Agile Business
Consortium

Governance for the Agile Organization

Contents

Introduction

This paper is the result of a number of workshops and discussions held by the governance stream of the Business Agility Think Tank community.

It confirms the cultural values that define Business Agility, provides a perspective of governance through time before summarising the problems that 'traditional' governance approaches face in a volatile and uncertain world. It goes on to propose 10 Principles of Agile Governance and finishes with examples of their application to business.

For the purpose of this paper, we will use a definition proposed by the Agile Business Consortium:

Governance in Agile and Adaptive Organizations is "*the management and curation (minding, careful development) of the structures, values, processes and practices that are required to develop and sustain an Agile and Adaptive organization*" so that it can thrive in a changing business environment.

The Cultural Values of Business Agility

A responsive, adaptive and agile organization will demonstrate a culture that espouses the highest degrees of:

- o Purpose and meaning
- o Agile leadership
- o Innovation and learning
- o Collaboration and autonomy
- o Trust and transparency
- o Resilience and sustainability
- o Wellbeing and fulfilment

These cultural values (taken from the Agile Business Consortium's 'Agile Culture Toolset') underpin and inform the behaviours of everyone in the organization – and crucially the principles by which it is led, managed and governed.

Governance Through Time

The term 'governance' will mean different things to different people and will be applied in different contexts. Its scope and focus have also changed over time – from a closely regulated, rather prescriptive set of processes (from the 18th century onwards) to a much more dynamic and people-focused set of principles in today's 'agile' organization. The diagram below shows how governance has evolved to meet different regulatory, then change delivery and now organizational agility requirements:

	Governance for Business Agility	Agile Delivery Governance	Governance of Compliance
Name			
Timeline	2010s onward	1994-continuing	18th century - continuing
Scope	Strategy Leadership Culture People Collaboration	Change Portfolios Programmes Projects / Products	Legal Industry Regulations Audit Health and Safety New Standards (eg ESG)
Existing Resources	'Light' Frameworks (ABC, BAI) Courses (eg Open Univ.) Tools (eg ABC Pulse) White Papers (few)	'Detailed' Frameworks (eg SAFE, DSDM) Techniques (eg Scrum) Courses Consultancy White Papers (many)	Industry Regulations Statutes Industry Bodies Consultants
Benefits	Increase market share Responsive - able to pivot Happy people Happy shareholders	Effective change Budgets met On time delivery Happy People Happy shareholders	Good reputation Stay out of trouble Career progression Satisfied shareholders
Consequences of non-adoption	Laggard in the market Loss of market share High staff turnover Reputation suffers Risk of being taken over Unhappy shareholders	Project over-run (time, cost) Non-delivery Reduced competitiveness Reputation suffers Unhappy shareholders	Loss of Licence(s) Fines Directors disqualified Reputational damage Very unhappy shareholders

Nature (Solution): Complex (Principles) — Complicated (Systems) — Simple (Processes)

Inter-dependence

It is important to recognize four key points:

1. First the interdependence of the different dimensions....... successful delivery of change programmes / projects needs the buy-in of (agile) leaders to devolve authority and so allow teams to make their own decisions; similarly, an agile culture will provide a fulfilling collaborative work environment that supports those who work in traditional (regulatory) governance.

2. The nature of these different dimensions has evolved from the simple (process- and rules driven) to the complicated (systems-driven) to the complex (requiring a principles-based approach). This paper proposes those Principles.

3. We need to embrace and add to the earlier approaches to Governance; there is a need for Regulatory control and Delivery Governance needs the adaptive qualities of Business Agility (especially Culture and Leadership) if it is to be fully successful.

4. These different dimensions s and approaches will co-exist in the same organization (for example managing Risk in a Project versus managing Strategic Risk) - it is not 'either / or'. That said, the Principles of Agile Governance should apply equally to all three pillars of the diagram.

The Problem: Traditional Governance in a VUCA World

Today's world is widely recognized as being 'VUCA' (Volatile, Uncertain, Complex, Ambiguous) and organizations are finding it increasingly difficult to apply traditional models of governance to any helpful effect; if anything, those traditional (process-driven) approaches s constrain the nimble response that is required. The hierarchical structures, centralized decision-making, rigid policies, processes and procedures all compound the issue, making it harder for an organization to 'turn on a dime' in response to threats – and indeed to opportunities.

