Governance Strategies for business-digital Transformation

" **Governance in transformation is a journey of big bets and options; it anticipates confidence in the next step may only be possible once the first step is taken.**

Amongst all the components of a business transformation strategy and plan, perhaps the least appreciated and the most misunderstood is the methodology of strategic governance. At the very least, governance should contain the structures, processes, and mechanisms needed to steer the organization through significant changes to the business model and related operational and organizational systems.

Unique to transformative strategies are new work patterns that defy traditional organizational hierarchies and siloes. Governance needs to identify and elevate these new "horizontals" that emerge in a digitally enhanced, networked business ecosystem. Within this ecosystem, processes are streamlined, automated, and made seamless across multiple functions. Augmented workers are equipped with real-time data and predictive analytics from the same reliable sources. Knowledge flows like data around the ecosystem, requiring structures to classify and locate vital work knowledge in the context of emerging work practices. Consumer insights are brought deep into the organization, blurring the lines between the front and back office, and providing a basis for harnessing customer-centricity. As a result, rigid, vertical structures give way to fluid systems that coalesce throughout the organization. These become the new horizontal ways of working critical to digital business operations.

Ultimately, the organization becomes flatter and less vertically isolated. Augmentation and collaboration have at least the same focus as automation, cross-functional teams operate with increasing autonomy, and leaders remove obstacles while networking for ideas and influencing stakeholders around and outside the business. Governance manages these new peer-to-peer relationships and horizontal initiatives, which in turn become critical capabilities built for the future state.

It manages the inter-dependencies of related initiatives led within specific functions and business units (BUs) that are integral to the transformation's success.

While similarities in transformation may be found within verticals and adjacent industries, there's no "one size fits all," as governance needs a tight fit to strategy and the organization's unique change challenges, workforce profile, and culture, as well as leadership capabilities. Additionally, transformation-related governance has the added complexity of mitigating unique risks and factoring experimental approaches, where lessons learned are continually refactored into operational plans.

Transformational governance is a system for strategic execution in a highly fluid and complex environment where the stakes are high and the disruption is widespread, yet the opportunities are consequential. In this context, governance guides the redesign of vital organizational philosophies, relationships, systems, and processes to enable the new growth strategy and its operating model. While technology is the critical catalyst and enabler, governance is a people-centric agenda. Its approach strives to build relationships and align interests among stakeholders to achieve new value creation. It advocates policies of equity, transparency, and responsibility -- all critical to new ways of working. It anticipates the changing nature of human work and its promises and oversees the plan to realize people-first outcomes. While there are many reference models and methodologies with useful pieces and ideas, there is simply no "plug and play" transformation methodology and management approach.

