

# The uncomfortable truth about governance

*Why most strategic initiatives fail*

*Jan Hoogervorst*

“Man will occasionally stumble over the truth, but usually manages to pick himself up, walk over or around it, and carry on”

– *Winston Churchill*

## Storyline

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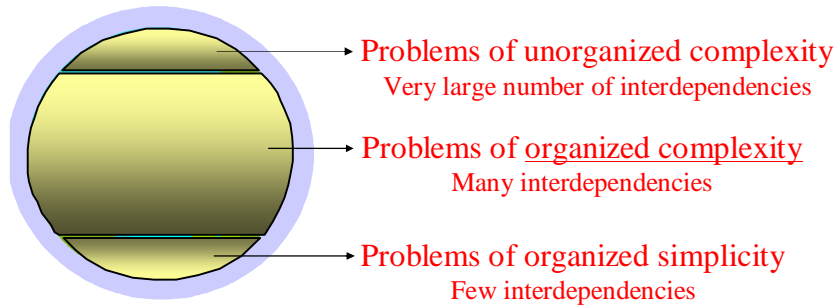
- **Setting the stage**
  - The current governance approaches and their inadequacy
- **Core reasons for governance inadequacy**
  - Sketching the rationale for the alternative perspective
- **Alternative perspective on governance**
  - How to operationalize effective governance in the modern enterprise context

## Setting the stage

*Why governance and architecture?  
The governance themes and characteristics  
The inadequacy of current views*

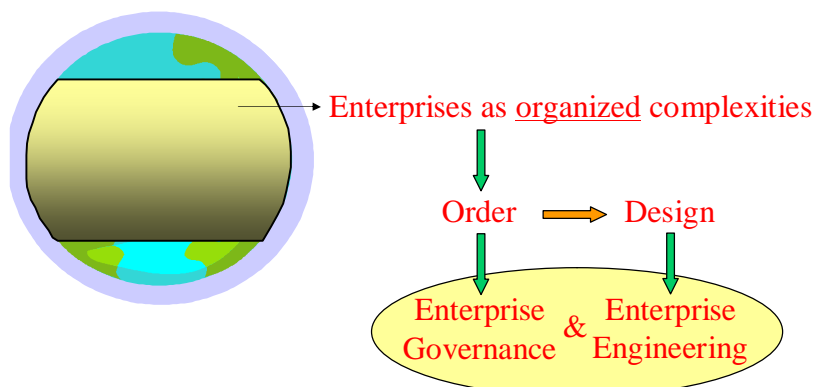
# A world of problems

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# Organized complexity

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# Governance themes

*Financial/administrative perspective* **Compliance**

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"corporate governance" Zoeken [Geavanceerd zoeken](#) [Voorkeuren](#)

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**Het Internet** Resultaten 1 - 10 van circa 49.800.000 voor "corporate governance" (0,37 seconden)

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*Business/IT perspective* **Alignment**

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**Het Internet** Resultaten 1 - 10 van circa 1.140.000 voor "IT governance" (0,23 seconden)

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*Enterprise wide perspective* **Performance**

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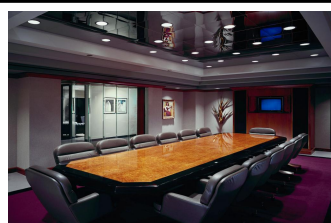
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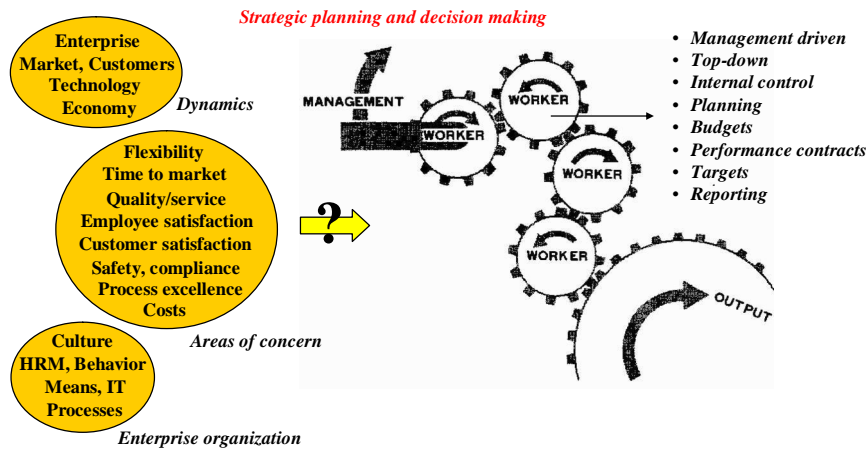
**Het Internet** Resultaten 1 - 10 van circa 85.700 voor "enterprise governance" (0,13 seconden)

# Views on governance

- Corporate governance regards top management responsibilities for...
- IT governance is the responsibility of the board of directors and executive management for...
- IT governance is the organizational capacity exercised by the board, executive management and IT management to...
- IT governance regards specifying the decision rights and accountability framework to...
- Enterprise Governance is the set of responsibilities and practices exercised by the board and executive management with the goals of...