Business Agility seeks to address these issues, by guiding organizations to reform l their structures, and instead orient operations and teams around the delivery of value, and by encouraging the adoption of an agile culture and associated leadership behaviours. We contend that, in addition to being concerned about compliance and change, governance arrangements in an Agile Organization need to curate the conditions that enable Business Agility.

Essentially traditional approaches to governance are designed to 'minimize harm'. We need to move to a more dynamic, effective approach – and one which has a positive impact and adds value, rather than be seen as a cost and a drag on the organization. Using Agile Governance to allocate scarce resources appropriately to support continued growth will be a major 'win' for the agile organization.

The Need for Change

The need for change has been recognized for over ten years, but transformations have been slow. The 2012 HOW Report on 'Global Governance, Culture, and Leadership Assessment' identified four major findings (see table below), perhaps the most significant of which is *"Self-governing organizations in all 18 countries in this study outperform other types of organizations across every important performance outcome"*

The low adoption of self-governance (3% in this study) demonstrates how far organizations have to go to reap quantifiable business benefits:

HOW Report 2012
Global Governance, Culture, and Leadership Assessment

Four major findings of the Global GCLA rose to the top:

1. Self-Governance is rare across the world. Only 3% of the 36,280 employees in this study observe high levels of self-governing behavior within their organizations — the extremely low rate of Self- Governance is consistent across every demographic category, including country, industry, economic environment, language, and ethnic culture.

2. Self-governing organizations in all 18 countries in this study outperform other types of organizations across every important performance outcome, including: higher levels of innovation, employee loyalty, and customer satisfaction; lower levels of misconduct; and superior overall financial performance.

3. There is a marked disconnect between the C-suite and the employees they lead. On average, the C-suite is three times — and in some countries up to eight times — more likely to observe their organizations as self-governing, more inspiring, and less coercive as compared to the overall employee population.

4. Trust, shared values, and a deep understanding of and commitment to a purpose-inspired mission are the three fundamental enablers of the self-governing behaviors that produce competitive advantage and superior business performance.

The 10 Principles of Agile Governance

From the published sources we have identified 10 Principles of Agile Governance that apply universally. While governance may manifest differently at different scales, there are coherent Principles that work fractally (i.e. are similar across different scales and domains) - at individual, team and enterprise levels. This creates consistency without requiring uniformity.

1. Value-Driven Decision Making

Governance must fundamentally orient around value creation - not just for customers, but for all stakeholders. Every governance mechanism should clearly connect to delivering measurable value, with decisions prioritized based on value impact. Key elements are:

- Fiercely Champion the Customer
- Prioritize, Prioritize, Prioritize
- Deliver Value Sooner
- Fund Work Dynamically

2. Distributed Authority with Clear Boundaries

Authority should be distributed to where the information and expertise reside, but with explicit boundaries. Teams and individuals need clear understanding of their decision rights and escalation paths, preventing both analysis paralysis and chaotic overreach.

- Empower with Accountability
- Embed Psychological Safety
- Free Teams and Individuals to make decisions/create value
- Create the conditions for the 'right decisions by the right people'

3. Transparency by Default

Information about decisions, processes, and outcomes should be visible by default, with restrictions only where absolutely necessary. This transparency enables trust, learning, and effective coordination across the organization.

- Engage and communicate continuously
- Ensure the Purpose is understood
- Demonstrate Trust in action
- Apply transparency within organizations and across value chains

4. Minimal Viable Governance

Apply just enough governance to ensure effectiveness and compliance - no more. Each governance mechanism should justify its existence by the value it adds versus the overhead it creates.

- Seek feedback on what is working
- Make changes dynamically and communicate them
- Stay conscious of necessary Risk Controls and Indicators

5. Dynamic Adaptation of Governance

Governance frameworks must themselves be agile, able to evolve as organizational needs change. This includes regular review and adjustment of governance mechanisms, ensuring they remain fit for purpose rather than becoming bureaucratic artefacts.

- o Sense and respond proactively
- o Identify and respond to impediments and opportunities
- o Adapt Strategies seamlessly
- o Refine Governance continuously
- o Recognize when changes of direction and approach are required

6. Multi-Speed Operation

Governance must support different cadences simultaneously - from rapid operational decisions to longer-term strategic choices. Different types of decisions need different rhythms and processes.

