# GOVERNANCE WITHOUT KILLING INNOVATION.

## HOW SPEED TO MARKET, INNOVATION, AND GOVERNANCE CAN RUN UNDER THE SAME ROOF

**33%** less profit when products ship 6+ months late

McKinsey & Company (2016)

**75%** more time spent on compliance since 2016

Deloitte (2023)

**1.8x** higher deployment frequency for high performers

Google DORA (2024)

**GOOD GOVERNANCE DOESN'T SLOW YOU DOWN. BAD GOVERNANCE DOES.**


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## Executive Summary

Every company says it wants to move fast. Then it builds a governance model that guarantees it can't.

This paper is about that gap. Not the gap between wanting innovation and wanting control, those aren't actually in conflict. The real gap is between the governance models most companies still run and the speed the market now demands.

Governance isn't the enemy. Bad governance is. The kind built for a world where a product launch took eighteen months, where “digital” meant a website, and where the biggest risk was a typo in a press release. That world is gone. The governance model built for it is still here, in most companies, mostly unchanged.

This paper lays out three things. First, what slow governance actually costs, in dollars, not platitudes. Second, why the old model persists even though everyone hates it. Third, what a governance model looks like when it's built to move at the speed of the business instead of against it.

*The short version: you don't fix this by killing governance. You fix it by rebuilding it around risk instead of ritual.*

## 1. The Problem: Governance Built for a Slower World

Walk into any large company and ask how long it takes to get a new idea from a whiteboard to a customer. You'll get an answer measured in months, sometimes years. Ask why, and you'll hear about “process.” Stage gates. Steering committees. Architecture review boards. Risk sign-offs. Legal review. A PMO that wants a business case before you're allowed to write a business case.

None of these things are bad on their own. Stage gates exist because someone, somewhere, shipped something that blew up a balance sheet or a brand. Architecture review exists because someone built a system nobody else could maintain. Legal review exists because someone signed a contract they shouldn't have. Every layer of governance was added in response to a real failure.

The problem isn't that governance exists. The problem is that it never gets removed. Companies add a control every time something goes wrong and almost never take one away when the risk that justified it has faded. Governance is one of the only parts of a company that only grows.

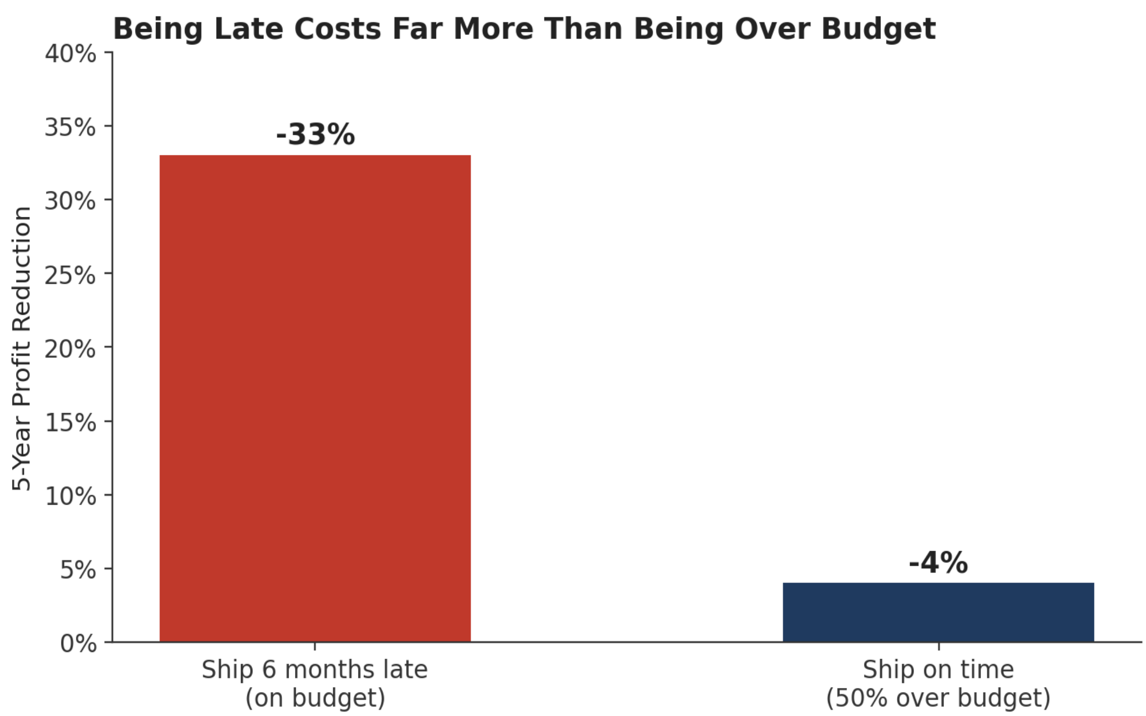
Twenty years ago, the annual planning cycle set the pace for everything. You decided what you were building in Q4, funded it in the new fiscal year, and shipped it eighteen months later. Governance kept pace with a slow business, because the business was slow. Committees meeting quarterly made sense when strategy shifted once a year.

