



Getting Past Denial to Embracing Transformation

Most transformations begin with the same invisible hurdle: denial that sets in because of anxiety and risk, whether real or perceived. The first step, therefore, is psychological in nature.

When denial takes over, leaders abandon transformation efforts altogether or launch insufficient initiatives with underpowered processes.

This roadblock takes place at the highest level: the CEO, the C-Suite, the Board, resulting in a “Leadership Paradox”: it is the leaders – not middle management – who are the main impediment to a transformation.

Driving a transformation requires psychological courage. But when well-articulated and well-framed — to stakeholders, and to our internal psyche — a transformation becomes an exciting undertaking, a competitive weapon, arming the organization to face its next horizon.

The question isn’t whether your organization will face a transformation. The question is whether you’ll lead it to achieve competitive advantage.

How can leaders move from contemplation to action?

Embracing a Transformation



Transformation signifies a major shift and implies a significant leap in performance, whether it occurs in a stable industry or during times of disruption, and whether it arises out of necessity or in seeking growth.

Yet, for many leaders, transformation is synonymous with anxiety, threatening the status quo, and introducing uncertainty. Getting ahead of this and setting the right psychological framing is the role of top-down leaders.





Leadership Sets the Tone – The “Leadership Paradox”



Transformations are led from the top — and often fail before they start. Why? Leaders equate change with disruption, uncertainty, and personal risk. The issue isn’t strategy or resources — it’s often fear and denial.

Leaders are personally accountable for what their teams need to do to achieve the outcomes, and often in denial about the degree of change needed to move the dial.

Denial takes many forms: dismissing the need, setting timid goals, protecting sacred cows, actively undermining success, or underpowering their support of the process.

As a result, many efforts collapse not in execution but in the boardroom, where the weight of change proves too heavy. Resistance often doesn’t start at middle management — it comes from the top. When middle management sees cracks in the resolve of the C-suite, and when leaders see risk instead of opportunity, transformation is dead on arrival.

Transformations and Personal Risk



Transformations feel risky — and they *can* be risky. Among other things, leaders fear:



Loss of control and uncertainty: Facing unclear paths and unpredictable outcomes



Reputational risk: Being tied to the outcome and operating under intense scrutiny



Disrupting the status quo: Dismantling established processes and structures



Hard decisions: Restructuring teams, reallocating resources, or abandoning old strategies

To recalibrate risk, distinguish perceived from real threats, realize the cost of inaction, and employ strategic planning and mitigation to improve the benefit/risk profile.

A Framework to Address the Psychological Dimensions of Change



The following tactics can help address the psychological dimensions of change:



Recalibrate your risk assessment: Recognize that many risks are perceived, not real. Highlight the opportunity cost of inaction. Alter the benefit/risk profile of a transformation through thoughtful sequencing and risk mitigating actions.



Brand the transformation positively: Own the narrative and provide inspiration and aspiration. The word transformation is overused. Label it what it really is: “The Path to the Future,” a “Plan of Renewal,” “Reshaping to Grow,” or whatever emphasizes ownership of the future, not protection of past endeavors.



Reward intellectual courage: Celebrate the courage to recalibrate assumptions, to challenge each other, and to be transparent in interactions; reward bold moves in the right direction. Call out and take action (even if behind the closed doors of the boardroom) regarding those who are not showing the courage to act.



Accept some ambiguity: Create a compelling story and rationale with clear theses. Recognize, however, that transformation implies ambiguity. Not every answer will be clear at launch. You must operate effectively while building knowledge and insights.



Retain control but demand delegation:


Actively manage the board, as well as key members of the C-suite, to align expectations. Place executives in the right roles based on capabilities, personal trust, and their commitment to achieve transformation outcomes. Be clear on which decisions are critical, who will make them, and when. Delegate authority to your next level of leadership and hold them accountable, but clearly define which decisions remain under the control of the C-suite. Invest in appropriate execution infrastructure to keep yourself informed and engaged.



Recognize that transformation extends beyond operational metrics:

The most successful transformations elevate talent, evolve culture, and establish new behavioral norms. You're not just changing what your organization does — you're changing how it behaves and its intrinsic capabilities. Reward courage, adaptability, innovation and an owner's mindset. In doing so you aid others in embracing change.

Transformation is led from the top. When middle management sees cracks in the resolve of the C-suite, transformation is DOA.



Every leadership team member should consistently communicate the transformation strategy and vision, highlighting growth, opportunity, and competitive positioning.

Additional Practical Implementation Steps




1 Recalibrate Risk Assessment

- Conduct a risk audit separating genuine risks (quantifiable negative outcomes) from perceived risks (fears without data).
- Document and communicate the opportunity cost of inaction through competitive analysis and market trend modeling.
- Prioritize the top five actions that will move the dial on your efforts and align top executives toward getting these achieved. Regularly review and adjust these priorities and develop a pipeline for subsequent actions that need to follow once the initial goals are accomplished.
- If possible, sequence the transformation to yield benefits early, building trust and early successes, while postponing or mitigating risk.
- Establish “fail-safe” mechanisms — predetermined exit strategies that limit downside exposure.
- Hold monthly “risk reality checks” where leadership reviews realized outcomes with radical transparency versus initial concerns.