The purpose of this white paper is to recommend a starting point - a framework - that could be tailored to fit every organization.
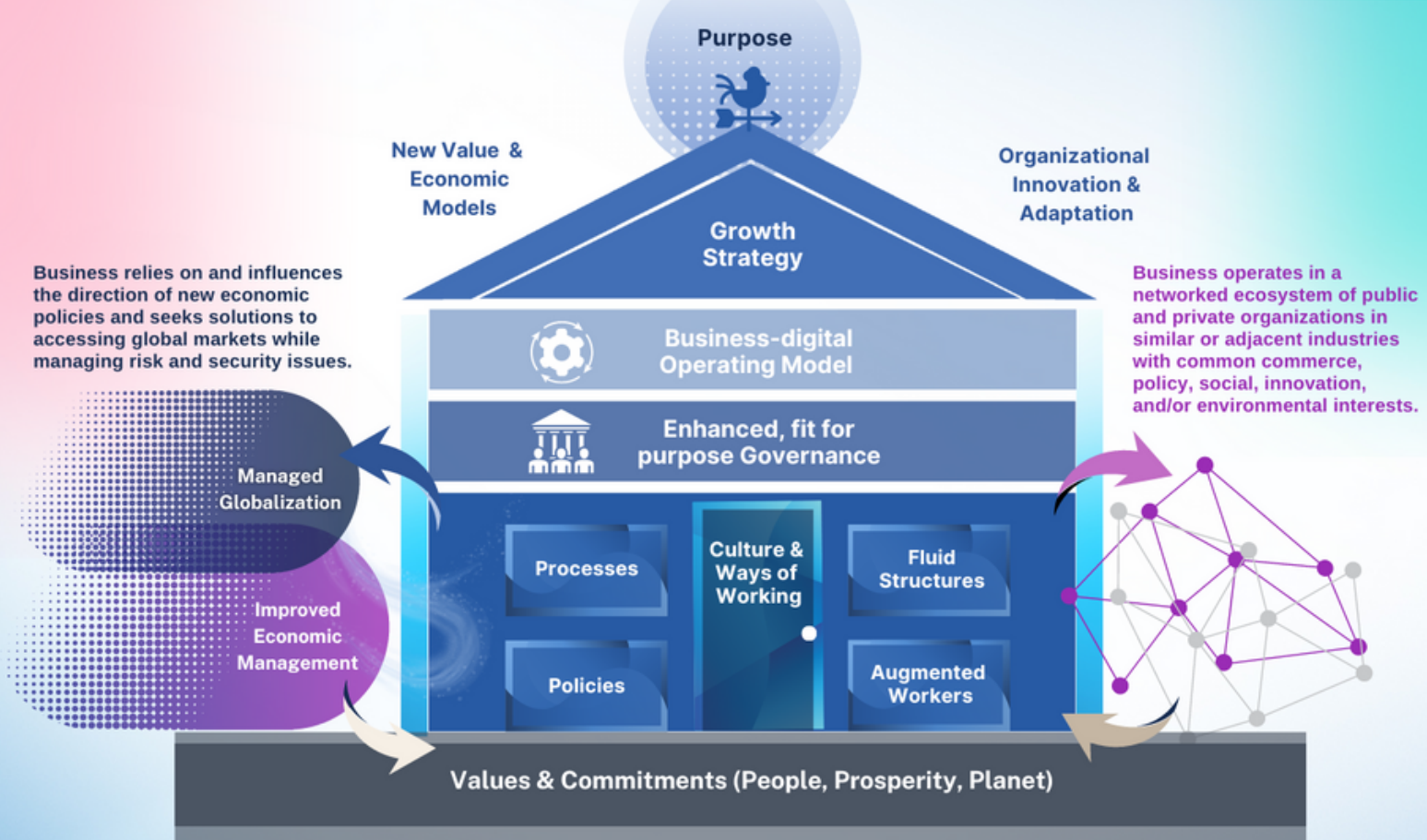
Transformation Governance, fit for purpose

Governance in transformation assumes the organization is managing a growth strategy where frontier technology will be harnessed to enable new value creation and productivity. People - augmented with new capabilities and empowered to innovate - adapt to and create new ways of working, embrace new behaviors and mindsets, and bring human ingenuity into an automated enterprise. Governance is the "how" to the "what" in the emerging operating model, together with its stakeholders, initiatives, and roadmap. It brings the needed methodology, policies, structures, change, and communications for a workplace and workforce in transition.

Both the pinnacle and bedrock of the growth strategy are the clarity and credibility of the organization's purpose (and reason for being beyond delivering value to its shareholders), as well as its values and commitments (that are unique to the business but likely modeled in part by the United Nation's Sustainable Development Goals (SDGs), that are centered around the wellbeing of people, the sharing of prosperity, and the welfare of the planet).

All the while, the business operates with "porous walls" in a growing constellation or ecosystem of interconnected industries and markets, and with dependency on fit-for-future economic management and regulatory practices, together with sustainable global cooperation. Latency in developing these policies and systems, along with seismic changes in social and political sentiments, sweep through the business, creating both anticipated and unexpected headwinds and tailwinds to strategy, operating plans, and people agendas.

Governance, then, manages the disruption to the organization and its people by helping to build the new cadences, systems, and structures needed for the business to succeed. Capabilities such as innovation, resiliency, agility, optionality, and incrementalism must be built into the model by design. Governance in transformation is a journey of big bets and options; it anticipates confidence in the next step may only be possible once the first step is taken. Critically, it readies workers and leaders to fly by new instruments while building new models for collaboration among peers that are made achievable only when robust dialogue can challenge assumptions, change minds, and lead views to evolve.