That world is over. Customer expectations shift by the quarter. Competitors ship in weeks. AI is compressing build time to a fraction of what it used to be. And governance, in most companies, still meets quarterly.

*The mismatch is the whole problem. It's not that companies have too much governance or too little. It's that the clock speed of governance and the clock speed of the market have come completely unglued from each other.*

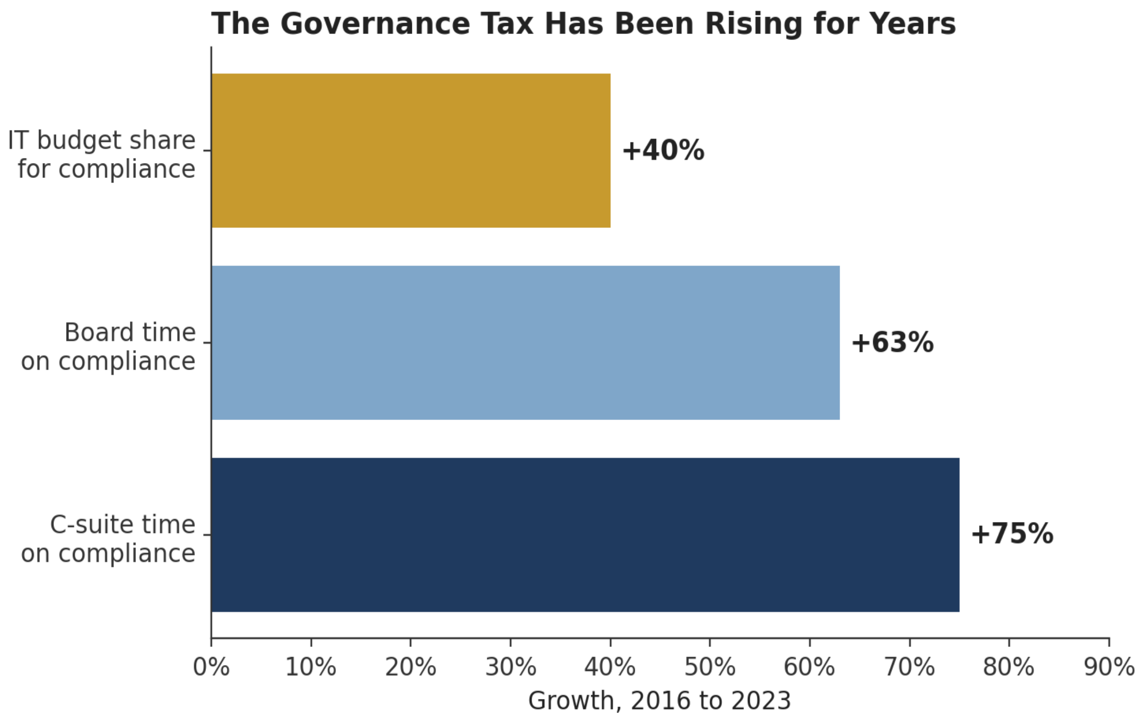
## 2. What Slow Governance Actually Costs

This isn't a new idea. McKinsey ran the numbers decades ago and the math hasn't changed: a product that ships six months late earns 33% less profit over five years. A product that ships on time but 50% over budget only loses about 4% of that same profit. Being late costs roughly eight times more than being over budget, and most governance models are optimized to prevent the cheap mistake while guaranteeing the expensive one.




