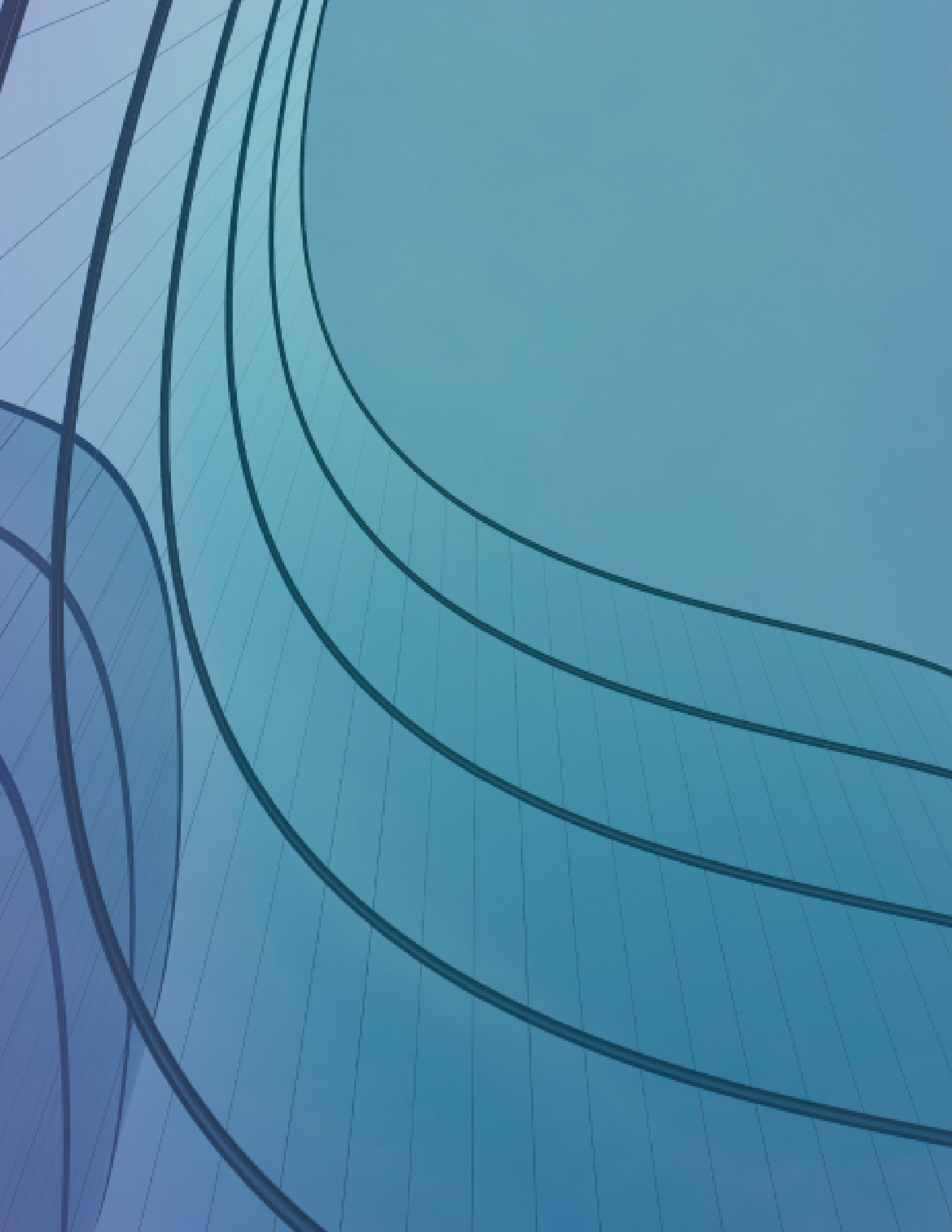
Lead the Change or Be Left Behind:

The New Leadership Mandate



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The New Leadership Mandate

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The Accelerating Imperative

The mandate for organizational transformation is no longer a matter of choice; it is an unavoidable imperative for survival. We are now in an era defined by relentless technological disruption, and the primary challenge for leadership has shifted. The question is no longer whether to transform, but why so many transformations are systemically failing to scale. This is a crisis of execution.

While “digital transformation” remains a top C-suite priority, the failure rates are catastrophic. These challenges, coupled with the uncertainty of AI’s impact across industries, are causing leaders to rethink their plans for large-scale change.

A recent Infinitive analysis paints a stark picture: 70% of large-scale transformation efforts fail to achieve their objectives. A 2024 Gartner survey further quantifies this execution gap, revealing that only 48% of enterprise-wide digital initiatives meet or exceed their business outcome targets, according to techmonitor.ai. This widespread failure is not a failure of technology but a failure of organizational scale and leadership. In fact, Gartner projected that 80% of organizations seeking to scale their digital business will fail to do so through 2025.

> The root cause of this 48% failure rate is directly linked to a leadership and capability gap. The same Gartner study found that only 16% of Chief Information Officers (CIOs) plan to build an enterprise-wide technology workforce beyond their own IT departments.

This gap reveals the central thesis of the new leadership mandate: transformation is stalling because leaders are launching digital initiatives (pilots) without rewiring the underlying organizational machinery, people, process, technology, and governance required to execute them at scale. Success demands a new, holistic leadership mandate that addresses the enterprise from the top down.

The New Leadership Mandate for the AI-Native Enterprise

The job description for modern executives has changed. Leaders now need to be part technologist, part strategist, and part culture architect. Microsoft is a useful reference point. Under Satya Nadella, the company did not simply pivot to cloud and AI. It first reset its culture from "know-it-all" to "learn-it-all." That shift unlocked everything else. The technology strategy worked because the leadership mindset changed first.