- o Understand the decisions that are needed
- o Seek feedback on the right cadence
- o Maintain an appropriate balance between delivery, developing capability, developing new opportunities, and more speculative innovation
- o Match governance frameworks to each of the above

7. Balance Through Feedback

A fundamental role of management is the appropriate allocation of resources. Organizations need rapid feedback loops to help balance competing concerns - like autonomy versus alignment, or speed versus quality. These feedback mechanisms should operate at all levels of the organization.

8. Enabling Over Controlling

Governance should focus on enabling effective work rather than controlling it. This means providing frameworks and guardrails that help teams and individuals succeed rather than creating approval gates that slow them down.

Where controls and compliance mechanisms are needed, they should clearly align with organizational purpose and values, not exist for their own sake. This alignment helps create meaningful rather than bureaucratic governance.

9. Integrated Risk Management

Risk management should be woven into normal operations rather than being a separate compliance exercise. Teams should understand and actively manage risks as part of their regular work.

10. Continuous Learning

Governance should support and encourage learning and evolution at all levels. This includes learning from failures, experimenting with new approaches, and sharing insights across the organization.

- o Innovation should be encouraged – gather ideas from everyone
- o Run experiments to address complex challenges
- o Be prepared to 'fail fast'
- o Communicate results widely
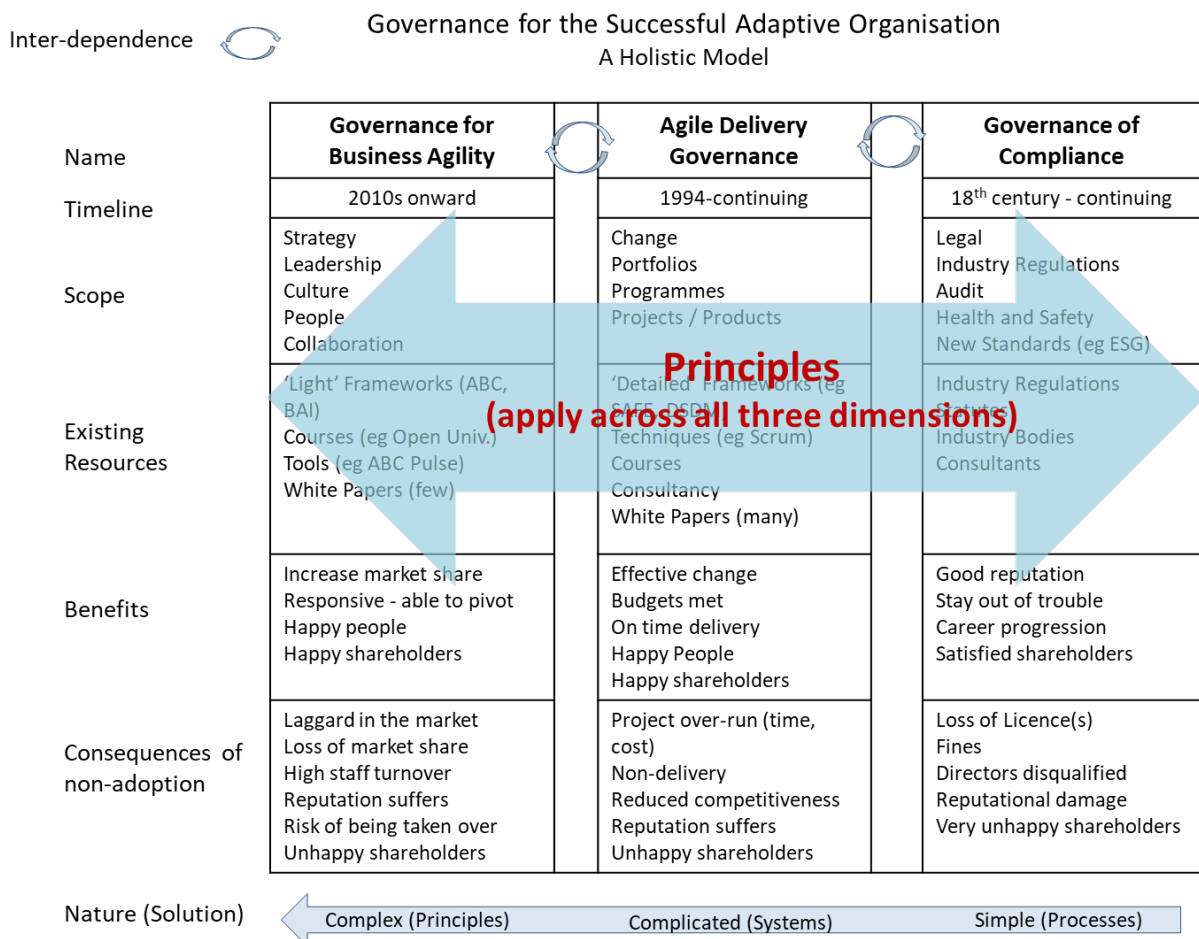
Principles Apply 'Across the Board'

