AlixPartners

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TECHNOLOGY GOVERNANCE

Part One: Getting structure and strategy in sync

Effective collaboration between technology leaders and business leaders has never been more essential. A majority of executives surveyed by AlixPartners expect to make major changes in their business models, with digital transformation their number-one focus. The need to invest in and manage technology innovation, always high, has jumped as artificial intelligence rolls out.

Technology and business leaders must also manage the competing claims for attention and resources to maintain extensive, essential, and aging legacy technology. Meanwhile , the need for enhanced cyber-security has soared, with 46% of companies surveyed saying their data security is significantly threatened—a 20-point increase from a year ago.

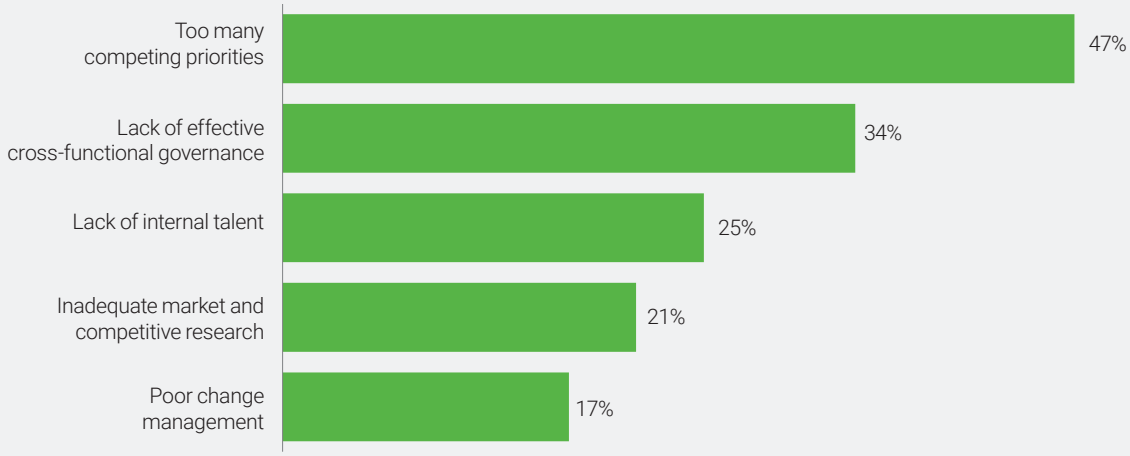
Managing in this environment requires not only a high-performing team but strong technology governance—that is, structures and processes to set policy, make decisions about investments, manage projects and ongoing capabilities, and assign accountability for results.

Yet technology governance falls short at too many companies, as we learned in a survey of 750 C-level executives—a mixture of business and technology leaders.

Consider:

- Though 91% of executives said their companies have a comprehensive technology roadmap, nearly half (47%) said that technology projects struggle or fail at their company because of too many competing priorities
- 34% identified lack of effective cross-functional governance as a major reason technology projects fail
- Among the technology leaders surveyed, only 31% strongly agreed that their business-side colleagues gave them a seat at the table when strategy was discussed
- Just 41% of business executives believed that their technology colleagues ensure that technology's priorities and practices are aligned with company strategy

MAIN REASONS TECHNOLOGY PROJECTS STRUGGLE OR FAIL



These are unacceptable numbers. How can leaders make fundamental changes—or even manage a budget—if they cannot agree about what's most important or if the technology team is out of the loop?

It is telling that the technology-governance report card looks different for companies that say they are driving digital disruption. At these companies, leaders are eight points less likely to say their companies struggle with too many priorities. Their technology executives are 13 points more likely to have a seat at the strategy table. Their business-side leaders are 22 points more confident that the tech team's work aligns with strategy.

These numbers point to some of the results of successful technology governance. But how do you get there?