That mindset shift is now a prerequisite, not a slogan. A 2025 Cisco study found that 97% of CEOs plan to integrate AI into their operations, yet only 1.7% feel fully prepared to lead that integration. This is the C-suite Confidence Gap: a hard disconnect between ambition and capability at the very top. It explains why so many transformations stall or fail. Unprepared leaders sponsor fragmented AI efforts that outpace their organization's skills, operating model, and culture.

The stakes are clear. As Cisco's Chief Product Officer, Jeetu Patel, put it in February 2025: "Eventually there will be only two kinds of companies: those that are AI companies, and those that are irrelevant." That pressure is rewriting executive roles in real time. The wall between "tech" and "business" is collapsing at the C-suite level. Job specs now expect fluency in data, quant, and technology, not just comfort with slideware.

CIOs are already living this shift.

A 2023 Gartner study found that 84% of respondents reported their responsibilities now extend far beyond traditional IT and into direct business outcomes. The new mandate is a dual transformation: leaders must rewire how the organization operates and rewire the C-suite itself to be credible stewards of an AI-native enterprise.

Building the Foundation for AI Amplification

DevOps is no longer a flashy topic, but its importance has only grown. Many of its original goals have been absorbed into various modernization initiatives. Historically, leaders misunderstood DevOps as merely a technical tooling change, which made its core tenets difficult to scale across the organization. Its true value is cultural, serving as the operating system for speed, collaboration, and resilience. This "soft" culture, built on shared goals and a user-centric focus, is now a hard prerequisite for technology success, especially with AI.

The 2025 **State of AI-Assisted Software Development (DORA) Report** provides a critical finding: "AI doesn't fix a team; it amplifies what's already there." In other words, AI acts as an "**amplifier**" of your current state. An organization with a healthy, high-trust DevOps culture will see AI amplify its strengths, leading to massive gains in productivity and innovation. Conversely, an organization with a siloed, low-trust, or dysfunctional culture will find that AI amplifies its dysfunctions, creating new bottlenecks and chaos.

A Gartner study confirms this amplification effect can be negative. Teams without a strong user-centric focus were found to experience *decreased* performance from AI adoption. This means a leader cannot simply *buy* AI tools to fix a broken organization; they must first fix the culture to survive the implementation of AI. This reality elevates culture from a "nice-to-have" to a board-level **strategic imperative** for AI readiness.

This shift places new responsibilities on technology leadership. Tech leaders must champion the "generative" high-trust culture that research shows leads to 30% higher organizational performance. This is a culture built on psychological safety, where teams can take risks, report failures as learning opportunities, and collaborate across silos to solve customer problems. Technology leadership is no longer just about systems and infrastructure; it's about shaping mindset and behaviors across the enterprise.

Driving Cloud-Native Transformation through the AI-Native Platform

If culture is the engine of transformation, cloud-native architecture is the accelerator. However, simply "lifting and shifting" applications to the cloud is not transformation; it is merely changing a capital expenditure to an operational one. To unlock the velocity promised by DevOps, and to harness the power of AI, leaders must champion the creation of standardized, automated, and self-service platforms. Platform Engineering is the technical solution to the bottlenecks that AI amplification can create. Many enterprises have struggled to deliver internal platforms as effective as the likes of Heroku or Vercel that truly support modern, AI-augmented software development.

The "AI Productivity Paradox"

The 2025 DORA report, supported by engineering telemetry, reveals a critical AI-era paradox. When organizations deploy AI coding assistants without changing their underlying platforms or processes, individual developer output **surges**, but overall organizational velocity remains flat or even declines. The AI-driven speed in coding simply moves the bottleneck downstream.

The data is clear. While AI adoption is associated with a 98% increase in merged pull requests, this gain is entirely erased by the chaos it creates downstream. The average pull request size increases by 154%, overwhelming reviewers. As a result, code review time—the new bottleneck—skyrockets by 91%, while the defect rate inches up 9% due to rushed, overloaded quality gates..

In summary, individual productivity gains are meaningless if they are absorbed by downstream friction. The **system** must be re-architected for true velocity.

Development Metric	Change with AI Coding Assistants	C-Suite Impact
Pull Requests Merged	**+98%** (per developer)	Perceived individual productivity explodes.
Pull Request Size	**+154%**	**Review Overload**: Reviewers face unsustainable cognitive load.
Code Review Time	**+91%**	**New Bottleneck**: Velocity stalls as work piles up waiting for review.
Bug Rate	**+9%**	**Quality Risk**: Rushed reviews introduce more defects, threatening stability.
Overall Delivery	**FLAT**	**No Business Impact**: All individual gains are lost to system friction.

Table 1: The "AI Productivity Paradox" - Why Individual AI Gains Evaporate
(Based on 2025 DORA report analysis)

Modern Platform Engineering solves this paradox by moving the constraint. An IDP is an internal, self-service platform that provides developers with "golden path" workflows for building, testing, and deploying software. It abstracts away the complexity of cloud-native infrastructure, allowing teams to move quickly without breaking things. In an AI-native world, the IDP will evolve - fewer human gatekeepers on tech stack choices, but rock-solid cloud automation and guardrails are non-negotiable.

Gartner predicts that by 2026, 80% of large software engineering organizations will establish platform engineering teams. The 2025 DORA report validates this trajectory, finding a "*direct correlation between a high quality internal platform and an organization's ability to unlock the value of AI*." The platform is essentially the engine that converts AI's raw horsepower into reliable speed on the road.

This is a leadership challenge, not a technology issue. At Walmart, Global CTO Suresh Kumar described this vision in October 2024 as "developing common global core capabilities that are built once and deployed across … Walmart International". That is a C-suite definition of an IDP - build once, use everywhere.