*Source: McKinsey & Company, cited in Reinertsen, The Principles of Product Development Flow (2009)*

Don Reinertsen, who has spent his career studying this, calls it Cost of Delay: the value you lose for every day a product sits in a queue instead of in a customer's hands. He also found that roughly 85% of product managers can't tell you what their own Cost of Delay is. If you don't know what delay costs you, every governance meeting looks free. It isn't.




*Source: Bank Policy Institute, Survey Finds Compliance Is Growing Demand on Bank Resources (2024)*

The governance tax has been climbing for years, and banking is a clean example because the data is public. Between 2016 and 2023, the share of C-suite time spent on compliance rose 75%. Board time on compliance rose 63%. The slice of IT budgets going to compliance grew from 9.6% to 13.4%, a 40% increase. None of that is time or money going toward building anything. It's overhead on top of overhead, and it compounds every year nobody prunes it back.

McKinsey's research on transformation programs tells the same story from a different angle. Roughly 70% of digital transformation efforts fail to hit their objectives, a figure echoed by BCG's own research. Even among the 89% of large companies that say they have a digital and AI transformation underway, the average company has captured only 31% of the revenue lift and 25% of the cost savings it expected. Some of that gap is bad strategy. A lot of it is governance that was designed to prevent failure and ended up preventing progress instead.

## 3. Why the Old Model Sticks Around

If everyone agrees the old model is slow, why does it survive? A few reasons, and none of them are stupidity.

First, governance is where accountability lives, or at least where it appears to live. A committee sign-off is a paper trail. If something goes wrong later, the sign-off proves someone looked at it. That instinct isn't wrong, but it produces governance optimized for defensibility, not for outcomes. The goal quietly shifts from “make a good decision” to “have documented that a decision was reviewed.”

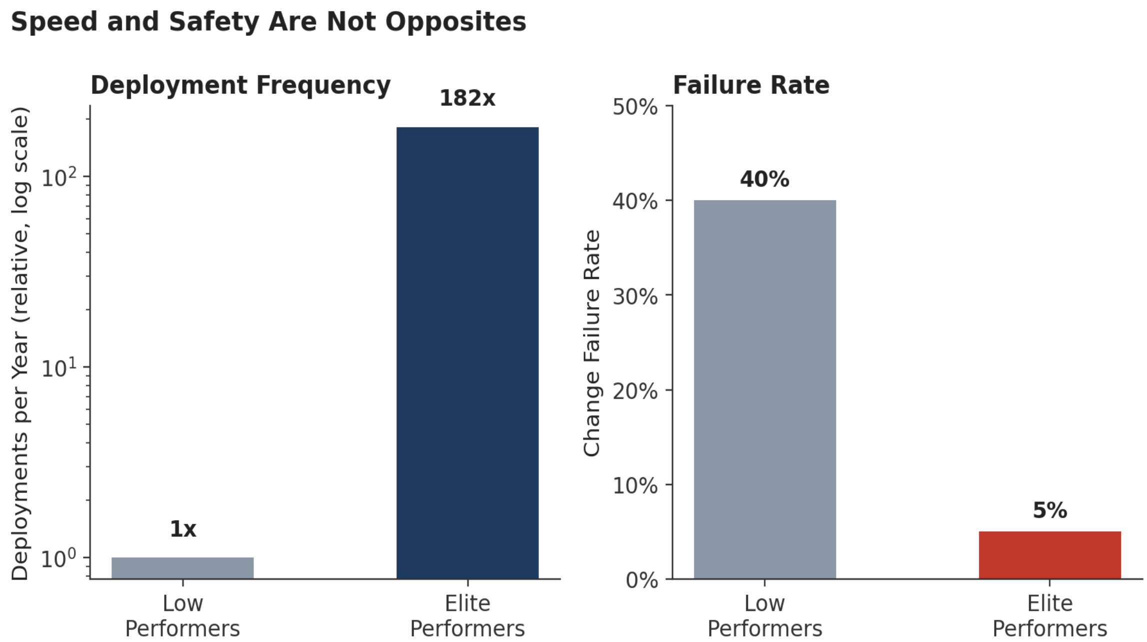
Second, governance grows one control at a time, in response to one incident at a time, and nobody owns the job of taking controls away. Every function adds its own gate: legal wants a review, security wants a review, finance wants a review, brand wants a review. Each one is reasonable in isolation. Stacked together, they add up to a sequential process that can take a year to get through even when each individual review only takes a week.