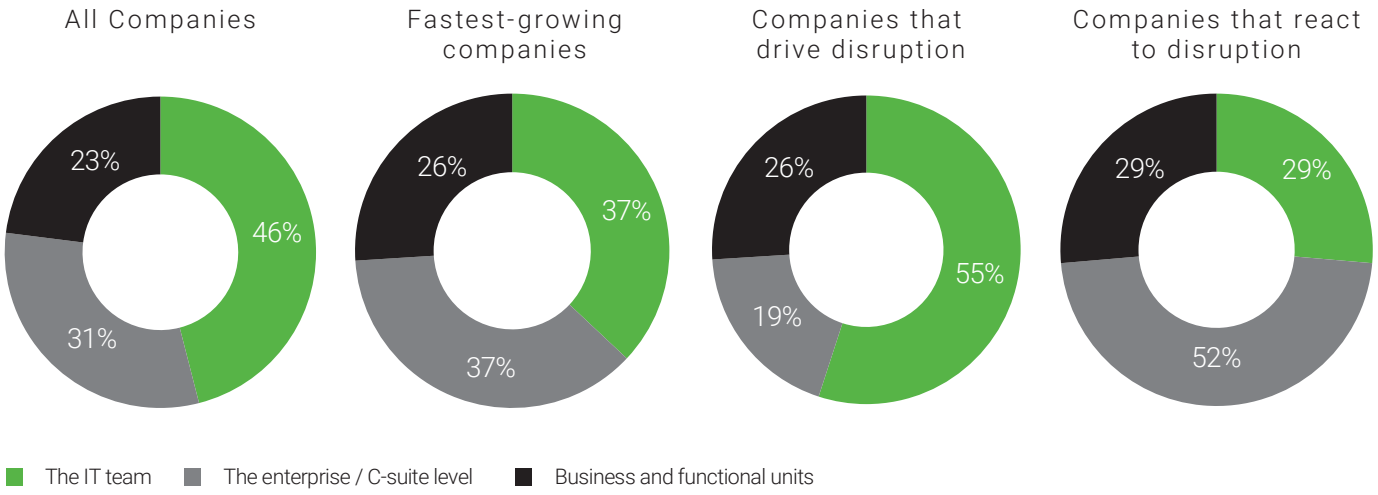
All governance is a combination of structures and behaviors—what academics call a sociotechnical system. Our research, proprietary data, and client experience have uncovered several key principles and leading practices of companies whose technology governance helps them achieve superior performance. This, the first of two articles, is about structure; its companion piece focuses on behaviors.

Structures are formal, hierarchical arrangements about accountability, budgeting, and decision rights: who reports to whom, who holds the purse, who can say "yes," who can say "no." Behaviors are the less formal but critically important conversations, processes, and customs that involve setting and communicating priorities, agreeing upon goals, resolving disagreements, and responding to change. Hierarchies are like chess pieces lined up on a board; behaviors are what happens once the match begins.

SETTING YOURSELF UP FOR SUCCESS

When it comes to technology governance, there are typically three players in the game: senior executives at the corporate center, technology team leaders, and the heads of business units or functions. How a company distributes power among these three groups depends on its strategic goals and its view of technology's role in achieving them. A company in a mature, regulated industry will structure technology activities differently from an aggressive upstart with an appetite for M&A. The model used by digital disruptors might be inappropriate for a company whose strategy is to wait until technology is tried and true. But insights from the data, academic research, and practical experience can help companies see what will work for them.

WHERE ARE DECISION RIGHTS, BUDGET, AND ACCOUNTABILITY FOR DIGITAL INVESTMENTS CENTERED?



Business and technology leadership must share accountability for delivering desired results within the agreed-upon parameters of budget, schedule, and scope.

Don't leave execution to the tech team alone.

- Overall, companies are least likely to vest structural authority in business and operating units and most likely to put it in the hands of the technology team.

  Almost half — 46% — say that decision rights, budgets, and accountability for digital investments belong to technology, while 31% say the corporate center, and 23% say the business units.

- For the fastest-growing companies, power shifts away from the tech team toward the corporate center and, to a lesser extent, operating units.

