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Magazine Article / Change Management

## Get Off the Transformation Treadmill

Too much change can traumatize your organization. The remedy is to minimize the need. *by Darrell Rigby and Zach First*

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James Day

**A satirical article in the *Onion* titled “[CEO Unveils Bold New Plan To Undo Damage From Last Year’s Bold New Plan](#)”** parodied the serial transformations that occur at many corporations. Leaders often blame uncontrollable factors—policies of previous administrations, hiring for a boom that fizzled unexpectedly, macroeconomic uncertainty, the rise of artificial intelligence—but all too often the real strategic issues go unaddressed. Rather than revitalizing the organization, the

constant shake-ups breed change fatigue that drains employee morale. Customers and suppliers, uncertain which strategies will survive next year's pivot, grow wary of long-term partnerships. Investors fear greater risk and discount future earnings. Leadership's time and financial resources flow to organizational cleanups and restructuring charges instead of innovation and value creation.

We are not saying that transformations are never necessary. We have assisted in many successful ones, making fundamental changes in a company's strategy and operations in order to cope with major shifts in the environment (such as the emergence of a radically new technology or disruptive competitors) and reposition the business for enduring success. The potential payoff of those kinds of transformations is clear. Consider China's BYD, which evolved from a battery maker in 1995 to an automaker in 2003 and by 2024 had surpassed Tesla to become the world's largest producer of electric vehicles. A well-designed and executed transformation can redefine an entire industry.

However, our experience with hundreds of successful and unsuccessful change programs suggests that the best way to manage transformations is to minimize the need for them. The purpose of this article is to help executives whose companies are addicted to transformations break the cycle and to assist others in avoiding them in the first place. We explore how to continuously strengthen the business through steady, integrated strategic adjustments—so that progress compounds naturally and the need for future upheavals declines.

Drawing on both our work and that of others, we describe how companies such as Boston Scientific, Pixar, and Microsoft developed strategies that have consistently achieved superior results while minimizing traumatic transformations (large-scale programs that radically alter the core strategy, structure, or operations of an

organization) by creating and continually cultivating the business equivalent of a thriving, adaptive biological ecosystem. When that ecosystem is healthy—evidenced by the organization’s ability to constantly sense shifts, prune unproductive activities, and nurture new growth avenues—transformations are rarely needed, and when they do occur they are more productive. The organization continuously evolves in sync with the real world—confident in the direction of travel and energized by the opportunities ahead. Here are four practical actions to cultivate that kind of self-renewing system.

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## **Master Systems Management**

Similar to other complex living systems, businesses constantly contend with unpredictable forces that favor the fittest and most adaptable competitors. Our research finds that successful business leaders are masterful systems managers. Whether or not they use that term, they adapt their entire business system to thrive in dynamic environments. They optimize the performance of the whole rather than focusing on individual pieces in isolation, understanding that the total value of a company isn’t just the sum of its parts, it’s also the value of the synergistic relationships among those parts. These leaders respect uncertainty and talk in terms of scenarios and probabilities rather than indisputable predictions. They regularly conduct experiments to expose their ideas and strategies to low-risk reality checks. They relentlessly update information, and when new data invalidates a prior assumption, they revise the assumption rather than protecting egos. Skillful systems managers embrace disagreement as a sign of engagement, not disloyalty. They turn the entire organization into a self-correcting organism: one that can navigate shocks and opportunities faster and better than its disjointed rivals can.

As we described in a previous HBR article, a successful strategy in a complex business system strengthens seven essential elements and the strategic fit among them (see [“The Power of Strategic Fit,”](#) HBR, March–April 2025). When any of these elements weakens or falls out of alignment, performance suffers. [MIT’s classic beer-distribution simulation game](#) demonstrates the dangers of misunderstanding systemic dynamics: A small, temporary change in customer demand often prompts players to take wild swings that make problems worse. Each well-intentioned but isolated fix magnifies the imbalance rather than solving it. Similarly, if leaders neglect or misread underlying systemic problems and launch misguided transformations that treat individual symptoms rather than the overall system, or if they overreact to a single element and make changes that throw the system further out of alignment, problems multiply and plunge the organization into a cycle of chronic transformations.