The System of Governance

With transformation as its backdrop and a growth strategy and emerging operating model as its reference point, governance factors and then organizes and manages a system of critical, interdependent moving parts. It ensures that important questions are answered within the work of transformation. For example:

- Are key initiatives prioritized in our overall strategy and roadmap?
- Do we have sufficient cross-organizational enablement and control in place to govern transformation?
- What is the relationship of technology investments to business capabilities needed, and have our operational models been built to maximize these investments?
- How has transition planning for the workforce been aligned with our strategy and plans?
- Are cross-functional capabilities and new work practices harmonized across the business where value is leverageable or processes are dependent?
- What behaviors hold up the model, bind the organization, and calm people through unsettling times, ensuring the transformation's sustainability?

Governance, then, is an investment in a rigorous system of oversight designed for the unique circumstances of transformational change. It is broad scale and top-down, aligned to the Strategy Office or led by a senior team appointed to guide the overall program and manage performance and results.

Inside its program, related business and technology initiatives execute in a function or BU and ladder up to the transformation strategy (i.e., development and readiness of leaders designed in a corporate function like HR; a strategy for worker experience run in Operations; key architectural or technical capabilities delivered by IT; and so on).

A key idea, though, is that governance ensures both horizontal interests and numerous points of integration across stakeholders and initiatives - including dependent processes and capabilities - are harmonized, coordinated, and represented as a workforce strategy and a rational roadmap.

When governance works well, it accelerates change and develops adaptation as an organizational capability. It detects and minimizes drags on transformation and removes obstacles to momentum. It ensures uniformity and connects the dots for people by reinforcing the relationship of projects and activities to goals and vision. Ultimately, governance is a people-first program and approach, advancing a platform of inclusive participation, experimentation, early adoption, and planning for the impact of automation. Good governance anticipates and smooths the sharp edges caused by the acute stress of reshaping the organization while the proverbial plane is in the air.

Transforming the Workplace: Methodology, Execution and Outcomes

The Governance Office creates a methodology to manage its own transformation program, roadmap, and performance. It leverages aspects of systems and design-thinking, as well as agile, lean, and other approaches. In all cases, the overall methodology is a combination of industry methods and customized approaches.

Multiple vendors and partners often work in various areas of the transformation initiative, bringing their unique methodologies and approaches. The Governance Office needs to understand these approaches well enough to coordinate them as necessary with the program at large. Incongruent analysis, misunderstanding of the workforce strategy, misaligned timelines, and lack of coordination for one-to-many capabilities such as data analytics, are commonplace outcomes when this alignment fails to occur.

It's helpful for the Governance Office to identify a set of approved or acceptable methodologies to recommend to leaders and teams who might need help on approaching their specific initiative or program. Decision-making frameworks for process and policy design, change management, voice of the constituent assessment, or a methodology particularly suited for innovation or ideation, are all good examples. Again, governance doesn't manage these various operational methodologies or underlying initiatives, but it understands their purpose in the business ecosystem and anticipates that adjacent initiatives and methodologies likely need guidance, harmonization, and/or socialization as a means of alignment as well as sharing valuable insights and outcomes.

Additionally, governance should build authoritative assets to allocate across initiatives including a charter and compliance, worker personas in the workforce of the future strategy, program cadences and timelines, approved change and communication strategies and their channels, and so on.

Governance runs a strategy that is equal parts operational execution and people readiness, with a constant focus on building the workplace and workforce of the future.

Here are some common components one could expect to find in a transformation-related Governance Program:
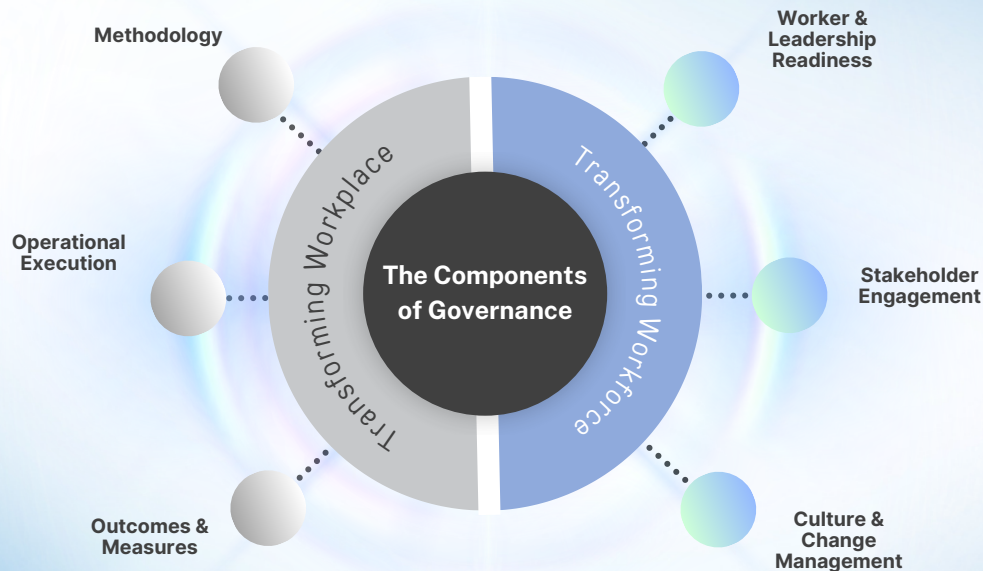