  For these companies, technology and the C-suite are equally in charge—it's 37% for each, with 26% nesting authority in operating units. Fast growers seem to emphasize making sure digital investments are in sync with strategic goals and business plans, with the combined sway of non-tech executives considerably greater than that of the technology leaders.

- Digital disruptors—companies that say they usually or always drive disruption in their industry— put the technology team firmly in the driver's seat (55%), with the business units riding shotgun (26%) and the corporate center in back

  That is, tech investments are decided by those close to the action, giving a freer rein to business units and technologists. .

By contrast, at companies that usually or always react to disruption rather than drive it, the C-suite retains decision rights and budget accountability for digital investments 52% of the time; these companies are least likely to vest decision rights in the tech team.

Company size is a factor in these choices.

The bigger the organization, the more likely decision rights are to be delegated to the technology team or business units.

But the overall message holds:

Centralized decision rights are associated with growth and a desire to ensure that technology and strategy are tightly synchronized; decentralized decision rights are more often found in companies that emphasize innovation and disruption.

6 WARNING SIGNS OF WEAK TECHNOLOGY GOVERNANCE

1. Technology leaders are absent when strategy is discussed
2. Leaders struggle with too many competing technology priorities or cannot agree on what top priorities should be
3. Business leaders do not believe that the technology team's work aligns with company strategy; technology leaders cannot succinctly describe company strategy
4. You are frequently surprised and outflanked by competitors' use of technology
5. There is disagreement or confusion around who owns decision, rights, budget, and accountability for digital investments
6. There are no agreed-upon measurements for the impact of technology investments on processes or financial results

STRATEGIC FIT AND TECHNOLOGY INTEGRATION: THE TWIN PILLARS OF TECHNOLOGY GOVERNANCE

These differences about how companies apportion responsibility illuminate a critical issue in digital governance: It must strive for the simultaneous creation of strategic fit and technology integration. **Strategic fit** means *doing the right things*; providing technology that creates or powers the capabilities required by the business's goals. **Technology integration** means *doing things right*; ensuring that the design and management of technology infrastructure, processes, and skills are efficient and effective.

Almost by definition, strategic fit needs to be led at the top of the house. The decisions C-suite leaders make are (or should be) enterprise-wide and have to do with strategy, overall spending, security, and policies. Executives must find the right balance between tech and other investments (such as geographical expansion, acquisitions, hiring, or even stock buybacks) and set the parameters for prioritization among technology investments. That includes aligning at a high level on how much to invest to drive efficiency (e.g., improving or automating processes) and how much to put toward innovation (e.g., investment in emerging technology or in fundamental digital transformation).

When it comes to technology integration, experience and research suggest that IT executives should take the lead, working with the appropriate business partner: the C-suite for basic choices about enterprise software, outsourcing, and security; operating units for customer and production issues. Many routine aspects of functional integration can be handled by tech or operating unit leaders on their own. For reasons we will discuss below, it is also critical for finance experts to play a major role in these discussions.

Case study

ESTABLISHING A GOVERNANCE MODEL FOR AN AUTOMOTIVE SUPPLIER

An automotive supplier lacked a governance process to prioritize and approve major software projects across various business units that shared technology resources. Each business unit operated in a silo and viewed its own projects as highest priority. Technology teams operated without guidance as to what was of the highest value to the company overall.

The company was neither doing the right things nor doing them right. The results: friction among business units that should have been cooperating rather than competing; technology teams left to guess at prioritization or try to accommodate all requests; an executive team inhibited on their ability to execute because of significant project backlog.

To address these issues, Alix Partners designed a two-pronged governance model. A cross-functional forum was created to assess value, effort, resource needs, and business impact (technological integration).

This provided clarity around the needs of the enterprise rather than business units. Additionally, an executive steering committee was formed that had final decision-making authority around the proposed project roadmap (strategic fit).

We also developed standardized tools including a readiness checklist, prioritization criteria, and templated agenda for the steering committee. These tools helped to drive consistency and provided a foundation for sustainable, long-term improvement.

