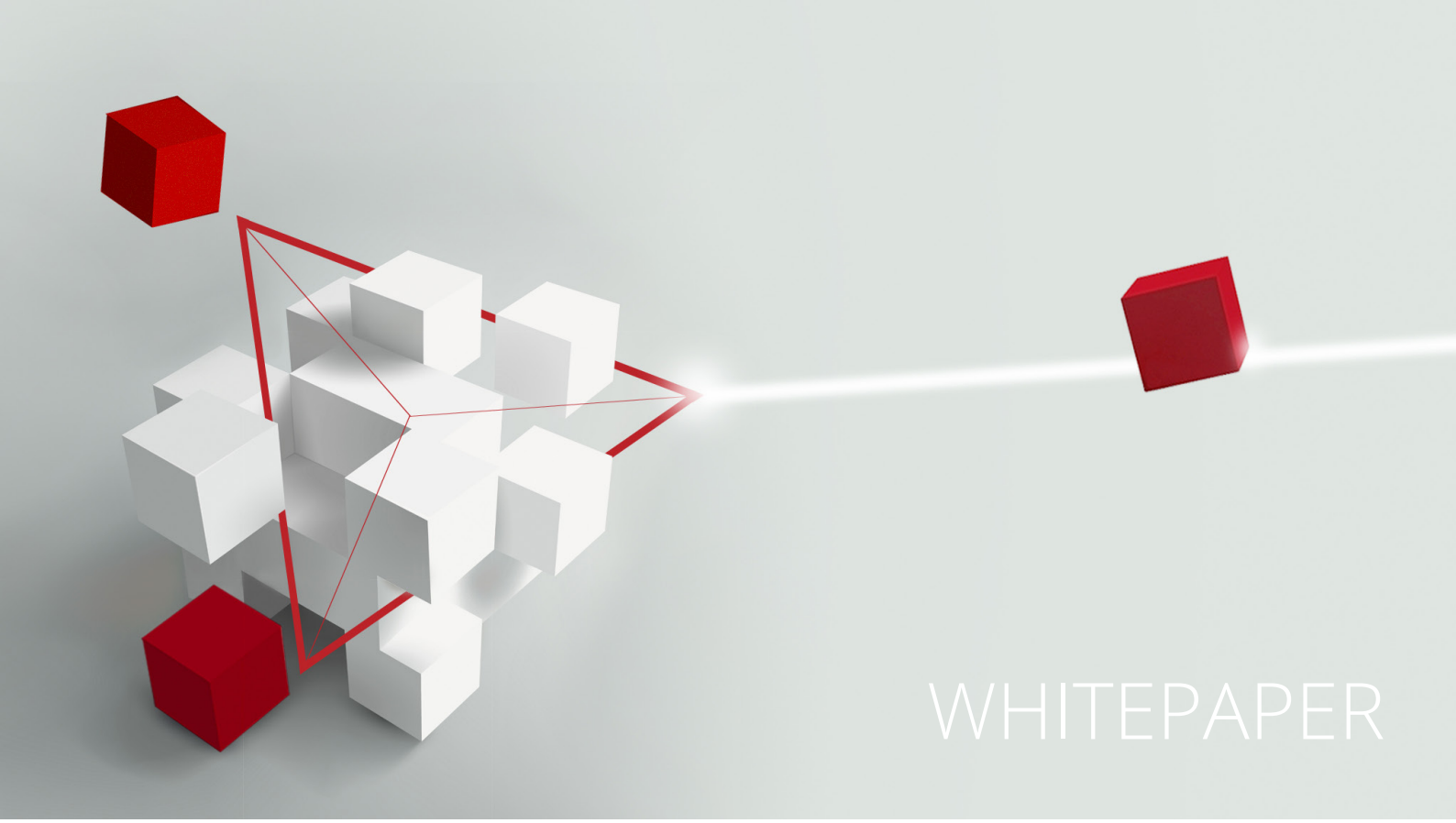

WHITEPAPER

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The Bee Approach: Five Practices for Adaptive IT Governance

In today's VUCA world, neither strategies, nor leadership, nor ways of working are left untouched. Digital governance seeks to establish new ways of working to develop innovative digital products and services. In parallel with the new world, traditional ways of working focus on control and efficiency in mature areas of global IT organizations. IT governance that can effectively govern new and traditional approaches in a symbiotic way is called adaptive IT governance. In this paper, we introduce five practices for realizing an adaptive governance.