Realizing this vision requires new governance layers to support the platform-centric model without reverting to old bureaucracies:

Cloud Center of Excellence (CCoE)

A centralized, consultative function setting cloud policy, guiding architecture, and managing risk—not an operations team, but an enablement team. The CCoE defines how teams use the cloud to prevent autonomous teams from inadvertently creating chaos.

FinOps (Cloud Financial Management)

A cross-functional discipline bringing financial accountability to variable cloud spending. FinOps aligns finance, technology, and business teams to maximize the value of every cloud dollar, ensuring that increased speed doesn't equal runaway costs.

From Centralized IT to Holistic Product Teams

As organizations modernize, they face a pivotal structural question: how to organize technology talent and decision-making. Traditionally, enterprises relied on centralized IT departments that owned infrastructure, networks, and devices, delivering technology *for* the business. In contrast, the emerging model embeds **technology builders directly *within* business units**, creating holistic product teams aligned to business outcomes.

Technologists may be familiar with the **Strangler Fig Pattern** in software architecture - the process of methodically replacing individual parts of a larger legacy product with modern solutions until the entire product is rewritten. This approach can be applied to the entire organization as well. We'll call this "strangling the enterprise", where we can intentionally reshape the organization, ultimately providing modern ways to move faster and more autonomously.

The Old vs. New Paradigm

In the old model, business leaders defined requirements and threw them over the wall to IT, which operated as a separate order-taker or cost center. This often led to large, monolithic solutions delivered after long lead times, frequently missing the mark as customer needs evolved. Gartner describes this as the paradigm of IT delivery versus business "project sponsorship" and notes that digital transformation leaders are breaking from it. In leading organizations, CIOs and business executives now "co-own digital delivery", sharing accountability from end to end. This is a

radical departure from the past. Instead of business and IT pulling in different directions, they operate as one team. Notably, Gartner found that digital vanguard companies dedicate 35% of their business-area staff to technology work (versus 21% in typical companies), a clear indicator that technologists are being embedded in business units at scale. On average, about a quarter of all staff outside of IT now spend time building or managing technology, and this figure is rising.

Embedding Technologists in the Business

Reducing handoffs and silo friction dramatically increases speed and customer proximity. In the AI era, where cycles of improvement are faster than ever, having developers, data scientists, and product managers work alongside business stakeholders means ideas move from concept to reality with far fewer delays. Customer feedback reaches the people who build the solutions directly, and iterations happen in days rather than months. In short, collapsing the distance between "the business" and "IT" enables the organization to sense and respond at the pace of digital change. As one Gartner VP observed, "*more value [is] happening, greater innovation being created, but it's not all driven by CIOs or IT leaders*." It's happening in the business units. This approach turns shadow IT into an asset: the business itself becomes a technology creator, not just a consumer.

Implications of the New Model

Embracing product-centric teams does not mean shutting down the central IT function overnight. In practice, this means enterprises will run a hybrid model during the transition. The legacy IT organization continues to maintain core systems and shared infrastructure, ensuring stability and compliance. Meanwhile, small independent "capability pods" (cross-functional teams with end-to-end skills) are carved out to tackle new digital initiatives with minimal bureaucracy. **Each pod/squad or product team is vertically aligned to a specific business capability or customer journey** and is empowered to design, build, and run its product autonomously. As mentioned previously, this dual operating model mirrors the Strangler Pattern: rather than a risky big-bang overhaul, the new model grows around the old and gradually **replaces** it piece by piece. The enterprise continues to run smoothly even as it transforms. Over time, as legacy systems are decommissioned and skills are migrated, the new product teams "**strangle**" the old monolithic structure, and a true product organization emerges.

Crucially, these product teams must be given the **autonomy and trust** to fully manage the products they own without layers of external approval or centralized

committees dictating every decision. They operate under guiding guardrails (for security, compliance, and architecture standards), but not under daily micromanagement. According to HackerNoon, successful agile enterprises "*set up dedicated cross-disciplinary product teams and remove silos. Product teams must be given the autonomy and trust to fully manage the products they own, without external governance or architectural constraints*." This does require a leap of faith for traditional command-and-control cultures. Leaders must empower teams and accept short-term risks (such as allowing some tech decisions to be made outside a central forum) in exchange for long-term agility.