The new governance process cut the project backlog by **40%** within six months and improved stakeholder satisfaction scores. Business units gained confidence that their highest-value needs were addressed, while technology teams could plan capacity with greater predictability. A formal steering committee ensured executive buy-in, and the standardized tools created a repeatable framework for future initiatives.

Accountability for integration demands that technology leaders deliver their projects successfully.

Too many companies fail that test.

One out of six executives said they have a technology project that is significantly over budget or in trouble.

26%

Only 26% of business executives strongly agree that their technology teams provide technology that improves business processes - hardly a ringing endorsement for what should be the bread-and-butter work of an IT department.

TECHNOLOGY VS. BUSINESS LEADERS PERCEPTIONS OF IT EFFECTIVENESS

	TECHNOLOGY LEADERS		BUSINESS LEADERS	
	Strongly agree	Somewhat agree/ neutral/disagree	Strongly agree	Somewhat agree/ neutral/disagree
IT provides technology that improves business processes	35%	65%	26%	74%
IT provides reliable and secure technology infrastructure	37%	63%	33%	67%

These numbers cannot be improved just by better project management by the IT team. Progress requires clear delineation of goals, work, and accountability with the relevant business as well. Importantly, technology leaders need to prioritize technology portfolio management based on both value creation and value at risk—one reason that both P&L owners and finance need to be part of conversations about technology integration.

The decisions to be made will determine decision rights and accountability. In our experience, three things stand out:

1 Strategic direction—that is, the amount, purpose, and allocation of resources, particularly for major investments--is best set at the top of the house.

2 Responsibility for execution and efficiency, including tracking the spend properly belongs to the technology team. However, KPIs and goals should be set jointly with the relevant finance and business-side executives.

3 Innovation and experimentation are best managed by operating units (who understand what customers want) in collaboration with technology leaders (who knows what technology can do).

These ideas should guide technology governance and set the terms by which the corporate center, business units, and technology team come together—that is, the organizational chart and the allocation of decision rights, funds, and accountability.

Structure will and should vary by industry and depend on a business's strategy and value proposition. Broadly speaking, companies that emphasize continuity will put more power in the corporate center; companies that focus on innovation will give freer rein to operating units; and all companies will ensure that technology leadership has a defined, strategic position in decision-making and the ability to fund its core operations.

Structure is only one aspect of successful technology governance, however. The other is behavior. Companies that fail to practice the appropriate behaviors won't achieve a level of collaboration that allows them to maintain the status quo, let alone reap the rewards from new technologies. Indeed, behaviors are arguably the more important part of governance: The right behaviors can overcome structural obstacles, but the wrong behaviors can sabotage even the best-designed organization. We will turn to them in our next article.

SEVEN PRINCIPLES FOR TECHNOLOGY GOVERNANCE DESIGN

Principle 1:

Drive effectiveness through structural flexibility

Establishing a governance structure matters more than its specific configuration. Our data suggests that companies with any formal governance mechanism outperform those without one, regardless of structural variations. The objective of governance structure is to enable strategic conversations and technology decisions.

This requires having the right people in the room. When designing governance membership, ensure leadership representation from executive, technology, and business unit functions. The organization can adapt its governance structure over time as it learns more effective ways of governing technology.

Principle 2:

Enable strategic alignment with consistent engagement

Having a regular governance cadence is a critical success factor. Our experience suggests that monthly meetings enable a balanced focus on strategic priorities and emerging issues. Mission-critical programs may warrant additional touch points, but these should supplement rather than replace the foundational governance rhythm. Companies that maintain consistent governance engagement report higher project success rates and more effective resource allocation decisions.

Principle 3:

Allow context to determine optimal governance approach

Governance model effectiveness varies significantly based on strategic priorities and organizational characteristics. When speed and innovation represent primary competitive advantages, decentralized governance models are better because they enable business units and customer-facing teams to make rapid decisions and market adaptations. Conversely, centralized governance models are better in situations requiring enterprise-wide coordination, though they inherently slow decision speed in larger organizations and demand greater predictability in outcomes.