Third, most governance treats every decision the same way. A $50,000 pilot with a reversible outcome goes through the same stage-gate process as a $50 million platform bet that can't be undone. Amazon's Jeff Bezos drew a useful line here: some decisions are “one-way doors,” you can't walk back through them, and some are “two-way doors,” you can reverse course if you're wrong. Most companies run every decision through one-way-door governance, even the two-way-door ones. That's the single biggest source of unnecessary delay in most organizations.

*Fourth, and this is the uncomfortable one: slow governance is sometimes a feature, not a bug, for the people running it. A long approval chain spreads risk so thin that no individual owns a bad outcome. Speeding it up means someone has to actually own the call. Not everyone wants that.*

## 4. What Good Looks Like

The good news is this problem has already been solved, at scale, and the data is public. Google's DORA research team has tracked tens of thousands of engineering organizations for over a decade, and the pattern holds every year: elite performers deploy about 182 times more often than low performers, with a change failure rate around 5%, roughly a fifth of what low performers see, along with lead times under a day and recovery times under an hour.



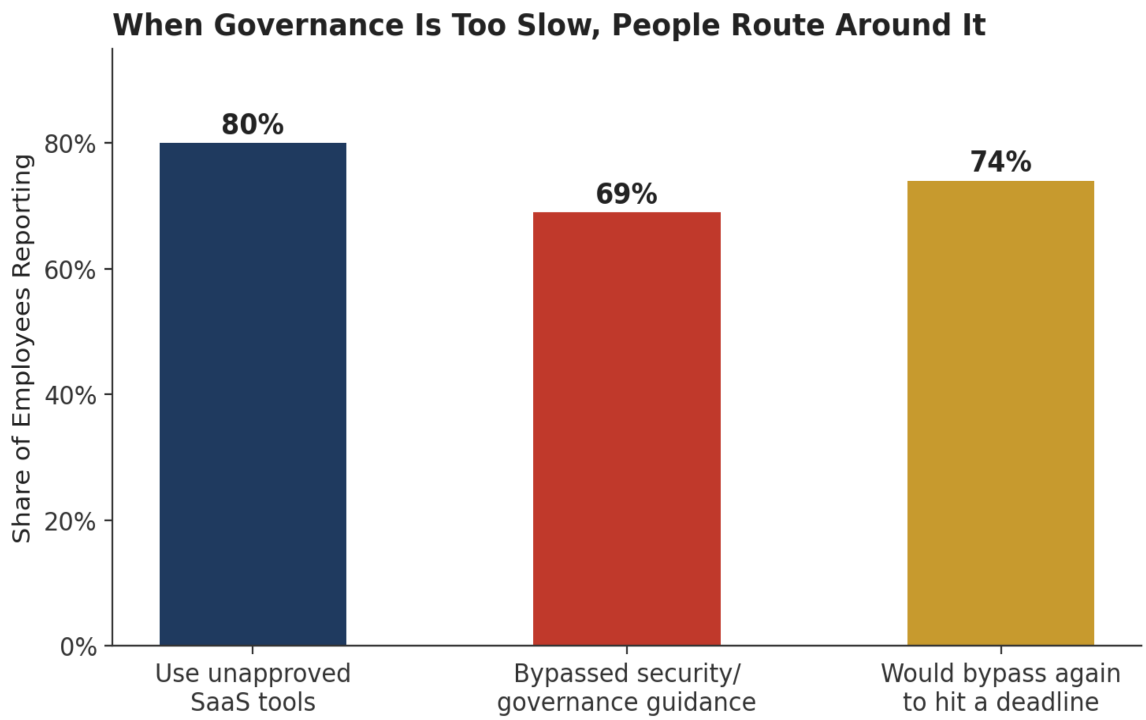

*Source: DORA, Accelerate State of DevOps Report, Google Cloud (2024)*

Read that again. The fastest organizations are not the riskiest. They're the safest. Speed and control move together once you build the pipeline correctly, they don't trade off against each other. The teams shipping the most often are catching problems the fastest, because they've built small, frequent, low-blast-radius changes into the system instead of big, rare, high-blast-radius ones.