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What is Adaptive IT Governance?

In today's VUCA[1] world, neither strategies, nor leadership, nor ways of working are left untouched. Digital governance seeks to establish new ways of working to develop innovative digital products and services. In parallel with the new world, traditional ways of working focus on control and efficiency in mature areas of global IT organizations. Top management must determine where and how to establish new and traditional ways of working. Managing new and traditional ways of working in parallel requires IT governance that can adapt to both. Transitions between the two can be smooth.

Let's assume that an IT organization aims to develop innovative digital products and services while providing large degrees of freedom. Briefly, after the organization successfully develops and evaluates an MVP, the requirements for efficiency and control change. The chosen development approaches must adapt and change from Design Thinking and Lean Start-up towards more agile methods, such as Scrum and DevOps or hybrid approaches. With increasing maturity, an innovative digital product or service requires increasing rules and standardization.

On the other hand, existing products and services might require certain aspects to be renewed once in a while. Such renewals can benefit from lean and agile approaches. The IT organization can adapt the new approaches within the existing project business or productize it by adopting value streams.

IT governance that can effectively govern new and traditional approaches in a symbiotic way is called adaptive *IT governance*. Adaptive IT governance goes beyond governing various ways of working and adapts organizational, technological, and financial structures. Budgets need to be allocated in an agile way, the technical infrastructure must provide degrees of decoupling, and organizational structures must be flexible in coordinating work efficiently.

In this paper, we present five practices that enable the realization of adaptive IT governance. We define these practices within the context of our Bee Approach (see **figure 1**). The Bee Approach results from synthesizing decades of IT management experience gained through close interactions with our customers and state-of-the-art scientific insights.

The Bee Approach

The Bee Approach offers a holistic approach to management that enables you to keep track of all control-relevant factors, from cost-driven projects to the exploration of innovative business opportunities.

The Bee Approach relies on a modular structure. The modular structure enables its users to extract specifictopics from the overall structure and generate added value with focus, or to adopt the entire methodology for holistic management. Of course, intermediate forms also allow for a requirements-driven development over time.

The building blocks of the Bee Approach extend over three categories and take the form of principles, practices, and procedures. The principles provide basic patterns for adaptive decision-making and fast execution. The practices enable adaptive and effective steering. The procedures provide the basis for our holistic IT management software, Bee4IT.

[1] Bennis and Nanus (1987): VUCA – Volatility | Uncertainty | Complexity | Ambiguity

Five Practices for Adaptive IT Governance

Adaptive governance enables an IT organization to manage innovative digital products while ensuring efficient and controlled daily business. IT organizations that choose to reap the benefits of adaptive governance must align several dimensions regarding their speed and degrees of freedom. The Bee Approach implements the concept of adaptive governance and enables its execution through five practices for adaptive IT governance. **Figure 1** shows the Bee Approach at a glance.

Visions must be developed at the right levels, and strategies must realize visions by applying proper coordination mechanisms. Employees must be empowered regarding strategic skill requirements, capacities, autonomy, and insight generation. Ways of working must be chosen according to product or service maturity and required insights. Financial and information flows must be managed to nurture and balance efficiency and control with agility and innovation. Eventually, compliant scaling is the target. The Bee Approach establishes five practices, from vision and strategy to scaling and compliance, for realizing adaptive IT governance. In the following paper, we will show how IT organizations can apply the five practices of the Bee Approach.

Practice 1: Vision and Strategy

When coordinating strategy execution, the key to managing visions and strategies is simplicity, timing, and the right degrees of freedom. Managing these key elements enables an organization to follow traditional and innovative targets simultaneously.