It is important to recognize that the principles established for the Governance of Business Agility apply to all three of the pillars in the model. The beauty of Principles is that they rise above frameworks and risk registers and regulatory reporting.

As the example of Liberty Global Group shows in Appendix 3:

"Our Regulatory and Risk Function is leveraging agile principles to enhance our compliance processes. By embracing an agile mindset, we have fostered strong leadership and effective governance, enabling us to respond swiftly to regulatory changes and evolving risks."

This demonstrates that even 'traditional' compliance functions can benefit by adopting an agile mindset – to the benefit of the business more widely.

We can summarize this on our 3-pillar model:

Inter-dependence

Governance for the Successful Adaptive Organisation
A Holistic Model

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Principles
(apply across all three dimensions)

This shows how the principles established to govern Business Agility should be applied equally to all three dimensions of governance; whilst allowing different detailed approaches to co-exist.

Applying the Principles: Contrasting Traditional Approaches with Agile Governance

In this section we take the principles and highlight how they support seven critical business functions:

Direction Setting & Strategy

Traditional approaches to governance tend to set strategy through top-down, annual cycles with fixed plans. The board and executive team create the strategy, which cascades down through the organization. This relies on the assumption that the future is sufficiently predictable to plan in detail.

In contrast – and in a fast-changing, uncertain world - agile governance views strategy as an evolving direction that emerges through continuous sensing and responding to the environment. While there is still a clear strategic intent, the path to achieve it remains flexible. Strategy development happens at all levels of the organization, recognizing that valuable insights can come from anywhere. Mechanisms are needed to maintain overall coherence as direction changes or as new information arrives.

Decision Making

Top-down governance centralizes important decisions at the top of the organization. It operates through hierarchical approval chains, with decisions flowing up and directives flowing down. This creates bottlenecks but provides clear control and accountability.

Agile governance distributes decision-making authority to where the information and expertise exist. It establishes clear decision domains – with appropriate control levels - rather than approval hierarchies. This accelerates response times while maintaining accountability through transparency and clear boundaries.

Resource Allocation

Traditional governance allocates people and resources through annual budgeting cycles with detailed business cases. Once allocated, budgets are relatively fixed, making it difficult to respond to changing circumstances.

Agile governance treats resources as dynamic, allowing for continuous reallocation based on emerging opportunities and changing priorities. Rather than detailed upfront planning, it emphasizes regular review and adjustment of resource allocation. In turn this requires the development of teaming and re-teaming as personal and corporate competencies.

Change Management

Traditional governance treats change as a discrete event to be carefully managed through structured processes. Changes typically require multiple levels of approval and detailed impact assessment.

Agile governance views change as continuous and natural. Rather than trying to control change, it focuses on building organizational capability to sense and respond to change effectively.

Performance Monitoring

Traditional governance models rely heavily on detailed reporting against predetermined metrics and milestones. This often creates a significant overhead of reporting activities and can encourage behaviour focused on meeting metrics rather than delivering value.

Agile governance emphasizes direct observation of value creation and outcomes. While metrics are still important, they focus more on leading indicators and actual value delivery rather than activity measures.

Compliance & Control

Conventional governance implements compliance through comprehensive policies, procedures, and control gates. These are often seen as necessary bureaucracy, separate from value-creating work.

Agile governance builds compliance into normal ways of working, creating "guardrails" that enable rather than constrain. Controls are designed to be lightweight while still ensuring necessary oversight.