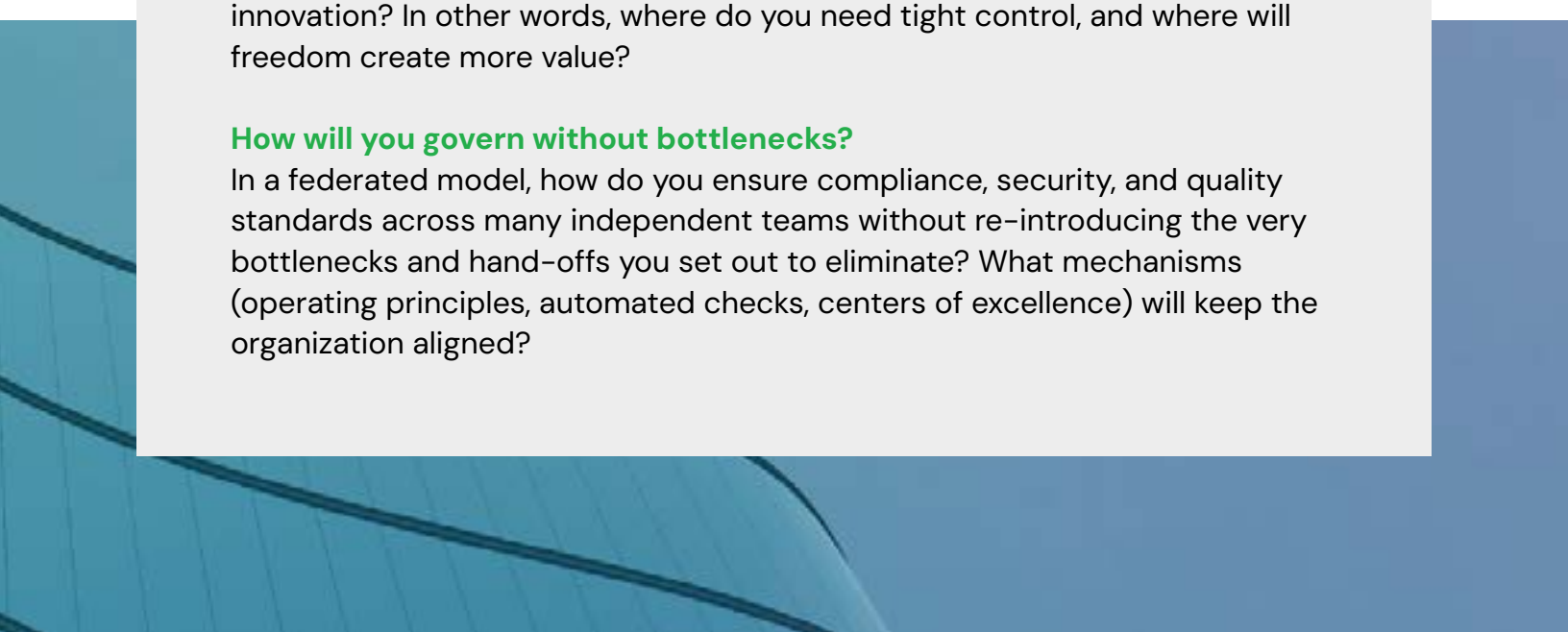
So how should leaders approach redesigning their organizations for this new model? Rather than prescribing a one-size-fits-all org chart, an inquiry-led approach works best. Every enterprise will strike a slightly different balance between centralized and decentralized capabilities.

Key questions for executives to consider:

Where should your technology "builders" sit within the organization?
Are engineers, data scientists, and product developers all centralized under a traditional IT function, or are they embedded within business units, closer to the customer? Does your structure maximize collaboration between those who define the product and those who build it?

What should be *centralized* versus federated?
Which technology capabilities (infrastructure, core platforms, security policies, etc.) must be standardized enterprise-wide for efficiency and risk control, and which areas can be safely delegated to autonomous teams for speed and innovation? In other words, where do you need tight control, and where will freedom create more value?

How will you govern without bottlenecks?
In a federated model, how do you ensure compliance, security, and quality standards across many independent teams without re-introducing the very bottlenecks and hand-offs you set out to eliminate? What mechanisms (operating principles, automated checks, centers of excellence) will keep the organization aligned?



By reflecting on questions like these, leaders invite a dialogue on the model rather than dictating a rigid blueprint. This approach also invites challenge and validation: mid-level managers and front-line teams can weigh in on what will work on the ground. The goal is a tailored operating model that your people believe in, not a theoretical org chart from a slide deck.

It's important to note that moving to a holistic product organization does *not* mean the role of central technology leadership disappears—but it **does** change. The centralized IT function in this new world becomes an **enabler** rather than a gatekeeper. It focuses on providing shared platforms, tools, and guardrails (as discussed in the Platform section) that allow distributed teams to move fast safely. It sets enterprise-wide standards (e.g., API protocols, data governance, cloud cost management) and watches for common needs that can be solved centrally, so teams don't reinvent the wheel. Essentially, the CIO/CTO and their teams become an **enabling team** for the whole company, offering internal services that product teams consume.

Over time, this shift could even prompt a **rewiring of the C-suite** itself. We may see new titles or altered roles. For example, Chief Product Officers or business-unit CTOs are taking on greater prominence as technology responsibility decentralizes. The traditional CIO role will likely evolve to orchestrate technology across the enterprise and partner more closely with business-unit leaders. This is a preview of what may come, not a mandate that every company must immediately rewrite its org chart. The key point is that *central tech leadership must evolve from controlling every technology decision to* ***guiding and empowering*** *the organization's technology builders*. Those leaders who make this shift will enable faster innovation; those who cling to the old model of total central control risk remaining the choke point that stifles growth.

From Projects to Products: Funding and Structuring for Continuous Value

New org charts and team assignments alone won't complete the transformation. The **most critical financial and governance change** required is a shift from a **"Project" mindset** to a **"Product" mindset**. This involves dismantling the traditional annual project-funding cycle and reorganizing work into persistent, cross-functional teams aligned to continuous value streams. This is where we stop funding temporary projects and start funding long-lived products. That is not an IT process change or anything the technology organization can do on its own.

The project mindset, as defined by Dr. Mik Kersten, is the root cause of corporate inertia. Projects have a start and an end; they are funded for a fixed scope and timeline, and the team is disbanded upon completion. The business, however, is not a project. It is a continuous flow of value to customers. An organization that funds temporary projects can never be truly agile, because agility requires continuous adaptation. Under project funding, teams chase the next approval, rather than laser-focusing on customer outcomes.

Shifting to a product model means establishing durable **product teams** (often the same as the capability pods mentioned above) that persist over time and iteratively enhance their product or service. Funding is allocated to these teams (or value streams) on a rolling basis, not to a specific 12-month scope. This change is possible even at an industrial scale. For instance, in 2023, Siemens CEO Roland Busch personally sponsored the "Siemens Xcelerator" initiative, transforming the 175-year-

old manufacturing giant from a product-centric manufacturing company to a customer- and solutions-centric technology company. Siemens reorganized around digital offerings and continuous services, proving that even the most entrenched legacy structures can be rewired when driven from the top.