Simplicity ensures that a vision is easy to memorize and guides decisions. Visions can be defined on several levels: the company level, the organizational unit level, and the product or project level. A common pitfall is the definition of an overly-complicated vision. Overly-detailed definitions might come from putting internal stakeholders' interests first when defining a shared vision. However, visions are meant to provide clear direction toward a target that can only be realized by interacting with an organization's context, such as its industry. This way,

Figure 1: The Bee Approach at a glance.

visions can unfold their full potential as a high-level alignment context to drive developments towards a shared target.

Timing is crucial when setting up a vision. In developing innovative digital products and services, the overall target and market impact cannot be determined with certainty at the beginning of a development. Early fixation of a vision would narrow down the design space for potential innovative solutions, therefore limiting agility and the overall innovation potential. Thus, a first vision rather expresses as a „working title" within lean and agile contexts. IT organizations can co-develop such working titles bottom-up and in a customer-centric way by exploring options with potential end-users. Fixing on a vision at the right time by clearly communicating it can enable us to hit the sweet spot between innovation and control.

Such a turning point is characterized by the existence of a validated minimum viable product (MVP). An MVP describes a working prototype that cuts across all software architecture layers. It provides real value to early adopters by solving a specific problem without adding unnecessary features. An MVP marks the achievement of a problem-solution fit. At this point, an IT organization should fix on a vision to provide high-level alignment context without exerting excessive control. High degrees of freedom and autonomy can remain intact.

Based on managing different degrees of freedom, IT organizations can choose whether more agility, exploration, and innovation should be nurtured, or whether the controlled and efficient delivery of established services should be realized and maintained. In reality, both approaches are required, since a product or design's increasing maturity shifts the focus from providing high autonomy to standardization and control. An instrument for strategy execution and its coordination should adapt to the different degrees of freedom required. Typical representatives for strategy execution in lean and agile contexts are Google OKR and Spotify Rhythm. Both approaches define hierarchies of measurable targets, enabling IT organizations to efficiently coordinate work and measure target achievement. Both approaches allow for adopting different degrees of freedom by determining how targets are defined. They also typically aim for team members to define 60-70% of targets, bottom-up. Moving this threshold translates to setting up the right degrees of freedom.

Traditional approaches to coordinating strategy execution show structural resemblance to the new counterparts. For instance, established approaches such as MBO[2] or OGSM[3] share the same mechanisms for coordinating work as Google OKR and Spotify Rhythm. Objectives and measurable results are co-defined over different levels of abstraction to define a hierarchy of goal alignment in all approaches. These approaches' shared properties enable IT organizations to choose: they can use existing strategy execution concepts, integrate traditional and new coordination approaches, or fully use new approaches in the long-run (if, for instance, a new terminology is required for cultural reasons). The approaches are very similar in the way each one works and what mechanisms they use.

Summary, Practice 1: Vision and Strategy govern vision communication, maintenance, and strategy execution approaches in both novel and established environments by leveraging simplicity, timing, and degrees of freedom.

Practice 2: Employee Empowerment

Empowering employees is the key to success. Providing the right degrees of freedom to the right areas makes all the difference between inefficient coordination and a high-performing IT organization. Doing so requires considering different mechanisms that affect these degrees. In the following discussion, we introduce the related mechanisms.

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[2] Management by Objectives

[3] Objectives, Goals, Strategies, and Measures

Different leadership models can empower employees. The progressive nature of a digital product or service's maturity can require varying leadership skillsets. To address these changing needs, IT organizations respond by establishing sequential leadership or two-in-a-box leadership models. One core leadership requirement that typically changes is the leadership style. Traditional organizations that focus on efficiency and control benefit from a directive leadership style. On the other hand, lean and agile initiatives benefit from supportive or servant leadership to empower bottom-up engagement.

IT organizations can adopt flexible organizational models to empower both traditional and new ways of working. A matrix organization enables us to shift the focus between the vertical and horizontal lines of an organizational chart to nurture interdisciplinary collaboration or process efficiency. A common approach to defining organizational structures in innovation contexts is the Spotify matrix, which is the new counterpart to the existing matrix management approach from the 80s. With its four coordination structures—*tribe*, *squad*, *chapter*, and *guild*—the Spotify matrix provides sufficient flexibility to focus on internal coordination of efficiency and control or agility and innovation. If an organization puts one coordination structure in another's foreground (by stressing vertical communication over horizontal, for example), the focus changes. One main difference between the existing matrix management and the Spotify version is its pre-emphasis on interdisciplinary collaboration, (i.e., squads). In contrast, the existing matrix management does not emphasize a specific structure.