# Mechanistic view

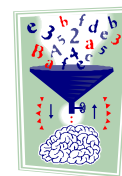


# Example



The US Government Performance and Results Act (1993) requires federal agencies to develop **strategic plans, performance plans, performance measures, annual performance plans, and annual performance reporting** with a focus on **linking** organizational goal-setting and performance measurement to **individual performance planning and appraisal**<sup>1</sup>

The Information Technology Management Reform Act (1996) is to “ensure that **performance measures are prescribed for IT** [such] that they measure how well IT supports agency programs”. For IT investments, it’s all about defining the “potential return, managing risks and achieving results”<sup>1</sup>



1. <http://govinfo.library.unt.edu/upr/library/misc/s.20html>

## Recent Examples (Cont'd)

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Strategic **planning** shall contain “a description of how the goals and objectives are to be achieved, including a description of the operational processes, skills and technology, and the human, capital, information, and other resources required to meet those goals and objectives” (PRA Section 306)



A performance plan shall “express such goals in an **objective, quantifiable, and measurable** form” (PRA Section 1115)

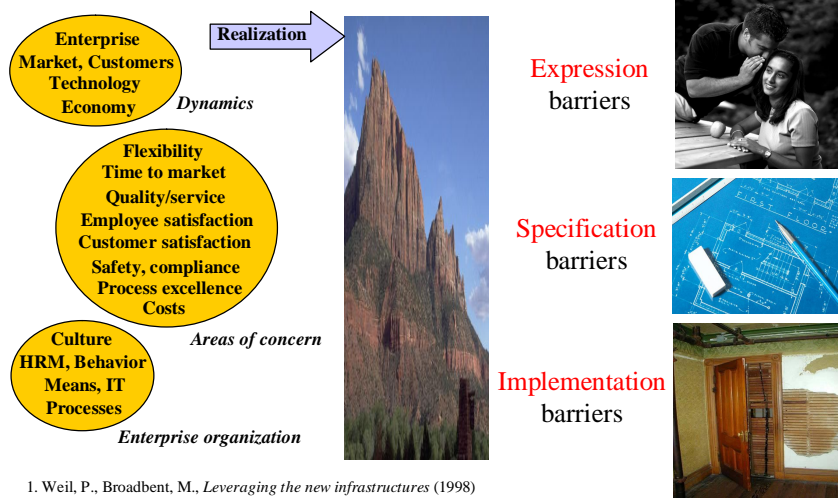
## Fallacies of mechanistic view

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1. Lacks effective answers to **transition barriers** inhibiting strategy deployment
2. Has no answer to the core reason for **strategic failures**
3. Denies or ignores the fundamental internal and external **complexity** and related **uncertainty** that is associated with enterprises and enterprising

# 1. Lacks effective answers to transition barriers inhibiting strategy deployment

## Three fundamental barriers<sup>1</sup>

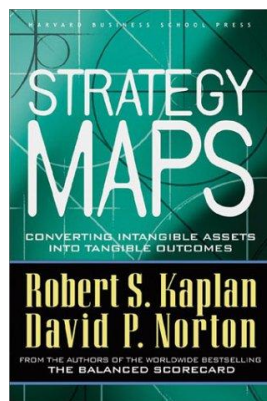


1. Weil, P., Broadbent, M., *Leveraging the new infrastructures* (1998)  
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## 2. Has no answers to the core reason for strategic failures

## Strategic successes

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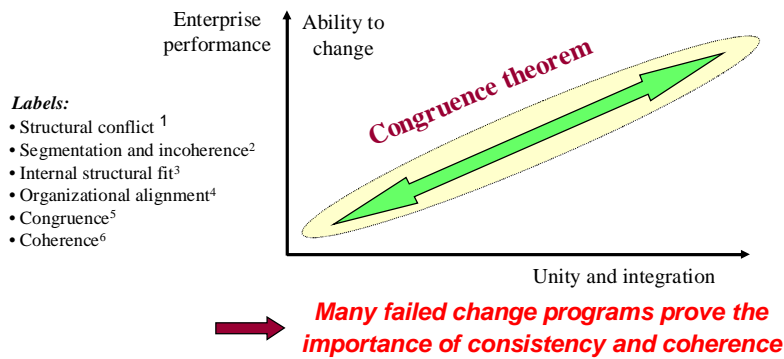


1. Harvard Business School Press 2004

“Various studies indicate that 70 percent to 90 percent of organizations failed to realize success from their strategies”<sup>1</sup>