Executing this shift requires fundamentally changing corporate governance and finance processes:

Redistributing Decision Rights

Gartner calls this move a "seismic shift" because it "redistributes - and often obscures - decision rights." Power moves away from slow, top-down steering committees and toward empowered product owners and teams. This can be uncomfortable; senior leaders used to approving detailed project plans must learn to trust teams to run with a budget and adapt along the way. It often means redefining roles for PMOs and finance controllers to become supporters of teams, not auditors of projects.

Funding Agility (Lean Budgeting)

The financial model must also change. This involves moving from funding predefined scope (projects) to funding persistent teams and outcomes on a cadence. In practice, this might mean allocating a quarterly or annual budget to a product line or value stream rather than a list of projects. Teams have guardrails on spending but freedom to pivot within their mission. This lean budgeting approach, sometimes called continuous funding or capacity funding, aligns with agile planning cycles and allows investment to adjust dynamically as priorities change. It avoids the common scenario of pouring money into a project that should have been killed months ago, simply because it was funded upfront.

This product-centric structure becomes the "home" for the internal platforms (see previous section on Platform Engineering) that run on the DevOps culture (see section on AI Amplification Culture). Together, these create a fully aligned, agile operating model: culture, architecture, structure, and funding all reinforcing one another. When product teams own both their technology and their business outcomes, and are funded to continuously improve, the execution gap that plagues so many digital transformations can finally be closed.

Embracing AI Strategically: Navigating the "GenAI Divide"

We are in an AI arms race, but most organizations are still in skirmishes. A recent 2025 analysis reveals a stark "**GenAI Divide**." An estimated **95%** of organizations are getting zero measurable P&L return on their investments in Generative AI, while a mere 5% are extracting massive value, according to Gartner. Again, this is not a technology gap; it is a leadership and focus gap.

This divide explains widespread C-suite frustration. Over 70% of CEOs are unhappy with the returns from their AI investments, millions poured into pilots that never scale. The common pattern in the failing 95% is treating AI as a shiny object or an end in itself. By contrast, the successful 5% (let's call them GenAI leaders) have a different approach: they start with concrete business problems and apply AI as a tool to solve them, not the other way around.

Consider HCA Healthcare, one of the GenAI leaders. In an October 2025 earnings call, HCA's CFO detailed their targeted AI deployments: using AI to automate the responses to insurance payment denials and using "ambient AI" to handle clinical documentation enabling physicians to spend more time with patients. These use cases are deeply tied to financial and customer outcomes (e.g., reducing lost revenue, improving patient care). That focus helped HCA post a net income of $1.6 billion in Q3 2025. They didn't invest in "AI" in the abstract; they invested in solutions to business pain points.

So how can leaders ensure they are on the right side of the GenAI Divide? The answer is governance and leadership from the very top:

Direct CEO Oversight

A March 2025 McKinsey study identified "CEO's oversight of AI governance" as one of the practices most correlated with higher bottom-line impact from AI. In companies

Manage AI (Agents) as a Workforce

Leaders must evolve their mental models. A June 2025 McKinsey framework urges C-suites to manage "AI agents as corporate citizens." This metaphor translates a complex tech concept into a familiar management paradigm. Instead of viewing AI as just software, treat your AI models and algorithms as if they were digital employees:

- Give them "job descriptions" - define the specific roles and decision rights an agent has (e.g., an AI that approves loans up to $10k).
- Provide performance management - monitor their output, retrain or "fire" (decommission) models that underperform or show bias.
- Ensure compliance and ethics - just as you would background-check and supervise human employees, you must govern AI decisions and mitigate risks.

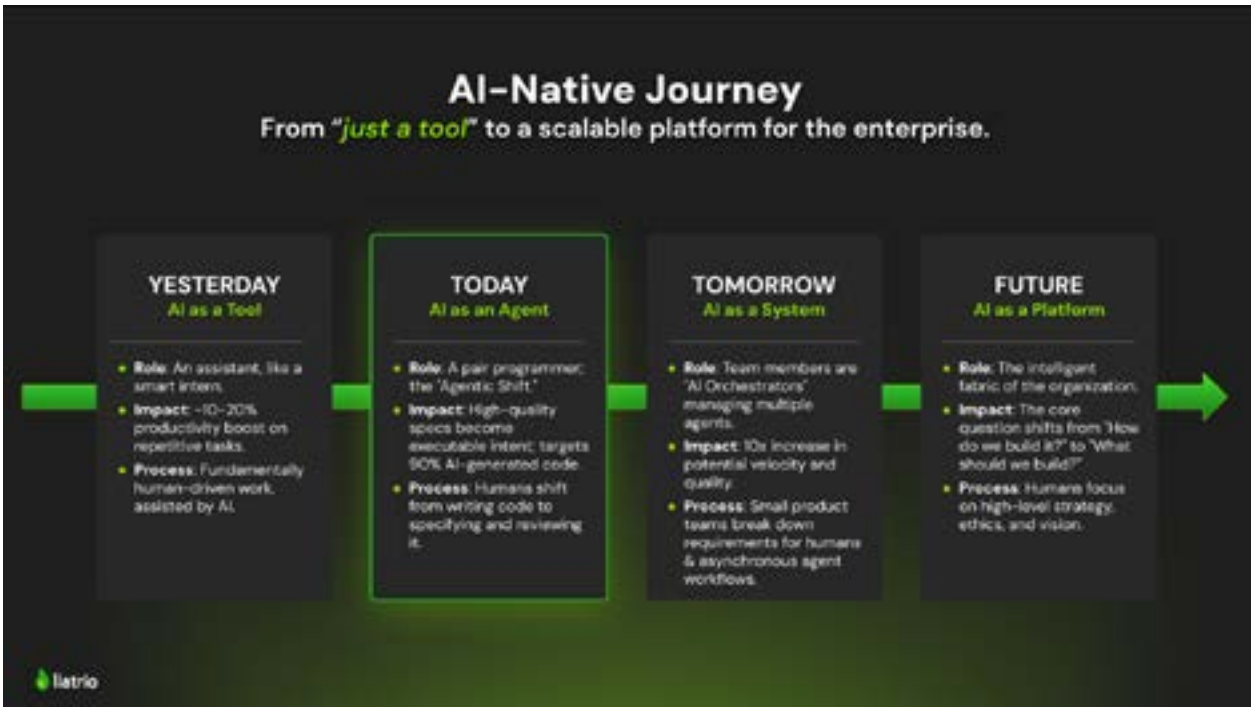
Agents have specific job roles to accomplish. Managing AI as a workforce shifts the conversation from technology to accountability and value. It also forces cross-functional dialogue: the CIO, HR, legal, and business heads all have to collaborate on AI oversight, much as they would for human teams.

