

Govern Agility: The Complexity Ceiling

Govern Agility explores governance through the lens of five distinct Stanchions: Conductive Leadership, Sensible Transparency, Patterns of Work, Data-Driven Reasoning, and Humanity. These Stanchions are not theoretical; we developed them based on our experience working with agile, non-agile, and hybrid organisations.

Just as our time spent in the mines of Agile Governance gave us the insights needed to write our first book, *Govern Agility* has, in turn, opened even more doors through which we can peer, observe, study, and learn from a variety of organisational governing systems. What we quickly learned was that those organisations applying the five Stanchions to their systems of governance exhibit new contexts and associated patterns. These patterns weren't unique! In fact, they continually repeated themselves across industries and organisations.

This excerpt from the forthcoming book *Govern Agility: The Complexity Ceiling* examines some of those emergent contexts and patterns.

We have previously discussed how, in our years spent working with organisations in the midst of transformation, we observed agility being injected into organisational constructs without any thought as to how this would gel with traditional systems of governance. These rusted-on governance systems were predicated on the notion of both organisational and environmental stability and balance.

Anybody with a passing understanding of the modern business environment will know that organisations are inherently messy and in a constant state of change and that stability and balance are in short supply. Using just the last five years as an example, we can observe the rate of instability in business growing exponentially. This creates accelerating VUCA—Volatility, Uncertainty, Complexity and Ambiguity.

In our experience, many organisations are familiar with extrinsic VUCA—that is, volatility, uncertainty, etc., imposed by the world at large. When world markets shift, or technologies leapfrog ahead, organisations must react and adapt if they are to survive or thrive through the change. However, those same organisations are often less aware of intrinsic VUCA. This second type of VUCA can occur unintentionally as a result of upheavals within the organisation but can also be generated internally with the intent of helping an organisation survive and respond to external VUCA in the manner of an inoculation.

We consider Agility to be the prevailing 21st-century management paradigm that enables organisations to respond to both forms of VUCA and to survive this new Kondratiev cycle¹ as we leave the Industrial Age in the rear-view mirror and approach the peak of the Age of Software. So why are so many organisations hamstringing their agility?

¹ https://en.wikipedia.org/wiki/Kondratiev_wave

Since publishing *Govern Agility*, we have observed a repeated pattern of traditional governance systems—which were designed for traditional organisational systems—struggling to cope when agility is incorporated into ways of working. This struggle is then used as a scapegoat for all the prevailing challenges within the organisation. “This way of working isn’t for us!” we hear over and over again. “We tried that, and it failed. Agile is dead!”

“Organisations have dis-enabled their ability to leverage their agility by not addressing the governing systems as a whole.”

But How Can Agility Succeed When the Governance Underpinning That Agility is Rooted in the Past?

So many organisations set a goal of being transformational in order to respond to VUCA situations (either intrinsic or extrinsic) but don’t address the governing systems of the organisation during this metamorphosis. Sure, large amounts of time and money are spent making changes where the work gets done. Sometimes, this investment even extends into the portfolio layer via coordinated planning events and poorly constructed portfolio management systems. In our experience, these transformations focus only on progress and, at best, add in prioritisation of sorts.

But when it comes to governance, these traditional systems of governing and funding (we believe that funding and governance are inseparable when discussing these systems) are considered inviolate and left intact, operating at odds with the flow that their method of agility is attempting to achieve. As a result, organisations end up with traditional systems of governance going in a different direction to the new, more agile ways of working. They could also be operating on a different pattern, or worse still, the systems of governance and funding are pulling against each other in completely different directions.

This is why we hear so often that Agile has failed or doesn’t work within a particular organisation. The reality is that these organisations have dis-enabled their ability to leverage their agility by not addressing the governing systems as a whole. They aimed to be transformational, but without addressing the governing systems, they are limiting themselves to being transitional.

To add to this convolution, we also often see the management of governance being assigned to a single area or a multiple of those areas within the layers of the organisation. Project management offices, enterprise portfolio management offices, or transformation management offices are responsible for enacting or policing governance, creating a bottleneck of processes.

The inevitable result is a “three-speed economy²” within the organisation which we’ve observed as a limiting factor, disabling an organisation’s ability to leverage their agility. Our observations are backed up by the Business Agility Institute’s *2023 Business Agility Report*:

Governance: The Last Area to Transform

“Despite significant potential cost-savings and productivity improvements, most organisations do not begin to invest in transforming governance policies and procedures until at least 5 years into their journey.”