The recent history of Boston Scientific, a medical technology company, clearly illustrates the power of systems management to break free of serial reinventions. Before Mike Mahoney became the CEO, in October 2012, the company’s strategy had been, according to Mahoney, to “win cardiology” by increasing scale and squeezing costs. A \$27 billion acquisition of Guidant in 2006 aimed to accomplish that goal quickly but added heavy debt and led to product recalls, litigations, and few synergies. Successive rounds of cost-cutting trimmed thousands of jobs yet failed to revive growth. Structural flip-flops, such as merging divisions only to quickly separate them again when synergies proved elusive, broke collaborative relationships and eroded stakeholders’ confidence in management’s judgment. A decade of constant transformations produced only disappointing results. By October 2012 the share price had fallen almost 90% from its 2004 peak; an organization once known for outstanding innovation had become

slow, risk-averse, and disengaged; and Mahoney became the fourth CEO in just over three years.

In interviews with us, he described how he set out to improve performance through steady systems management, which he calls “brick-by-brick management.” His approach has minimized traumatic transformations by maximizing the strength and alignment of the seven elements of a successful strategy.

Mahoney quickly bolstered the organization’s *intertwined purpose and ambitions*. He updated the product-centric pledge to “improve the quality of patient care...through less-invasive medical devices” to a future-oriented statement: “Advancing science for life.” He then hardwired the statement and clear strategic imperatives into dashboards, bonuses, and storytelling that drove daily decisions rather than merely decorating office walls. Knowing that employees were exhausted by chasing pipe dreams that never materialized, he decided against another audacious five-year “stretch plan” that might excite Wall Street but would certainly dishearten the organization. “We replaced unrealistic hype with realistic hope,” he explained. “We developed pragmatic ambitions to go from shrinking 2% per year to growing 2% per year over the next three years. The plan’s realism rekindled the organization’s belief that progress was achievable and within their control, while laying the foundation for bolder ambitions as confidence and capabilities grew.”

Aware that the growth of Boston Scientific’s *products and markets* had peaked, average selling prices were falling roughly 15% a year in some key product categories, and disruptive competitors were stealing share, Mahoney realized that staying the course meant the company would face a treadmill of transformations that would lead to serial layoffs and declining morale. Instead he reshaped the portfolio, steering resources

into faster-growing, less-commoditized categories so that teams could play offense rather than defense.

He also reengineered what had been one of the company's major *competitive advantages*: its innovation capabilities. The company made a commitment to consistently spend about 10% of revenue on R&D, and it launched a corporate venture arm to make small, early-stage bets on promising innovations that could grow into bigger strategic initiatives. This venture arm was paired with a nimble business-development team to serve as a dealmaker for later-stage acquisitions and to integrate successful ventures and acquisitions into the organization. These investments had to lift growth in priority therapy categories, offer an upside that dwarfed the downside, capitalize on Boston Scientific's technical and commercial strengths, and unlock clear synergies across the existing system. The investments also had to align with key *macro forces*—aging populations, the rise in treating patients outside of hospitals, and sustainability—so that every new product would play into favorable reimbursement and regulatory currents.

Mahoney changed the organization's *mental model* from “playing not to lose” to operating the way a startup does—embracing uncertainty, increasing experimentation, expecting disappointments, celebrating successes, and continually discovering new opportunities to win. He also revamped Boston Scientific's *operating model*: He dismantled the company's bloated bureaucracy and pushed decisions down to global business unit leaders, giving those “mini-CEOs” full ownership of strategy, performance, and resource allocation.

He designed every initiative to grow *stakeholder value*. Physicians and patients have benefited from the company's innovation initiatives, including more than 20 Institutes for Advancing Science, where healthcare providers learn to improve quality through education,

training, and product simulations. Employees enjoy greater respect and autonomy along with a compensation program that ties bonuses to both firm growth and personal performance, and many employees receive equity grants that give them more upside in the firm's long-term value. Boston Scientific partners closely with strategic suppliers, who enjoy increased visibility across the company and receive first consideration for new business. Communities benefit from better care and the money (\$89 million in 2024) that Boston Scientific donates to fund medical research, fellowships, education, and charitable organizations. And shareholders have collected the compounding benefits.