*This is the single most important finding in this entire paper: the assumption that speed and safety are in tension is empirically wrong for anyone who has actually solved the problem. It's only true for organizations that haven't rebuilt their governance model yet.*

## 5. When Governance Is Too Slow, People Route Around It

Here's what happens when governance can't keep pace: people stop asking permission. Surveys put the share of employees using unapproved SaaS tools at around 80%. A Gartner survey found 69% of employees admitted to bypassing their company's own security or governance guidance in the past year, and 74% said they'd do it again if it helped them hit a deadline.



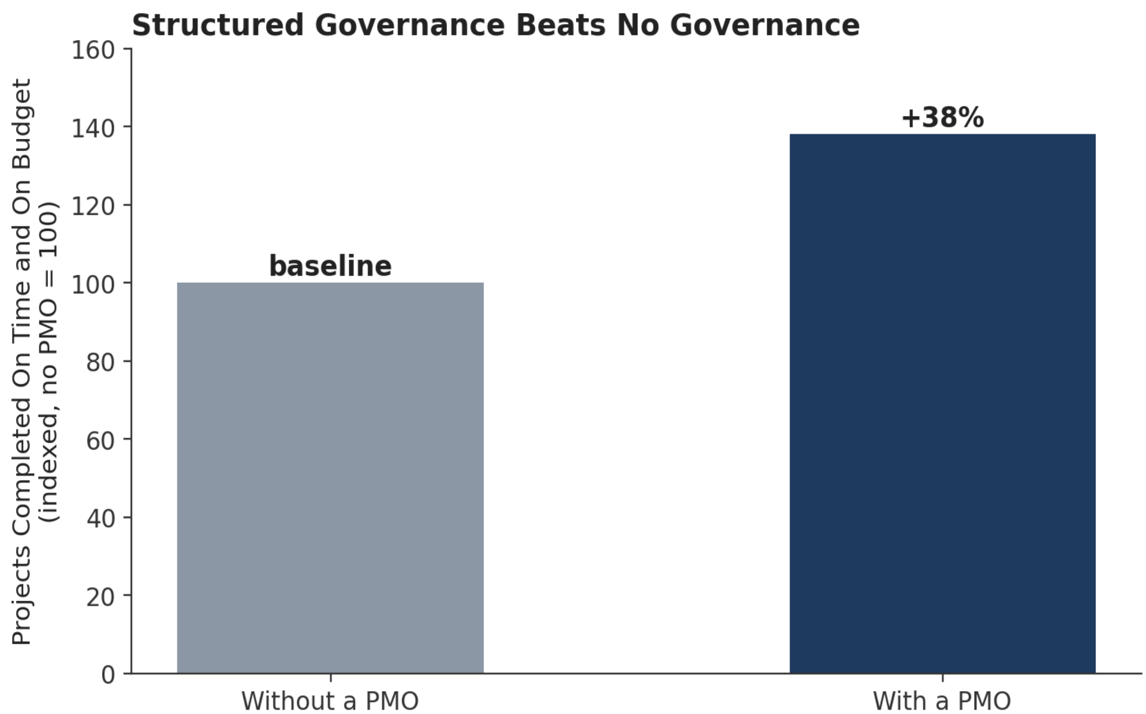

*Source: Gartner survey data, compiled in Auvik, 50 Shadow IT Statistics (2024)*

This is the part most governance teams miss. Shadow IT isn't a discipline problem. It's a pricing signal. It tells you the official path costs more, in time, than people are willing to pay. When the sanctioned process is slower than the unsanctioned workaround, people will take the workaround every time, and you end up with less control than if you'd never built the process at all, because now the activity is happening somewhere you can't see it.

*Slow governance doesn't produce more safety. It produces the illusion of safety on the official books and real, ungoverned risk everywhere else.*

## 6. What Needs to Change

None of this is an argument for less governance. Organizations with a formal PMO complete 38% more projects on time and on budget than organizations without one. Structure works. The fix isn't to tear governance down, it's to point it at the right things and get it out of the way of everything else. Five changes matter most.