Risk Management

Traditionally, governance approaches risk through extensive upfront planning, detailed controls, and regular auditing. It attempts to identify and mitigate all potential risks before proceeding, often leading to risk-averse behaviour.

Agile governance, on the other hand, manages risk through rapid feedback loops, small experiments, and continuous learning. Rather than trying to eliminate all risk, it focuses on making risks visible and manageable. This enables informed risk-taking while maintaining appropriate controls.

International Recognition of the Need

There is growing international recognition of the need to adapt and evolve Governance (especially the term 'Corporate Governance'), as evidenced by the publication of ISO 37000 from the International Standards Organization.

ISO 37000 sets out guidance to help governing bodies of organizations:

- clarify their purpose and values

- ensure that strategy is aligned with this intent and

- ensure value is generated for all relevant stakeholders

The ISO 37000:2021 standard reinforces the principles we have outlined above: it stipulates that "strong leadership fosters a culture of integrity and transparency while engaging with stakeholders and balancing various interests. Governance should promote sustainability, manage risks effectively, monitor performance to achieve strategic objectives, and maintain transparency to build stakeholder trust and credibility." (quoted from Jon Ward "Governance and Business Agility" 2025)

Summary

In essence traditional approaches to governance assume predictability and seek control, while agile governance assumes uncertainty and seeks adaptability. This doesn't mean one is universally better - different contexts may require different approaches. The key is understanding when each approach is most appropriate.

The application of Agile leadership, mindset and approach can significantly enhance organizational governance:

- By championing / facilitating the clear expression of purpose and value

- By providing the mechanisms to enable personal empowerment, enhance transparency and encourage effective feedback, learning and improvement

- By guiding the organization's approach to developing Culture and Leadership

- By guiding an understanding of the constraints within which the organization operates (e.g. regulation), and their rationale (making sure we're doing the right thing, not just the compliant thing)

- By guiding the implementation of organizational governance in a non-bureaucratic, value-added manner. This means ensuring the organization is doing the Right Things in the Right Way ("Right-Squared - Right^2").

Evan Leybourn writes in the BAI newsletter of April 2025: *"Good governance creates alignment across the organization, ensures compliance with external regulations, and prevents leadership overreach or decision paralysis without unnecessary bureaucracy or delay".*

As more organizations adapt to ways of agile working, so their Governance models must adapt. The agile organization prioritizes people and culture over process and systems. As they embark on that journey they must move towards a transparent, trust-based model that relies on devolved governance.

APPENDIX 1

Example 1: Rendanheyi model

The Rendanheyi model, developed by Zhang Ruimin at Haier, demonstrates key elements of agile governance. It represents one of the most comprehensive implementations of organizational self-management at scale. The model's name combines three Chinese characters meaning "employee", "user value" and "unity", reflecting its core philosophy of connecting employee value creation directly to user value.

What makes Rendanheyi especially relevant to agile governance is its approach to:

1. Microenterprises - breaking down the organization into small, autonomous business units

2. Zero distance to customer - eliminating bureaucratic layers between value creators and customers

3. Everyone is a CEO - giving entrepreneurial autonomy to employees (the power to 'stop the line')

4. Dynamic compensation - linking rewards directly to value creation

Example 2: Haier

"In conclusion, adaptable ecosystem governance emerges as the critical factor that can enable or hinder success of collaboration in ecosystems. Effective governance ensures coordination, promotes shared value creation, facilitates interoperability, and protects specific and collective interests of stakeholders, like e.g. proprietary and shared knowledge – all of which are essential in the interconnected IoT landscape. *Haier's experience serves as a forerunner in this regard. Its example shows how organizations can adapt their governance models to meet the demands of a rapidly evolving market, ultimately contributing to more sustainable and innovative solutions for complex global challenges.*"

[Haier's Evolution Toward an Ecosystem of Ecosystems: Reflections from the RenDanHeYi Model Forum 2024 - Business Ecosystem Alliance](#)

Example 3

"Our Regulatory and Risk Function is leveraging agile principles to enhance our compliance processes. By embracing an agile mindset, we have fostered strong leadership and effective governance, enabling us to respond swiftly to regulatory changes and evolving risks. Our commitment to agility has streamlined our change management initiatives, allowing us to adapt proactively while maintaining robust compliance standards. This approach not only has helped us enhance our operational efficiency but also to strengthen our organizational resilience, delivering greater value to our customers and stakeholders.