The results of this systemic strategic approach are impressive. Since Mahoney took over in 2012, the company's annual revenue has more than doubled, increasing to roughly \$17 billion in 2024. Market capitalization has climbed from about \$8 billion to around \$150 billion as of June 2025—nearly a 19-fold increase. Innovation is once again a powerful advantage. Boston Scientific has appeared on Clarivate's Top 100 Global Innovators list for six consecutive years. Glassdoor recognized the company as one of the Best Places to Work, first in 2018 and then again in 2019, 2022, and 2024; and in 2024 it recognized the firm for the first time as one of the Best-Led Companies. Mahoney's approval rating on Glassdoor exceeds 90%. In characteristic humility, he told us that he is pleased with the progress but is never satisfied. "We still make lots of mistakes and have plenty of room for improvement," he said. "The difference now is that we don't need radical, painful fixes anymore. We have a high-performance team with a winning spirit, and we just keep improving every part of the system every year."

Mahoney broke the chronic transformation cycle by starting with the hard work that leaders often postpone: a comprehensive redesign of the whole business system, followed by continual adaptation to maintain the strategic fit among its elements. He avoided treating symptoms with

quick fixes that seem decisive but merely push problems to other parts of the organization. He created commitment, rather than triggering resistance, by aligning all elements of the strategy to make better results for the company more rewarding, fulfilling, and sustainable for everyone. We found evidence of that fact in how clearly and consistently Boston Scientific’s stakeholders now use the same phrase Mahoney does to describe the company’s culture: “a winning spirit.”

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### **Detect Emerging Realities Before Transformations Become the Only Options**

An old saying advises that “if it ain’t broke, don’t fix it.” But in complex systems—including physical and mental health, personal relationships, cybersecurity, and companies—when something is broken, we tend to neglect it for far too long. Hoping that “it’s probably nothing,” we accumulate intangible liabilities that typically come due at the worst possible times.

A company needs superb market intelligence to detect meaningful signals in a world of noise and misinformation. All too often corporate dashboards fail to foresee problems, because they’re dominated by lagging indicators that confirm damage only after the fact. The few forward-looking metrics they do track—such as the average time it takes call centers to handle customer interactions, the number of customer accounts in banks, or the ratio of sales per hour in auto repair centers—are usually tied to pay and promotion, tempting employees to game the metrics. Additionally, leaders tend to dismiss early anomalies as harmless noise. They hope next month’s data will revert to historical norms, rationalizing away the very signals that could have prompted a low-cost course correction. This mix of rearview measurement,

corrupted incentives, and wishful thinking blinds organizations to compounding risks and subjects them to chronic transformations.

Effective measurement minimizes transformations by working as a learning system, not a “gotcha” report card. It relies on metrics designed with—not for—the people who will use them to run the business. Each benchmark is stress tested by its creators’ asking, “Could someone hit this target yet undermine our mission?” If so, the measure is paired with counter-metrics or qualitative checks that close potential loopholes. Airbnb, for example, aims to grow bookings but not at the expense of guest satisfaction. To safeguard this balance, the company tracks review ratings and complaint rates alongside booking data. If an increase in bookings comes from practices like hiding house rules, Airbnb intervenes to ensure guests have the clear, accurate information they need to make informed choices. Effective measurement requires every metric to be reviewed often and either refined or retired if it is discovered to be distorting behavior or that it has lost relevance. Company culture and incentives should encourage inquiry and improvement so that people feel safe surfacing problems.

Boston Scientific has scores of metrics as well as experts who scrutinize all of them for emerging signs of threats and opportunities. Mahoney trusts them to do that well, and he focuses his time on four areas that are vital to the company’s strategic success—and where he can make the biggest difference:

**Weighted-average market growth.** Mahoney believes it is wasteful—and cruel—to ask great people to fight futile battles. Therefore, one key metric is the growth rate of the markets the company chooses to compete in. While he doesn’t set a minimal rate for Boston Scientific to stay in a given sector, when the market growth rate slows, he starts looking for higher-growth markets and shifts resources from the

low-growth to the high-growth areas. During Mahoney's tenure, the weighted-average growth rate of Boston Scientific's business portfolio has climbed from about 1% to nearly 10%.

**Sales growth versus market growth.** In many markets, Boston Scientific competes with much larger companies. Rather than chase their scale, Mahoney's goal is for it to be "the go-to company in the medical specialties we serve." Progress is judged by a simple yardstick: Are customers in each served category choosing Boston Scientific more often than they choose its rivals—so that sales are growing faster than the market is?