2 Brand the Transformation Positively and Own the Transformation Narrative

- Develop in concrete and measurable terms a compelling “future state” vision and strategy that brings to life what success looks like.
- Replace problem-focused language (“We need to fix X.”) with opportunity-focused language (“We’re building Y.”).
- Every member of the leadership team should consistently communicate the strategy and vision in a way that emphasizes growth, opportunity, and competitive positioning.
- Create internal and external branding and communications tied to short-, medium-, and longer-term outcomes. Make it realistic and believable. Seek input from external stakeholders, e.g., trusted advisors/investors, on the when and how of external communications.
- Establish regular engagement cadences that celebrate advancement and successes.




Intellectual courage should be rewarded, as transparency, straight talk, and measured risk-taking fuel the transformation.

3 Reward Intellectual Courage

- Institute “assumption audits” in leadership meetings where teams systematically examine and challenge foundational beliefs.
- Create “straight talk” and “go-forward mentality” safe spaces where transparent communication is demanded and rewarded. This is the time to release false assumptions or rigid beliefs, ideally without facing any repercussions.
- Establish incentive and recognition programs for short and long-term goals that reward appropriate risk-taking and the willingness to abandon previously successful approaches that no longer add value.
- Include “intellectual courage” as a formal criterion in performance reviews and promotion decisions.
- Create safe forums (off-site sessions, anonymous feedback systems) where controversial ideas can be discussed without career risk.
- Create a formal “Innovation Challenge” process where employees are rewarded for questioning current processes and proposing alternatives.

4 Accept Some Ambiguity

- Establish clear theses, a compelling rationale, and corporate imperatives, and translate them into concrete initiatives.
- Develop decision-making frameworks that demand iterative progress, despite incomplete information. Accept ambiguity but be clear on when and how to escalate.
- Create “learning sprints” that generate knowledge while advancing objectives; accept that some critical matters will be resolved en route.
- Establish review cycles that allow course corrections based on new information.
- Train leadership teams in agile decision-making methodologies.
- Build feedback loops that capture learnings and adjust strategies quickly.
- Create psychological safety for leaders to admit uncertainty while maintaining forward momentum.



Place capable and trusted leaders in the right roles, but clearly define which decisions remain under the control of the C-suite.

5 Retain Control

- Overinvest in gathering alignment from the board and the C-suite.
- If necessary, gather input from external stakeholders on the appropriate approach and timing of communications.
- Place capable and trusted leaders in the right places; these leaders must be sponsors of the proposed transformation, and not skeptics or detractors.
- Set robust transformation processes for execution. Create visibility and monitoring.

6 Transform Beyond Operations

- Identify the leadership competencies needed to meet your transformation objectives. Take stock of your talent: Assess what you need to “Build, Buy, Borrow, or Release” to achieve the essential competencies.
- Create cross-functional project teams that dismantle traditional silos and drive end-to-end thinking and investment decisions.
- Revisit your current roles and assign high performers to lead the change.
- Conduct comprehensive culture assessments to identify behavioral change “moments that matter” and incent new behaviors in these moments.
- Use the transformation as a vehicle to institute behavioral change: Reward new desired behaviors and discourage undesired ones. Reset consequence management according to new metrics, values, and behaviors.
- Reward performance that is directly tied to transformation outcomes, separate from regular business activities. Make the transformation the top priority for your teams.
- Design new employee experiences (onboarding, development, recognition) that reinforce desired behaviors.

Transformation can be a vehicle for behavioral change with new metrics, values, and behaviors.



The Path Forward



Driving a transformation requires psychological courage. But when articulated well, a transformation need not be seen as a risky, unwanted effort. It can be framed — both to outsiders and to our own psyche — as a means to achieve a positive upside and exciting outcomes. For leaders willing to embrace this business and psychological challenge, transformation becomes a competitive weapon.

CONTACTS:



David Podolsky
Managing Director

dpodolsky@alvarezandmarsal.com



Rebecca Stockley
Managing Director

rstockley@alvarezandmarsal.com

ABOUT ALVAREZ & MARSAL

Founded in 1983, Alvarez & Marsal is a leading global professional services firm. Renowned for its leadership, action and results, Alvarez & Marsal provides advisory, business performance improvement and turnaround management services, delivering practical solutions to address clients' unique challenges. With a world-wide network of experienced operators, world-class consultants, former regulators and industry authorities, Alvarez & Marsal helps corporates, boards, private equity firms, law firms and government agencies drive transformation, mitigate risk and unlock value at every stage of growth.

To learn more, visit: [AlvarezandMarsal.com](https://www.alvarezandmarsal.com)

© Copyright 2025 Alvarez & Marsal Holdings, LLC.
All Rights Reserved.
472344-52949/September 25
9820_Stg01a