The mindset shift here is encapsulated in an update to a familiar quote:

> "AI will not replace leaders; but leaders who fail to leverage AI will be replaced."

In other words, AI isn't coming to run your company, but if you don't integrate AI into how you run your company, you will fall behind those who do.

The future might involve AI systems as deeply integrated into operations as ERP systems are today. But to get there, leaders must lay the groundwork. That means treating today's AI projects not as trials to keep pace with hype, but as the first steps in building **AI capability as a core competency**, complete with strategy, governance, talent, and metrics for value.



Building a Bridge to the Future

Practically, enterprises should map out an AI evolution journey. Early on, the focus is on using AI as a **tool** on the periphery (e.g., automating tasks, decision support). Next, move to AI as an **agent** that can act on behalf of humans in narrow domains (e.g., an AI service rep). Then, envision AI as a **system**—integrated, interoperable intelligence across processes. Finally, perhaps AI becomes a **platform**—a fundamental layer of your business architecture that continuously learns and optimizes across the organization. Each stage requires increasing organizational maturity. Leaders must communicate this journey so that employees see where it's all heading. As we often frame it: today you might see AI as just a tool, but tomorrow it will be a system and eventually a platform that unifies business and technology.

Your leadership challenge is to guide your company along that path.

Investing in Your People: Upskilling and Reskilling

The new AI-driven, product-centric operating model is entirely dependent on people. Even as we bring in more automation, it is people, with their skills, creativity, and judgment, who will make or break the transformation.

Leaders must drive a massive, two-track investment in human capital.

Track 1: Close the Technical Skills Gap.

There is an acute shortage of skills needed to build and manage AI-powered, cloud-native systems. An October 2024 Gartner report predicts that **80%** of the engineering workforce will need to upskill or retrain by 2027 to work with new AI-driven applications. Already, 46% of business leaders cite skill gaps as a major blocker to AI adoption. This means significant investment in training programs, certifications, rotations, and hiring. It's not just about data scientists, operational and cybersecurity skills, for example, also need a refresh in the AI era (think MLOps, data ethics, etc.). Companies leading the way are creating internal "AI Academies" and partnering with universities or online platforms to continuously build skills. Just as importantly, they are giving people **hands-on opportunities** to apply new skills on the job—the fastest way to competency.

Track 2: Build the Next Generation of Leaders.

A more surprising threat looms in the medium-term: the erosion of the future leadership pipeline. AI has the potential to disintermediate the traditional career path. As Airbnb CEO Brian Chesky warned in 2023, if AI replaces entry-level jobs, "*then you have no one in the future to do the highly strategic leadership positions*." Many industries traditionally developed leaders by having junior staff learn through apprenticeship and grunt work (analyzing data, preparing reports, etc.). If AI takes over the grunt work, we need new ways to give future leaders the breadth of experience and judgment they'll need. This might involve redesigning early career roles to include strategic project exposure, human-centric skills development, and rotations that build business acumen—tasks AI cannot easily replicate. In short, we must use AI to elevate human roles, not eliminate the growth opportunities of our high-potential talent.

Neither of these tracks will succeed without a compelling narrative to employees. A 2024 PwC survey found that 44% of workers "don't understand why things need to change at all." That is a glaring communication failure. Leaders must win hearts and minds by clearly articulating **why** the transformation is necessary and **what's in it for the employees**. This means going beyond platitudes about innovation. Be candid about the threats (competitors, market shifts, technological disruption) and paint a picture of the future where employees have exciting roles, greater empowerment, and the tools to succeed. Only with this understanding will employees engage fully in upskilling and not see it as just "more work" or, worse, a prelude to being replaced.

High-performing organizations are making bold moves on talent: some are guaranteeing jobs to those who commit to reskilling (removing the fear factor), others are tying learning goals to performance reviews and executive bonuses (to show it's taken seriously), and many are crowdsourcing learning (peer-led workshops, internal hackathons) to scale new skills quickly. The message from the top should be: we are all students now. The C-suite should model this by publicly learning new skills as well. When your CFO is taking a Python course, it sends a powerful signal that continuous learning is part of the culture.

Managing Transformation Blockers

Even the best strategies can be sabotaged by hidden blockers. Two of the most pernicious blockers of transformation are **technical debt** and **middle-management resistance**. A modern leader must reframe both issues as manageable challenges rather than liabilities.

Reframing Technical Debt as a Strategic Liability

For years, technical debt (the accumulated backlog of tech workarounds and suboptimal systems) was waved off as an "IT problem" best left to developers to handle when they have time. In reality, technical debt is a *financial* and *strategic* liability. It acts like compound interest on inefficiency, slowing down every new initiative. The more debt you carry, the less agility you have. Leaders should manage technical debt just as actively as they manage financial debt on the balance sheet.