Managing development process ownership is crucial for establishing the right degrees of freedom. An efficient, centralized IT organization puts ownership in the hands of those who do not consume the value but create it. That way, they can achieve efficient resource usage through specialization. This approach to ownership enables efficient service delivery in mature environments. In innovative environments, however, uncertain conditions require efficient interdisciplinary collaboration. Interdisciplinary teams must own the development process and related resources, so they

The Five Practices of the Bee Approach

Managing a global IT organization is a complex matter. PPM, ITFM, EAM, and ITSM meet in the light of standardization, efficiency, globalization, and service quality. At the same time, new ways of working, new leadership models, autonomy, and cultural change require increasing attention. An adaptive governance model can integrate these two worlds. The Bee Approach implements an adaptive governance model. The Bee Approach achieves this governance by integrating the various IT management structures that our platform provides Bee4IT in five practices for adaptive IT governance.

Practice 1: Vision and Strategy

Vision and Strategy governs vision communication and maintenance and strategy execution approaches in both novel and established environments by leveraging simplicity, timing, and degrees of freedom.

Practice 2: Employee Empowerment

Employee Empowerment enables adaptive IT governance by balancing the sourcing mix and aligning leadership and organizational models, ownership, and skills management for both traditional and new ways of working.

Practice 3: Ways of Working

Ways of Working adapts development approaches and demand specifications according to the demand for standardization and efficiency, speed and agility, or innovation.

Practice 4: Flow Management

Flow Management directs information and financial flows to set the desired outcome stage. Both technological and financial structures have a direct impact on development cadence and scope flexibility.

Practice 5: Scaling and Compliance

Scaling and Compliance are based on rules. Rules can be issued by the governance industries, or internal efficiency and quality standards. Adaptive governance must decide when and where rules must be established.

are empowered to ensure quick iterations and therefore rapid development. Shifting process ownership between these two extrema goes hand-in-hand with nurturing agility and innovation or targeting efficiency and control.

Targeted skills management can drive digital product maturity. This property makes skill management an essential lever for steering towards traditional or new ways of working: efficiency and control or agility and innovation. The Dreyfus model categorizes competency in five levels, from novice to expert. A focus on staffing novice employees empowers innovation. By contrast, a focus on staffing more experienced employees drives efficiency and control.

Choosing the right sourcing mix can support skills management. Outsourcing is a viable option to compensate for capacity bottlenecks, improve cost control and efficiency, and source expert knowledge. Traditional IT organizations are experienced when it comes to sourcing. However, innovation initiatives demand additional rules. Established enterprises have a tendency to boost innovation initiative growth by extensively staffing externals. This approach might be a viable option for a „kick-off." Still, in the long run, customer insights will fluctuate with personnel, as contracts are often not defined on an individual level. A further challenge arises when several consultancies collaborate in interdisciplinary teams and different agendas compete for a shared budget. This constellation could result in communication barriers. Finally, companies must observe whether externals are also involved in other endeavors—such as projects or products—within the company. The work similarities favor standardization by a transfer of solution approaches between the endeavors. This shaping force can be purposefully used or avoided, depending on whether an IT organization aims to drive efficiency and control or lean and agile development.

Summary, Practice 2: Employee Empowerment enables adaptive IT governance by balancing the sourcing mix and aligning leadership and organizational models, ownership, and skills management in both novel and established environments.

Practice 3: Ways of Working

All of the different ways of working are useful for IT organizations if they are chosen wisely. The right choice is influenced by a work item's degree of uncertainty.

For instance, the implementation of a standard or regulation is highly pre-defined by its specifications. The degree of uncertainty is very low. Here, choosing a waterfall development approach can be beneficial, especially if prototypical testing costs are high.