**Profit growth versus sales growth.** Mahoney's strategy for minimizing transformations is straightforward: In addition to sales growing faster than the market is, profits should grow faster than sales do. This triggers a reinvestment flywheel. Faster-growing profits fund superior R&D and a steady stream of tuck-in acquisitions without overleveraging the balance sheet. The deals help maintain category leadership, attractive margins through pricing power or cost advantages, and faster growth.

**Innovation advantages.** In this area Mahoney finds that quantitative measures aren't helpful without deep qualitative assessments. "I don't learn much by counting the number of FDA filings and approvals. Even R&D spending as a percentage of sales isn't helpful," he said. He's seen teams whose spending is 4% of sales be far more effective than one whose spending is 8%. "To me, it's all about the way the team works together," he said. "Are they pushing back against administrative burdens so that they can focus on the things that matter?" Mahoney likes to talk to people about the work they're doing at various stages of development. "Engineers want to work on inspiring innovations that they know will make a major difference. Are they positioned to win? Do they have the right talent? Identifying the need to change before it's

too late requires judgment beyond the numbers that most companies measure,” he said.

Combining empirical evidence with human judgment drives better decision-making. During strategizing sessions, effective leaders ask questions that encourage people to leverage both data and intuition. They include: How much value is at stake? What is the cost of delay? What range of results should we expect, and what is the probability of any of them coming to pass? What hypotheses must be true for these outcomes to emerge? What data supports or challenges our assumptions? How can we test both hypotheses and areas of disagreement? If our hypotheses are correct, what should happen by when? Which stakeholders are most likely to support or resist proposed changes? What ripple effects could occur from scaling these changes beyond this immediate function and across the broader system?

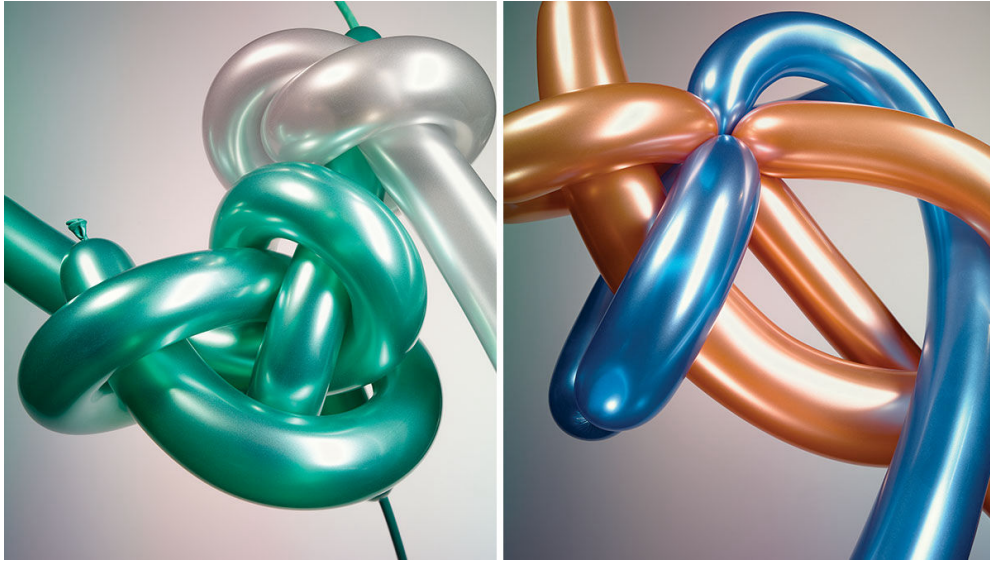
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### **Increase Agility to Keep Problems Small**

Business agility (see [“The Agile C-Suite,”](#) HBR, May–June 2020) is a critical capability for turning unexpected disruptions into valuable strategies. Agile organizations thrive in dynamic environments by fostering aligned autonomy—empowering multidisciplinary teams closest to the work to act on real-time information and make decisions swiftly. They are free from bureaucratic micromanagement but firmly anchored in the organization’s shared purpose. This balance ensures innovation remains coordinated and coherent, channeling creativity into collective value rather than chaotic inefficiency. By continually capturing insights across the enterprise and rapidly translating them into integrated actions, agile organizations convert uncertainty into opportunity and deliver sustained performance gains.