This means quantifying it and budgeting for it. A 2024 Accenture report offers a useful rule of thumb: leading companies allocate about 15% of their IT spend to debt remediation and modernization. Framed this way, paying down tech debt becomes a standing line item in the budget, not a one-time project that never gets prioritized. It also provides a clear talking point to the board and Wall Street: "We invest X% of revenue in keeping our core clean and adaptable." The goal is not zero debt (just as zero financial debt isn't always optimal); some tech debt is the inevitable byproduct of moving fast. But it must be consciously managed.

Techniques such as **Tech Debt Dashboards** (showing the state of systems, open vulnerabilities, etc.), **architecture simplification roadmaps**, and **sunsetting obsolete applications** should be part of the transformation program. Importantly, tackling technical debt should be tied to business outcomes—for example, "we are modernizing this legacy platform to enable faster time-to-market for new features"—so everyone understands it's not tech for tech's sake.
Boards and CEOs need to support CIOs and CTOs in this effort. It may even require tough calls like freezing development of new features for a quarter to pay back debt - akin to stopping dividend payments to invest in R&D. By treating technical debt as a first-class metric (like customer satisfaction or cash flow), leadership ensures the organization's foundation can actually support the shiny new digital initiatives being promised.

Enabling the "Squeezed Middle" (Middle Management)

The second major execution bottleneck often blamed is middle management. These are the directors, managers, and supervisors who have the unenviable job of translating top-level vision into day-to-day operations. In many transformations, middle managers are labeled as "resistors" or accused of not having a transformational mindset. The truth is more nuanced. Middle managers often find themselves **squeezed**—caught between senior leaders demanding change and frontline workers who are fearful or cynical. They get pressure from above and pushback from below, all while still trying to hit their operational targets. It's no wonder many feel paralyzed.

The C-suite must recognize this as an enablement challenge, not a character flaw of the managers. Deloitte research shows that companies with strong "change leadership at every level" outperform others by up to 15% in financial metrics. To unlock this, senior leaders should actively **support and equip** middle managers. This can include: clearly defining their role in the transformation (what decisions they can make, what flexibility they have), training them in change management and agile leadership, and creating forums for them to voice concerns and ideas upward. Critically, senior leaders should shield middle managers from unrealistic dual burdens. For example, if a manager is expected to both maintain a legacy process and implement a new digital process, acknowledge the additional workload and provide temporary support or resources to bridge the gap.

Communication is also key: middle managers need more frequent and candid communication from the top than other groups, as they must interpret it for others. If they're left guessing, the message will garble on its way down. One tactic some

successful CEOs use is a **"manager-only" town hall** held regularly during the transformation, where middle managers can ask tough questions and gain context they can then translate to their teams.

In summary, rather than viewing middle management as an obstacle, treat them as the crucial linchpin of change. They need to be converted into champions, and that only happens if you genuinely empower them—with knowledge, authority, and support. When they feel listened to and equipped, they become a force multiplier rather than a point of resistance.

Modeling the Change

No transformation will succeed unless it is actively modeled and driven by the top leadership. "Tone from the top" is a familiar concept, but in times of intense change, it's not enough for leaders to support the change—they must **live it**. This goes beyond making inspirational speeches or sending company-wide memos. It involves concrete actions and even personal sacrifices by the C-suite to demonstrate commitment.

One powerful step is for leaders to **align their own incentives** with the success of the transformation. If you want collaboration, customer focus, and innovation to thrive, then the bonus and performance evaluation of each executive should reflect those goals—not just their silo's financial performance. A McKinsey study in 2025 put it bluntly: one of the "new rules" for successful operating model change is to "*link leadership incentives to the success of the redesign*." Similarly, a May 2025 BCG report advised boards to reward "*nonfinancial performance, such as collaboration and contributions to cultural change*." In practice, this could mean 20-30% of an executive's annual bonus is tied to enterprise-wide metrics like innovation rate, cross-unit product releases, employee engagement scores, or progress on upskilling—whatever key drivers the transformation has. The message to the org is unmistakable when you do this: we're serious about these changes, even to the point of hitting our own pocketbooks.

In addition to formal incentives, leaders must model the desired behaviors informally. This includes how they make decisions (are they collaborating across silos or clinging to old turf?), how they handle bad news (do they shoot the messenger or treat failures as learning opportunities?), and how present they are in the change effort (are they visible on the ground, visiting team stand-ups, hosting "ask me anything" sessions?). Leaders should communicate the vision **relentlessly** and with transparency. When things course-correct, admit it; when successes happen, celebrate the teams responsible.

Crucially, leaders need to foster **psychological safety** at the organization's upper echelons and cascade it downward. A culture of fear will kill transformation faster than a weak balance sheet. Executives should consider openly sharing some of their own missteps or uncertainties as the company changes - to signal that it's okay to not have all the answers and that learning matters more than posturing. By publicly acknowledging, "*I tried implementing X last quarter, and it didn't work, here's what I learned*," a leader can create a powerful ripple effect that makes smart risk-taking acceptable throughout the org. It shows humility and a growth mindset from the top.

One framework to institutionalize this is to create a "transformation office" or to embed change agents in each major department, with progress reporting directly to the CEO. But even the best framework will falter if people sense the CEO and colleagues are not truly walking the walk. Thus, the C-suite must act as the **first team**—demonstrating the cross-functional unity and agility they expect of the rest of the organization. In successful transformations, you often hear employees say, "*I've never seen our top leaders working together like this before—it feels different this time*." That feeling only comes when leaders genuinely commit to modeling new ways of working.

At the end of the day, the ultimate act of leadership is vulnerability in the service of progress. When a leader can say "I don't know, but let's find out" or "I was wrong, let's pivot," and do so visibly, they create a permission structure for the whole company to embrace change. That is the cultural tipping point where transformation moves from PowerPoint slides to day-to-day reality.