**Total Quality Management**   **Six Sigma**  
**Business Process Management**  
**Lean Production**   **Business Process Reengineering**  
**Learning organization**  
**Customer Relationship Management**  
**End-to-end Process Management**  
**IT systems implementation**   **Mergers and Acquisitions**

# Unity and integration



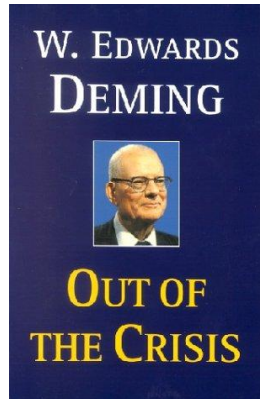
1. R. Fritz, *Corporate Tides* (1996)
2. A. Pettigrew, In: R. Galliers, W. Baets, *Information Technology and Organizational Transformation* (1998)
3. P. Lawrence, J. Lorsch, *Organization and Environment* (1967)
4. T. Powel, *Organizational Alignment as Competitive Advantage* (1992)
5. D. Nadler, M. Tuschman, *Competing by Design* (1997)
6. J. Hoogervorst, *Quality and Customer Oriented Behavior: Towards a Coherent Approach for Improvement* (1998)

# Unity and integration...



## About causes of failure

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Enterprise (system) failures due to:

- **Common causes** (inherent in the design)
- **Special causes** (employee induced)

## Unity and integration between car safety and comfort...

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## Design: functional and constructional perspective

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### *Functional, teleological*

perspective:

- Closed, “black-box” view<sup>1</sup>
- Management, control oriented
- Design knowledge not required



### *Constructional, ontological*

perspective:

- Open, “white-box view”<sup>1</sup>
- Design, change oriented
- Design knowledge essential

1. Dietz, J.L.G., *Enterprise Ontology* (2006)

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## Not effective...

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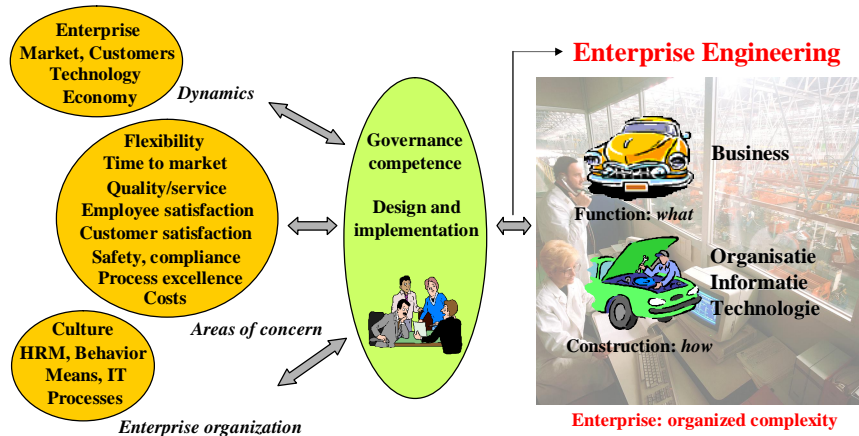


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# Enterprise design



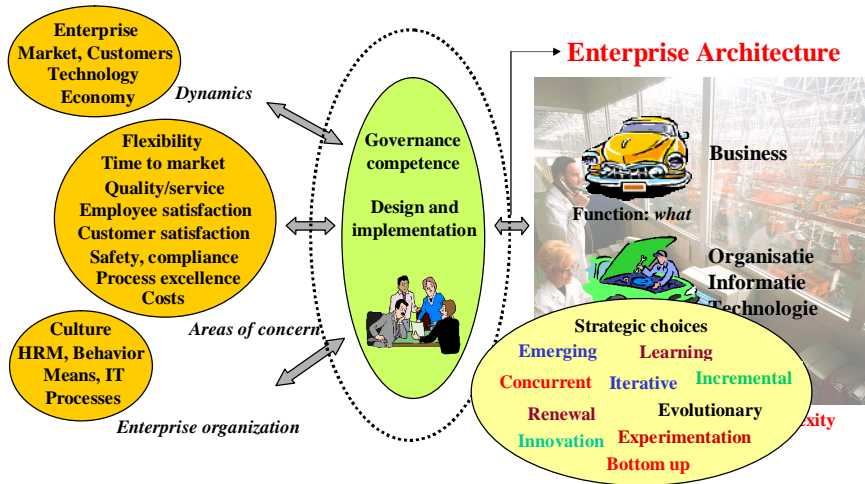
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3. Denies or ignores the fundamental internal and external dynamics, complexity and related uncertainty that is associated with enterprises en enterprising