On the other hand, the development of innovative digital products or services is highly explorative; therefore, the degree of uncertainty is very high. Choosing an approach with high cadence and low prototyping costs is beneficial to systematically reduce uncertainty.

Table 1 shows typical representatives of the many development approaches. Waterfall and hybrid approaches can be chosen if demand and solution are well specified

Approach	Cadence	Demand Specification
Waterfall	6-36m	Full Specification
Hybrid	1-3m	Epics and Stories
Scrum	1m	Epics and Stories
DevOps	continuous	Metrics
Lean Startup	1w	Hypotheses
Design Thinking	1d	Problem Statements

Table 1: Development approaches, their cadences, and types of demand specifications.

before actual implementation. Scrum and DevOps unfold their full potential in scenarios characterized by a clear demand definition, challenging solution specifications, and high-speed requirements. Thus, the IT organization must iteratively elaborate on a solution. Design Thinking and Lean Startup are the tactics of choice for elaborating on unclear but strategically important demands. They develop solutions in the form of prototypes towards achieving a validated MVP. Each approach influences the type of demand specification.

The requirements for demand specifications change with each approach. While waterfall projects meet traditional demand qualification standards, other approaches demand a change. Epics, stories, and sprints typically define demand specifications in agile contexts, such as developing with Scrum or in hybrid approaches. DevOps focuses primarily on maintaining development efficiency in scenarios with a high team count that share the same technological architecture. Here, a demand specification must name the efficiency targets in the form of metrics. Innovative and Lean approaches such as Design Thinking and Lean Startup must specify how they will elaborate problem statements and solution experiments in direct exchange with a digital product or service's potential end-user.

The development approach determines the requirements for the demand specification. However, this scenario would require that the one who turns in a demand must pick the right development approach. The right development approach cannot always be chosen upfront. The IT organization can enable business partners by providing expert knowledge for selecting the right development approach.

The degree of uncertainty also impacts requirements depending on the culture of the delivery organization. Traditional cultures are extremely suitable to deliver in contexts characterized by a high demand for control and efficiency.

However, high degrees of uncertainty often require an entrepreneurial culture with elevated levels of freedom to nurture streams of customer insight-fueled autonomous exploration.

IT organizations can drive cultural change by changing the accountability paradigm subject to their selected way of working. Instead of accounting for traditional milestones such as features or roll-outs, validated learnings and developing MVPs must be the central planning subjects. This way, employees are empowered to validate learnings about the end-user of a digital product or service and translate them into digital solutions. This explorative approach requires high degrees of freedom, as provided by Practice 2: Employee Empowerment. Furthermore, degrees of freedom must be defined on the technological and financial levels, as the next practice shows.

Practice 4: Flow Management

IT organizations must understand where and how to use EAM and ITFM to set the desired outcome stage. Directing information and financial flows can enable them to set the right stage, since both technological and financial structures have a direct impact on development cadence and scope flexibility.

The technological architecture provided directly impacts an outcome's design. APIs must be used, services should be re-used, and sometimes the technical foundation of a development endeavor even provides the look and feel. While this outcome might be desirable when an IT organization aims for efficiency and control, building on a brownfield can defeat the purpose of innovation. The more an organization decouples its innovation initiatives from the existing technological foundation, the more likely the outcome will follow new logic and provide new means of interaction. An IT organization has to choose how close the outcomes of each development must be to the existing product and what degrees of freedom to provide from a technological perspective. Choosing the proximity aligns the organization to either work towards efficiency and control targets or agility and innovation.

Technological architecture furthermore directly impacts the cadence of a development. Within waterfall-like scenarios, a tightly coupled architecture still provides enough room to deploy, test, and release. On the other hand, lean and agile contexts demand a decoupled architecture

cut so that autonomous interdisciplinary teams can deploy several times a day without affecting each other.

A similar perspective applies when considering how financial management impacts traditional and new ways of working. Traditionally, long-term budgeting is sufficient to determine and provide the necessary funding for long-term endeavors. However, this approach changes with the different degrees of uncertainty related to the nature of lean and agile outcomes. The cadence of each development approach (see practice 3) provides orientation for the required flexibility in budgeting and funding.