FIGURE 2. THE COMMON COMPONENTS OF GOVERNANCE | © LDS INC.

Operational Execution

Operational execution is a delicate balance of oversight and enablement for the governance office. While most transformation-related initiatives are executed by the corporate business functions, IT, and the BUs or departments, all have cross-organizational implications. To glue this model together, governance needs to direct useful guidance to accountable leaders, ensure proper cross-functional involvement and compliance, and maintain consistency towards the people and stakeholder agendas. For this to happen, the governance office is well served with capabilities in solutions/product management and with access to digital/organizational transformation expertise to understand, reason, and advise the business on the relationship of their pieces to the enterprise whole. Additionally, for governance to remove obstacles and accelerate momentum, high-functioning relationships with other leaders and direct access to executive sponsors, the CEO, and/or the Board are critical.

As described earlier, the transformation governance methodology will need to identify and oversee horizontal initiatives that bring building-block capabilities to the new organization and its operating model. Examples of these key initiatives include:

- Knowledge & Data Strategies
- Resource & Service Management
- End-to-end Service & Product Delivery
- Strategic Workforce Design & Worker Experience
- Customer Experience
- Culture and new ways of working

Related - with transformation relying on frontier technology to both lead and follow business transformation - key technology and architectural initiatives that have a one-to-many impact on transformation plans are prioritized and contextualized in terms of business requirements, and overseen via the governance process. Common examples include:

- Enterprise Architecture Strategies & Standards (including "big bet" platforms)
- Data Strategy & Architecture
- Content & Knowledge Architecture (e.g., taxonomies, assets, etc.)
- Generative AI & other AI/ML Management
- Modern Security Architecture (e.g., Zero Trust Architecture, MDM, devices, IoT)
- Identity and Access Management (e.g., RBAC)
- Analytics, Metrics, and Insights
- Productivity & Collaboration Platform Management
- Interoperability and Ecosystem Design Management

Lastly, effective governance hinges on clear accountability and informed decision-making, achievable through a systematic approach to measuring progress and outcomes. Given the diversity of stakeholders and varying work methodologies, a broadly applicable, deployable, and adaptable measurement system is essential.

Transforming the Workforce: Readiness, Engagement & Culture

For leaders and workers to survive and flourish in a new organizational operating model, governance must focus relentlessly on transparency and accountability by adopting an approach that helps to mobilize workers and teams towards new outcomes through connection to values, insights, and actions. In an era of increasing volatility, complexity, and rapid change, leadership becomes less about formal position, authority, and hierarchy, and more about asking the right questions and empowering autonomous teams to make correct decisions independently. These are approaches that encourage the employee base to actively participate in gathering insights, creating solutions, and ultimately providing leadership at all levels of the organization. Also, by advocating transparency and removing uncertainty wherever possible, governance can provide context and prevent unfounded fear or anxiety surrounding change within the workplace. An environment where leaders encourage and delegate control helps to drive initiative as workers are more invested in achieving positive outcomes.

For both leaders and workers alike, driving toward transformational goals as the operating model evolves requires a difficult balance of consistent, operational performance along with an approach that embraces innovation and learning. For transformation to succeed, leaders must tap into the full knowledge and experience of workers within the organizational ecosystem, while modeling what worker engagement and participation look like in the coming future. As the workforce transitions slightly ahead of the needed curve to the future, the augmented worker becomes central to the organizational ecosystem through the evolution of digitally enhanced work practices. Even as the organization designs, builds, and continuously improves the workplace, people strategy and the worker experience remain at its core.