# Non mechanistic process

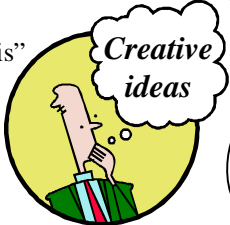


# Creative boundary

**Stable domain**

**Unstable domain**

- focus on “what is”
- operation
- exploitation
- conformity

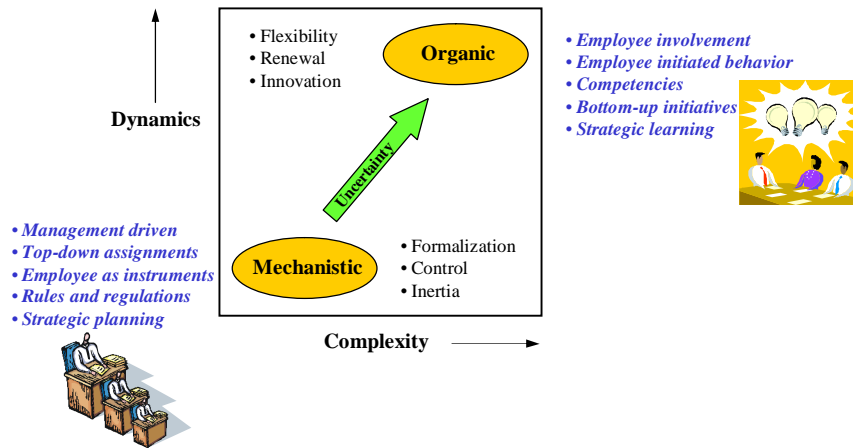


*Employee involvement*  
*The essential source for ideas and renewal*

*Boundary where innovation, renewal and adaptation occurs*

- focus on “what could be”
- experiments
- exploration
- creativity

# Organic perspective: bottom up

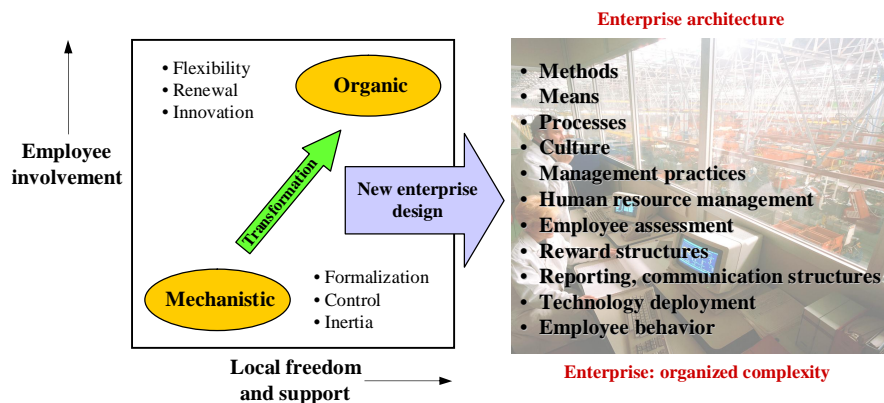


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# Organic perspective: how to?

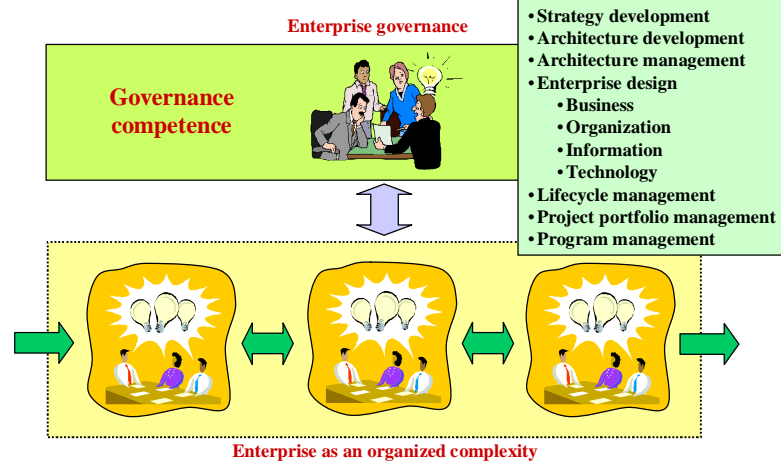


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## Governance and autonomy

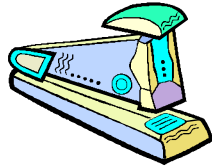


## Wrap up

- The mechanistic governance approach is an anachronism with serious drawbacks
- Competence-oriented governance is essential for:
  - addressing complexity, dynamics and the associated uncertainty
  - addressing the strategic transition barriers inhibiting strategy deployment
  - addressing various areas of concern in a unified and integrated manner
  - Ensuring a unified and integrated enterprise design
- Enterprise performance does not follow from a mechanistic governance focus – planning, decision making, risk management and accountability structures – but from a **unified and integrated design**

## Closing thought

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Often the only integration mechanism...