The R&R function is organized into agile teams which deliver compliance processes incrementally in a regular cadence with full engagement from leaders and stakeholders. They apply scrum practices and scale them as a group with quarterly planning."

- Alex Ponce, Liberty Global Group

Example 4

"Research into complexity science—and the lessons therein for human systems—has shown that underneath complexity, there are often a few simple rules at play. Further research has shown that eight simple principles exist that enable teams and organizations to self-organize and self-control. They can be summarized using the Tai Chi Tu yin-yang symbol" (Obolensky 2010)

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Nick Obolensky, The Illusion of Control: The Need for a New Paradigm, Global Perspectives, 2024, Figure 4.

Figure 4.
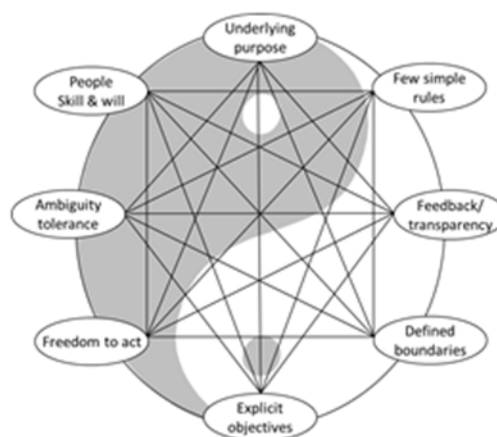
The Illusion of Control: The Need for a New Paradigm

Example 5

Business Agility Institute: Newsletter April 2025

"Audit-Based Governance" or "Continue, *unless* I tell you to stop"

"The truth is that most managers do trust their teams. But, because of the historic lack of trust that is ingrained in organizational governance, it's impossible to act with trust. Let me give you an example.

One of the most common low-trust governance approaches is what I call "Approval-Based Governance". That is a form of governance where there is an approver for every decision (whether to sign a contract or when you can take your lunch break). As I like to put it, "Stop, until I tell you to continue".

This approach is a blunt instrument, causing harm and costing the organization both time and money. Often costing more in compliance than the cost of risk itself. And once the policy is in place, it is very hard to remove. Organizations are full of layers of gates, stages, and approvals created because an executive 20 years ago said, "that can never happen again." Over time, it has become "that's how we do things around here."

But creating systems that treat everyone as untrustworthy undermines any desire to create an engaged and empowered workforce.

One alternative that I often recommend is what I call "Audit-Based Governance." Or "Continue, *unless* I tell you to stop". This approach, used in some advanced organizations like Netflix, starts from a position of trust first, and because trust isn't blind, trust-but-check. These audits are small, regular, and unobtrusive. They need to be designed to quickly capture mistakes and issues early enough that they can be rectified with minimal impact."

Organizations that have adopted this approach see substantial increases in both productivity and employee engagement. And, in most cases, the cost of compliance and rectification is only a small fraction of the alternative.

As with all things, it's not that simple, and there are some specific cases where approval-based governance is appropriate. But this should be the exception, not the rule."

APPENDIX 2

Sources

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Agile Business Consortium - *Culture Matrix; Framework for Business Agility*

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Nick Obolensky - *Complex Adaptive Leadership – Embracing Paradox and Uncertainty. Gower Applied Research* (2010)

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Sociocracy 3.0 - *The Common Sense Framework*

Virtual System Model

Jon Ward, Beneficial Consulting – *'Governance and Business Agility'* (2025)

About the Business Agility Think Tank

The Business Agility Think Tank is a network of Business Agility Thought Leaders and Catalysts from across the globe.

Experts in their field, members of the Business Agility Think Tank support and strengthen the work of research organizations, foundations and others in support of growing more agile organizations and institutions. The Think Tank is supported and facilitated by the Agile Business Consortium.

About the Agile Business Consortium

For over 30 years The Consortium has been at the forefront of helping organizations, teams, and individuals adapt, innovate, and thrive in a fast-changing world. Through the Framework for Business Agility, its thought leadership, and its professional community, it empowers people to work smarter, lead confidently, and deliver real value. Championing the power of Business Agility in the world | Agile Business Consortium