Evolve the Organization or Be Left Behind

The forces of technological change are not just accelerating; they are **compounding**. The **GenAI Divide** (95% of firms seeing no AI ROI), and the **AI Productivity Paradox** (individual gains lost to system friction) are not technical problems. They are symptoms of leadership and organizational failure. The choice to "*lead the change or be left behind*" is not hyperbole. It is a choice between becoming an "AI company" or becoming irrelevant.

The data throughout this paper have been an indictment of the status quo. A 48% success rate for digital initiatives is unacceptable in a world where digital natives are eating into every market, according to Tech Monitor.ai. The fact that 97% of CEOs want AI but 98% of them aren't ready speaks volumes. It states that ambition is everywhere, but **capability** and **readiness** are lagging far behind. Closing that gap is the new leadership mandate.

Importantly, meeting this mandate requires *evolving* your organization across several key dimensions. The preceding sections outlined a framework of strategic shifts that high-performing companies are embracing, including cultivating a DevOps culture as the foundation for AI, building cloud-native platforms to remove friction, reorganizing into product-centric teams, and more. Leaders have options in *how* they execute these shifts. For example: whether to incubate new product teams in a separate digital unit or transform the entire enterprise at once; whether to retrain existing staff or hire new talent; and how aggressively to restructure incentives. What's not optional is the **need to change**. Standing still is the surest path to failure. Many companies either "*disrupt how work gets done*" with AI or start to fall behind.

These elements should be driven from the top and adapted to each organization's context. Leaders should proactively address known blockers (such as technical debt and middle-manager enablement) to prevent from sabotaging progress. And they ought to lock in the changes by aligning incentives and metrics to the new way of working. To succeed, top executives must truly **lead** the change, not just sponsor it.

The mandate for action is clear:

Evolve and lead your company into the future, or risk being left behind by those who do. The time to act is now.

Works Cited

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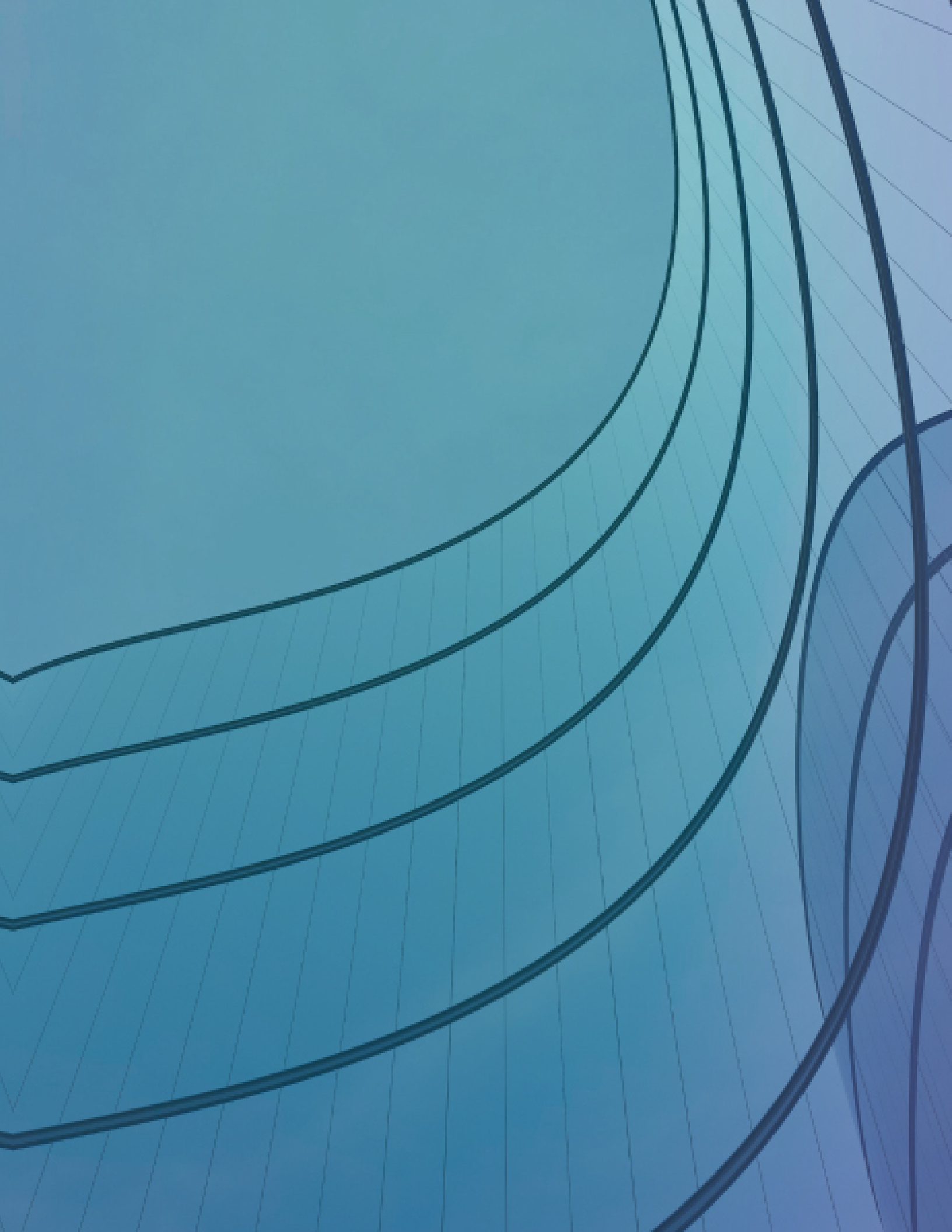


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