Source: 2023 Business Agility Report : Business Agility Institute

Organisations quickly hit a “complexity ceiling³”, which in turn leads to a “complexity tax⁴” caused by the differing focus, intent, and centralisation of the three speeds. This complexity tax manifests on people, time, and value delivered. How serious is this tax? We used to believe it was in the tens of thousands of dollars. However, after working with a number of organisations and challenging them to start calculating the true cost of delay, we realised we were grossly underestimating how much value our clients were losing due to overly complex governance, not tens of thousands of dollars, but tens of *millions*.

As an unwelcome bonus, the complexity tax extends to risk. When governing systems aren’t talking to one another or operating at the same speeds, the larger system becomes so complex and overburdened that risk is hidden. As a result, the opportunity to manage and mitigate risk before it becomes a real issue is lost, which leads to colossal losses in value for both the customer and society. This tax is an act of self-sabotage that, in today’s modern business environment, no organisation can afford to pay.

“It’s Only Once You Think of Governance as a True Capability and not a Process That You Can Begin to See the Landscape.”

What Does This Mean for Organisations Already Struggling to Keep Pace with the Demands of the 21st Century Economy?

Put simply, any organization can pay lip service to implement agility. But to actually leverage that agility, we need to have our systems of strategic intent, systems of governance, and systems of work flowing in the same direction. In fact, we’ll go a step further. Alignment is not

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enough. What leveraging agility actually requires is a redesign of the governing infrastructure of the system as a whole.

Sounds daunting? We suggest you start by changing your paradigm. It's only once you think of Governance as a true capability and not a process that you can begin to see the landscape. Adjustments are needed across people, process and technology in a symbiotic approach.

We recognise that this is no small ask. To kickstart this conversation, we'd like to provide some prompts and tools that can guide your thinking and provide a starting point for you to unravel the mess within your own organisation.

Use a Frame of Reference We Call "Collaborative Connective Tissues"⁵.

These tissues are the horizontal flow of information across the organisation. Examine your collaborative connective tissues. Where are they strong, and where are weak tissues disabling your organisation's agility? Where is collaboration simple and natural, and where are silos or hierarchies hamstringing communications? You can also use this framing to link the vertical bi-directional flow of strategic intent to execution of work and execution of work back to strategic intent.

The purpose of this principle is to help you examine and redesign connections to enable a better flow of governing information. Over time, this negates the complexity ceiling created by siloing and bifurcation of information, which in turn is created by the organisational stratifications of hierarchy and leadership. It gives you the critical ability to see flaws in your connective tissue and enables expedient, directionally adaptive decisions in order to leverage agility. Your desired end state is whole-organisation alignment to larger organisational outcomes.

"Governance Must be Part of the Everyday Flow of Work."

This second recommended frame of reference appears on the surface to be quite a simple statement, so simple, in fact, that organisations we're working with will often say they've already implemented this into their governance structures. "Our governance is democratic!" they claim.

It's a shame that this often doesn't hold up under scrutiny. As soon as we dig deeper, we discover that all roads tend to lead to a centralised governing body that manages and controls.

By examining our flows of work through this frame of reference, we can prompt ourselves to discover new ways of moving decisions and other governance-related requirements to a more "close in person, place, and time" method of decision-making. By allowing necessary decisions to be made conclusively by the people closest to the work and closest to the time that the decision is required, we also move those decisions closest to the complexity created by the three-speed economy.

Our final recommendation is that you, in tandem with these frames of reference, **use the overarching lenses we call the five stanchions of governance described in Govern Agility⁶** to take a holistic approach to the entire system of governance. These stanchions—

⁵ Govern Agility © Phil Gadzinski & Tony Ponton 2024

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Conductive Leadership, Sensible Transparency, Patterns of Work, Data-Driven Reasoning, and Humanity—are foundational for governing any modern system of work. By understanding and recognising them, you can create more effective connections between existing and emerging systems of governance and enable greater levels of agility across your organisation.

In conclusion, our current world is growing exponentially more VUCA, and our organisations are developing internal VUCA to match. Agility is the critical ability required by businesses wishing to respond to these new paradigms, but without agile governance as a bedrock, they're being hamstrung by unexpected complexity. Don't dis-enable your ability to be truly transformational by paying an exorbitant complexity tax!

Don't continue to apply governance to your agile. Instead, apply agility to your governance!

If this article piqued your interest or helped you identify problems within your organisation, you can find us at <https://www.governagility.com.au/>.