Ed Catmull, cofounder and president of Pixar Animation Studios until 2018, practiced and preached what are now recognized as agile principles long before the methodologies and terminologies became trendy. He used them to deliver extraordinary results by “keeping crises small.”

As a young leader, Catmull studied why so many previously successful businesses failed. He correctly concluded that companies are inherently unstable, success masks a multitude of mistakes, and a company fails gradually before collapsing quickly. To avoid these traps, Catmull encouraged a culture at Pixar to actively address small problems before they could create major crises. (See “How Pixar Fosters Collective Creativity,” HBR, September 2008.) He used data to assess the performance of creative processes that other companies had assumed couldn't be measured or analyzed. People began showing their work in progress to their whole team every day to overcome the fear of sharing imperfect work. He despised the question “Whose fault was this?” and warned that it would create a risk-averse culture where people would only do things that worked well enough in the past. At the end of every movie, teams conducted postmortems to discuss what could be done better the next time. Then they participated in mega-postmortems to share lessons across movies. He encouraged open-door policies that made it safe for anyone to tell the truth to anyone else. He broke through walls dividing organizational silos to engage Pixar's full team in solving problems.



In his series *Party Animals!* photographer James Day explores the abstract twists and turns of modeling balloons. James Day

But Pixar’s definition of its “full team” didn’t stop at the company’s borders. While competitors closely guarded their research, Catmull did the opposite. The studio shared its discoveries with leading experts in the computer graphics community, and the experts shared their insights with Pixar. According to Catmull, this open-innovation approach proved far more valuable than he had imagined it would. It stimulated breakthrough ideas and removed technical roadblocks that competitors considered insurmountable.

Over time, leveraging the full system to quickly fix problems along the way became the natural way to do things. A classic example, described in his book *Creativity, Inc.*, occurred in 2013, as Pixar released what would become its 14th consecutive blockbuster, *Monsters University*. Although everyone was pleased, Catmull sensed a potential crisis looming as two troublesome trends seemed to be converging: Production costs were rising, and the company’s success was making people fearful of failure and less willing to take the kinds of risks that had made Pixar so distinctive and successful. Some firms might have

blamed industry trends and announced a rightsizing transformation to eliminate at least 10% of employees. Pixar's 35-person management team took a different approach, creating an event called Notes Day. The idea was to get all employees together to figure out how to improve productivity and innovation. The leaders held town hall meetings in advance to explain the concept to a few hundred employees at a time. "We have a problem," Catmull said, "and we believe the only people who know what to do about it are you."

The company's leaders created an electronic suggestion box that collected about a thousand different ideas. They winnowed those ideas to the ones people were most eager to address and found that the number one topic was how to reduce the time required to make a movie from 22,000 person-hours to 12,000. Notes Day was a huge success. The company committed to nine exciting ideas and prioritized a dozen more for further development. The productivity improvements were impressive. But the greatest benefit, according to Catmull, was unleashing people's potential and helping them see their collective ability to make a major difference.

From the moment Pixar's first film, *Toy Story*, became a blockbuster, Catmull was determined to build an even better future. He realized that his most exhilarating achievement was not just creating a hit movie; it was building a system that fostered sustained success. His goal turned to developing a company that could make work feel like magic, unleash synergistic forces, and deliver extraordinary results.

We believe every firm has the potential to do the same.

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## **Grow Value—Don't Just Shift It from One Stakeholder Group to Another**

The ultimate goal of any business is to thrive by generating superlative value for the company and its various stakeholders. These groups are interconnected, and their influence on one another can be profound.

Value is the ratio of benefits to costs, and people naturally compare the benefits they receive to the costs they incur to gain those benefits. They also compare their own “get-give” ratios to those of others. When individuals feel valued and fairly rewarded, they can achieve remarkable things. But when they feel shortchanged, they try to rebalance the equation by requesting more or contributing less. Their quiet resentment may simmer for years before erupting into destructive conflicts. Employees can disengage, spread negativity, or withhold crucial information well in advance of joining strikes or quitting. Customers might complain to friends and gradually shift purchases to competitors long prior to organizing boycotts. Shareholders may silently offload shares and drive down stock prices way before launching proxy battles.