By cultivating deep and intimate relationships with workers across the organizational ecosystem through strategic governance, leaders can appraise aspects of their decision-making processes with a human agenda top of minds. Similarly, experimentation may be considered to inform better solutions, foster learning, and accelerate value.

Stakeholder Engagement

Strategically engaging stakeholders is crucial for the governance of transformation initiatives. These efforts span across business organizations, including vendors, suppliers, and partners, each bringing unique expectations and working styles. It's common to unite stakeholders with limited collaborative history or, more challenging, those with competing priorities. Recognizing and navigating these dynamics is essential for successful transformation.

Significant changes to strategy, operations, or technology introduce uncertainty, often leading to stakeholder anxiety. Effectively engaging and aligning stakeholders becomes critical to mitigating these concerns and driving transformation success.

A well-crafted stakeholder engagement strategy not only builds trust but also anticipates and addresses diverse challenges, smoothing the path for transformation. This strategy embraces a culture where diverse perspectives are the fuel of innovation, and the most effective ideas prevail, leading to superior outcomes.

Key contributions of stakeholder engagement include:

- Aligning Vision to Objectives and Execution
- Fostering Trust and Transparency
- Facilitating Change and Adaptation
- Encouraging Innovation and Creativity
- Identifying and remediating Risk early
- Ensuring Resource Commitments align with priorities.

Given the inherent complexity and multi-organizational scope of transformation efforts, meticulous planning and execution of stakeholder engagement are indispensable for the successful governance of these programs.

Culture

If governance embodies the structure, authority, and membership of entities that can make critical decisions about the direction of the organization and how it is run, then culture represents an organization's health, particularly its ability to align, execute, and renew itself faster than its competitors. In combination, these two elements have an enormous impact on organizational efficacy, as they enable leaders to drive the value-creating, forward-thinking interactions required to deliver complex enterprise-level strategy, rather than a more siloed individual or hierarchical team approach. It can be hard, though, for organizations with independent BUs, divisions and/or regions to achieve cohesion on critical culture and ways of working practices, while respecting the important variances of local markets and culture.

Among the first questions that need to be answered in any transformational governance context concerns ways the initiative will positively impact culture by connecting people in the organization, including the structures, processes, and initiatives that support these connections.

By clearly articulating the mandates, decision rights, roles, and metrics of important bodies, leaders can seize the opportunity not only to capture the value that high-quality governance can deliver but also to take the initiative to positively impact culture through the new behaviors of the future-state organization.

Governance can also be used to clarify exactly what must be done and by whom in the manner of organizational change management. This area would include business readiness assessments, stakeholder communications, clarifying and defining roles and responsibilities in cross-functional or departmental projects and processes, and change management strategy and planning.