An IT organization can use two levers for adjusting the necessary flexibility: cadence and level of specification. Especially in innovative endeavors with an uncertain outcome, financial risk should be minimized. Therefore, short-term budgeting is a suitable approach to avoid undesired surprises. An integrating IT management platform can help make financial decisions quickly and efficiently. The second lever is the level of abstraction. Well-specified endeavors, common in traditional industries, enable detailed allocation of funds. In contrast, lean and agile endeavors cannot specify the budget's use in advance; rather, they require a certain degree of freedom, while keeping expenses manageable to reduce risk.

Practice 5: Scaling and Compliance

Scaling and compliance are both desirable and mandatory targets. Both targets—scaling a digital product/service or ensuring compliant operations—result from managing the same mechanisms: rules. Everything from a government regulation to an internal standard to provide an efficient delivery process is based on interaction rules, resources, and technology.

Scaling is a tradeoff between exploration and exploitation. It requires the continuous improvement (CI) of a digital product or service. Within this CI, processes must be fine-tuned by either cutting highly customized and rarely executed tasks and activities, or by adding supportive technological structures such as automation or a modular platform. Scaling a digital product or service can enable an organization to provide a highly stable, customizable platform. Opening this platform up to the organization's entire ecosystem enables 3rd party value co-creation. Important prerequisites are a stable foundation characterized by low-quality variance and high accessibility—for instance, by the provision of APIs.

When and where an IT organization should apply rules depends on the development's reach. For instance, global migrations can factor in their effort to adhere to local government and industry regulations and standards. Lean and innovative endeavors might sense compliance and scaling demands on the horizon. However, at the beginning of their digital product development journey, they focus on achieving a problem-solution fit without being able to name the specific outcome. Here, the focus shifts towards scaling and compliance with progressing maturity.

Tailor Adaptive Governance to Your Needs

The beauty of adaptive governance is its flexibility. The Bee Approach's modular structure enables your organization to adapt and implement adaptive governance when and where you require it.

To achieve this end, the Bee Approach defines principles, practices, and procedures. For instance, whether your organization requires procedures for structuring financial management, practices for steering traditional and new endeavors through the lens of financial manage-

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Read our whitepaper about realizing agility in traditional financial management.

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ment, or foundational principles that enable quick decision-making in spite of uncertainty, the Bee Approach covers all levels and all IT management-relevant decision areas. We enable organizations to simultaneously manage different ways of working in a single approach and with a single source of truth: our foundational platform, Bee4IT. Continuous development can support you in defining your own unique journey and meeting your needs.

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About the Authors:

Corvin Meyer-Blankart

Driven by his genuine interest in technological advancements, Corvin is motivated to establish new ways of working to leverage digital innovation. His experience spans from vision and strategy to support, from local SMEs to globally active corporations, and from B2B to B2C industries. This contextual in-depth knowledge enables him to identify and communicate organizational, technological, and processual requirements to drive a departure from the traditional towards an agile and customer centric approach.

Sönke Claussen

Sönke draws on decades of experience when it comes to managing corporate IT from a holistic perspective. Over the years, he supported and drove transformations of various firms in B2B and B2C industries. He is a generalist with an eye for details – whether it is the joint conception of a digital strategy or the precise implementation in various areas. His rich background enables him to draw the bigger picture and determine the right lever for driving change.

Interested in Reading More About The Bee Approach?

Read our whitepaper "Holistic Management | Effective Steering | Fast Execution" about the principles for enabling fast execution.

In the past, we have repeatedly experienced periods of high volatility. These movements describe a change in the speed of environmental changes and a turn in the direction of market development. It is possible to win in these turns. In order to win, a fully coordinated plan is needed, as well as the fast execution of such a plan.

The Bee Approach makes it possible to create and communicate a fully coordinated plan and its fast execution. To achieve this, the Bee Approach defines procedures for holistic management, practices for effective steering, and principles for fast execution.

This paper elaborates on the principles of a fast execution.

Download the Whitepaper here

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