Principle 4:

Keep resource allocation at the executive level

Strategic direction—including investment range, resource allocation priorities, and major technology decisions—must remain at the executive level.

These decisions fundamentally shape organizational capabilities and competitive positioning, making them inappropriate for delegation.

Principle 5:

Let business units and technology teams drive integration and accountability

With clarity on strategic direction, business units and technology teams can effectively manage technology integration decisions. Business units possess superior knowledge of desired outcomes, process requirements, and success criteria—the "what" of technology implementation. Technology teams bring specialized expertise in implementation approaches, vendor selection, and architectural considerations—the "how" of delivery. This division of accountability and decision-making—while collaborative—enables a focus on desired business outcomes while optimizing for technology execution.

Principle 6:

Business units and technology teams should be first-responders to disruption

When emerging technologies threaten to disrupt markets and change competitive dynamics, those closest to the customer are best able to respond quickly, in collaboration with people who know technology best.

That's not to say the center has no role; on the contrary, when disruption upends strategy or requires significant resource reallocation, decisions must escalate to the top executive team.

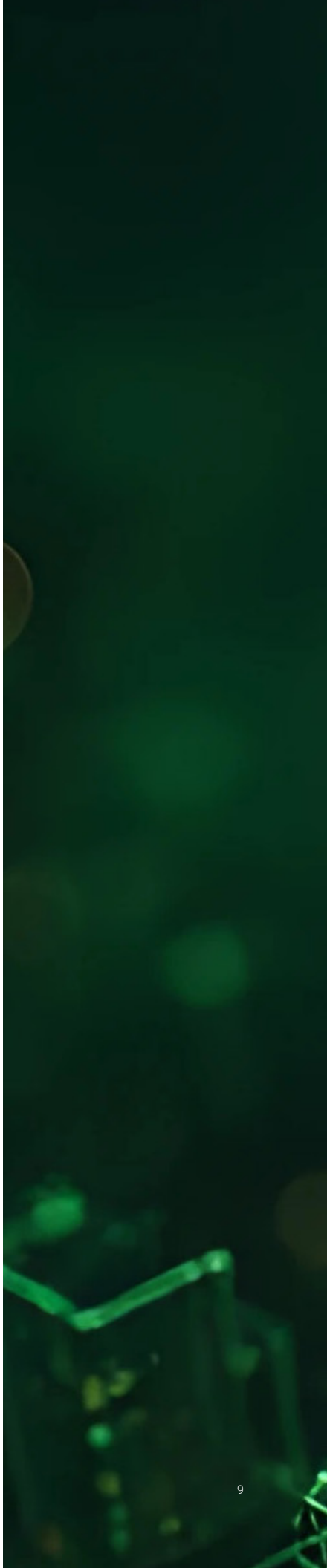
Principle 7:

Business outcomes demand shared accountability

Business and technology leadership must share accountability for delivering desired results within the agreed-upon parameters of budget, schedule, and scope.

Don't leave execution to the tech team alone.

Responsibility for the "how" of delivery—execution efficiency, spend management, and delivery performance –appropriately belongs with technology teams. However, technology projects must meet business goals, which require key performance indicators and success targets that are defined jointly with business and finance leadership. This partnership model moves beyond traditional vendor-internal customer relationships toward truly shared accountability for business value creation. Success metrics must reflect joint outcomes rather than functional performance indicators that may not align with overall business objectives.



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Her expertise spans transforming product-led operating models, driving SaaS migrations, redesigning end-to-end customer experiences, and optimizing technology & data functions to improve organizational effectiveness and profitability. She is lead author of the 2024 AlixPartners Digital Disruption Survey and co-author of the *Harvard Business Review* article, "Why Your Finance Team Should Help Make Big AI Decisions."

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ABOUT ALIXPARTNERS

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