Transformations are often desperate responses to angry stakeholders. Under heavy pressure and tight deadlines, executives resort to quick-fix change initiatives that simply shift value from passive stakeholders to the most vocal and aggressive ones. While this may buy temporary peace, it does nothing to address the root problem. Instead, it perpetuates a destructive cycle. Once-docile stakeholders, now feeling exploited, retaliate even harder—escalating conflicts and ultimately eroding long-term value.

Continually increasing the amount of alignment, synergy, and value creation among team members is the only way to avoid or escape this trap. Long-term value creation should not be a zero-sum game. It thrives on collaboration, not conflict. It is especially valuable during crises, when people tend to shrink their social circles, reducing their collective problem-solving capacity. The ability to maintain and leverage expansive networks has long been a defining factor in human achievement. In business, systemwide value creation is the unifying force that holds a company together. Without it, profits erode and talent migrates to firms that offer greater value. A thriving organization sustains itself through building a cohesive business system that generates extraordinary value for both the company and its stakeholders.

One CEO who understands this is Satya Nadella of Microsoft. When he became CEO, in 2014, Microsoft was struggling—failing to do the things prescribed in this article. It had clung to its PC-era dominance without adapting to major technological shifts, particularly the rise of mobile, cloud computing, and internet services. Microsoft was hampered by internal silos and a cutthroat culture. The company had long operated with a zero-sum mentality, where divisions competed against each other rather than working together.

Nadella transformed Microsoft's culture by shifting the focus to collaboration, both internally and externally. He broke down silos between teams, fostering a growth mindset that encouraged learning and experimentation. He expanded Microsoft's ecosystem by embracing open-source operating systems such as Linux, forming strategic partnerships with competitors like Salesforce, and deepening relationships with developers. The shift in mindset helped Microsoft drive cloud adoption through Azure, turning it into one of the company's biggest growth engines. By treating value creation as a

cooperative effort rather than a battleground, Microsoft has been revitalized, its market capitalization growing from about \$315 billion in 2014 to \$3.84 trillion as of September 2025.

It remains to be seen if Microsoft can adapt to a new set of challenges. The company is currently grappling with the need to reorient its business to AI, the capital demands of its Azure cloud unit, regulatory issues, talent wars, and disagreements about IP ownership with vital partners.

Anticipating systemwide impacts before implementing major decisions is essential. When considering new products, organization structures, or automation programs, leaders should conduct enterprisewide impact assessments to determine who wins, who loses, and whether value is being created.

Emerging AI systems promise to make this task much easier and more valuable. Our firm, Bain, is partnering with companies in multiple industries, including retail, energy, and pharmaceuticals, to create AI agents that continuously monitor stakeholder actions and sentiments, segment them in many ways, detect early dissatisfaction signals, and allow companies to address concerns before they escalate into crises.

But the power of these systems goes beyond providing early warnings. Using real-world behavioral data, simulation models, and synthetic stakeholders—AI agents designed to emulate the actions of those with important stakes in the performance of the business system—they can predict how different stakeholder segments will react to potential changes in strategy, and forecast second-order effects. For example, leadership could ask an AI agent, “Will cutting costs here erode customer loyalty or trigger employee turnover?” When simulated stakeholder interests conflict—say, employees want higher wages

and investors want margin expansion—AI agents apply negotiation frameworks as well as multiobjective and game-theory models to explore trade-offs and propose solutions that have worked in similar situations. They can run preference-weighted simulations to find “least regret” scenarios that optimize for fairness, trust, and long-term value. By previewing how different groups are likely to respond, these agents can avoid potential disasters, repeated reversals, and frequent reinventions.

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Chronic transformations are a sign of deep, systemic misalignment. They proliferate when a business’s strategy isn’t adjusted to account for shifts in the competitive environment or when the complex business system falls out of alignment with the strategy.

Leaders who master systems management make change a steady, compounding force rather than a parade of corporate upheavals. By building early-warning sensors to spot weak signals in increasing noise, quickly solving emerging problems to keep crises small, and grounding every choice in generating net value for all stakeholders, leaders replace painful change cycles with positive performance, extraordinary value creation, and genuine excitement for the future.

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