The goal must be to embed behavior change themes into critical business initiatives and establish a structure for governance and continued learning. People are responsible for creating change, so it is critical to strategically plan how to attract the right competencies, along with an exceptional operating model reinforced by governance in a manner that creates business value and drives transformation.
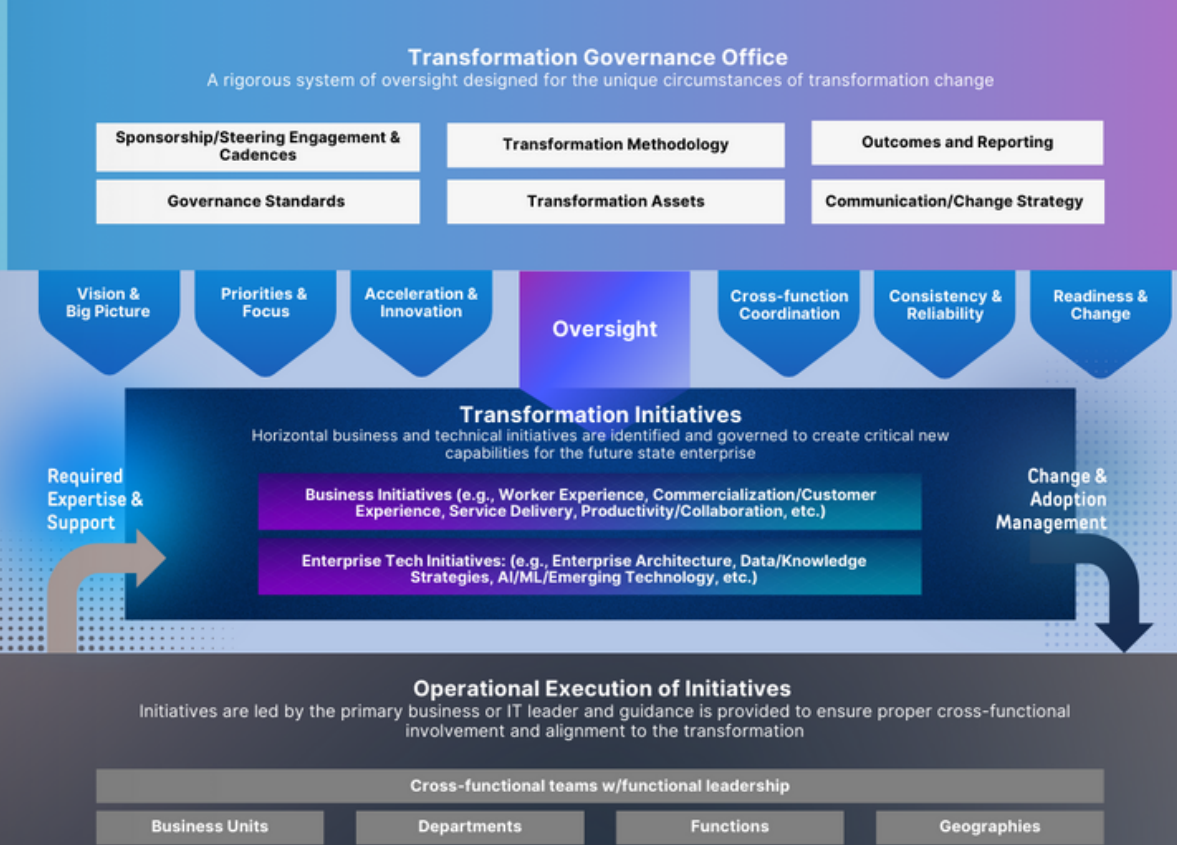
FIGURE 3. STRATEGIC GOVERNANCE FRAMEWORK | © LDS INC.

Strategic Governance Framework

> **Successful business transformation means establishing a transparent and structured top-down governance model from the outset.**

Marketplace changes and frontier technology alone cannot transform a business without proper governance and decision-making methods designed for organizational and workplace transformation. Those organizations that adopt and iterate effective governance strategies not only meet transformation challenges at the time of need but accelerate and adapt as an exponential capability. This creates extreme readiness to shape the future with confidence as the full power of the enterprise (human and digital) works and learns together on multiple timescales. Alternatively, failure to do so results in the misalignment of the workforce to transformation goals. The impacts are tremendous: the company misses the value of the workforce participating and shaping new work design and culture; leader conflicts arise as new models of collaboration and leadership alignment are misunderstood and horizontal capabilities struggle to mature; technology is delivered without worker or organizational readiness (often at a significant financial cost and loss of important time), and (last but not least) the company is late to meet the challenges of a changing marketplace because the organizational transformation was underestimated in terms of complexity, cost, or time.

Summary

Strategic governance creates transparent rules and controls, guides leadership, and contains the structures, processes, and mechanisms needed to steer the organization through any business transformation initiative. It helps build trust with workers and key stakeholders and defines the framework of policies and guidelines that inform a company's decision-making, practices, and conduct. It also organizes and manages a system of critical, interdependent moving parts, enabling business leaders to identify the critical capabilities that must be built for the future state organization.

In addition to leadership readiness, governance builds culture, enables performance, engages diverse stakeholders, and aligns measures and rewards to new commitments and strategies. By adopting effective transformation philosophies and practices aligned with sustainable growth strategies, organizations begin the journey of redesigning themselves from the inside out. In doing so, they embrace and actualize their purpose, they trigger commitments to prosperity and the planet (with no time to waste), and they embark on a people-centric, total wellness agenda that will become the core of all future successful businesses and their workplaces.

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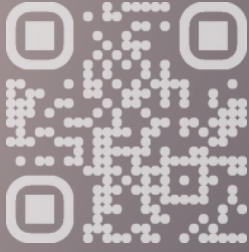
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