*Source: Project Management Institute, Pulse of the Profession*

## Tier by reversibility, not by size

Sort every decision into one-way doors and two-way doors before you decide how much process it needs. Two-way doors, most pricing tests, most feature launches, most vendor pilots under a defined dollar threshold, should get a lightweight, fast-track review. One-way doors, core platform bets, anything touching regulated data, anything that's expensive to unwind, deserve the full process. Most companies run everything through the slow lane. Sorting decisions first is the single highest-leverage change available.

## Price the delay, not just the risk

Every steering committee should see the Cost of Delay next to the risk being managed. If a review board is going to sit on a decision for six weeks, someone should have to say out loud what that costs, in the same currency as the risk it's mitigating. Reinertsen's research says most PMs can't do this today. That has to change first, before anything else on this list will stick.

## Move controls into the pipeline instead of stacking them at the gate

DORA's data makes the case: elite teams don't skip controls, they run them continuously, automated, and early, instead of manually and at the end. Policy as code instead of policy as a meeting. A security check that runs on every commit instead of a security review that runs once, right before launch, when it's most expensive to fix anything.

## Put an expiration date on every control

Every gate, every sign-off, every committee should come with a built-in review date and a named owner whose job includes asking whether it's still needed. Controls that get added in a crisis and never revisited are how you end up with a review process nobody remembers the reason for.

### Make the fast path safer than the workaround

*If the sanctioned process is still slower than going around it, people will keep going around it no matter how many policies you write. The test of a good governance redesign isn't whether it looks rigorous on paper. It's whether it's actually faster than shadow IT. If it's not, you haven't fixed anything, you've just added a new step people will skip.*

## 7. Putting Speed and Control Under the Same Roof

Most companies organize speed and governance as separate functions that meet in a conference room to negotiate. Product and engineering own speed. Risk, legal, and compliance own control. They show up to the same stage-gate meeting representing opposite interests, and the meeting becomes a negotiation instead of a decision.

That structure guarantees conflict because it's designed around conflict. The fix is structural, not cultural. A few things have to be true at the same time.

### Decision rights need to be explicit and public

Everyone in the organization should be able to look up who can approve what, at what dollar threshold, without reversibility, without a meeting. Most delay isn't caused by disagreement. It's caused by nobody being sure who's allowed to say yes.

### Risk and delivery need to sit in the same room from day one

Bring compliance and security into the design conversation at the start of a two-way-door decision instead of the end. A control that shapes the build from day one is nearly free. The same control bolted on after the fact, right before launch, is the most expensive place in the entire process to catch a problem.

### Leadership has to fund the redesign, not just the complaint

Every executive says they want to move faster. Almost none of them fund the work of rebuilding the governance model itself, the tiering, the automation, the decision-rights mapping. They fund the products that governance is slowing down and hope the friction resolves itself. It won't. The operating model is the actual product here.

### The metric has to change

If the PMO is measured on the number of gates a project passes, it will keep building gates. If it's measured on cycle time and on outcomes, on how fast a two-way-door decision gets made and how often a one-way-door decision goes right, the incentives point the same direction the business needs them to.

*None of this makes control and speed the same thing. They're not. But they can run through the same operating model instead of two competing ones, and the data in this paper says that when they do, both get better, not worse. The fastest organizations in the DORA data aren't reckless. They're the most disciplined organizations measured. Discipline and speed were never actually opposites. Only the org chart made them look that way.*

## Conclusion

Governance didn't get slow by accident. It got slow one reasonable decision at a time, stacked over years, with nobody responsible for taking anything back out. Fixing it isn't about caring less about risk. It's about being honest that the current model is producing worse risk outcomes, not better ones, because it pushes real activity into the shadows where nobody's watching, and it costs real money every quarter it goes unfixed.

The companies that figure this out first won't be the ones that removed governance. They'll be the ones that rebuilt it around the decisions that actually matter, priced the cost of waiting, and made the sanctioned path the fastest path.

*That's the whole playbook. It's not complicated. It's just not been anyone's job to do it, until now.*

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