

## Governing Digital Transformation: When Oversight Capability Meets Strategic Imperative

### The Governance Gap

Your board confronts multi-year, multi-hundred-million transformation investments when technology complexity exceeds board expertise, vendor dependencies reshape strategic flexibility, and implementation risks threaten business continuity. The question is no longer whether to transform, it's how to govern transformation investments with appropriate rigour whilst maintaining business continuity.

The numbers tell a sobering story. Global spending on digital transformation reached €3.1 trillion in 2025, projected to grow by 17% annually through 2027. Yet McKinsey and BCG research consistently shows only 30-35% of these initiatives achieve their stated objectives. The failure rate sits between 70-95%, with Bain's 2024 study finding 88% of business transformations fail to achieve their original ambitions. This represents approximately €2.1 trillion in annual global waste, not merely operational setbacks but fundamental governance breakdowns.

Consider the structural challenge: 72% of executives identify AI integration as their most critical priority for 2026, yet 45% of boards report generative AI is not yet on their agenda. Meanwhile, 55% of directors believe at least one board colleague should be replaced, the highest proportion in PwC survey history - reflecting growing recognition of skill gaps and the need for more rigorous oversight. When 60% of executives expect their current business models to become obsolete by 2030, the cost of failed transformation equals the cost of strategic inaction.

### The Transformation Complexity

Digital transformation has evolved from IT initiative to existential strategic imperative. Cloud migration and AI integration demand far more than technology deployment, they require data cleansing and process reengineering, managing vendor dependencies and complex contracts, navigating security and compliance concerns and building governance frameworks that don't yet exist.

The data governance challenge proves particularly acute: 82% of organisations lack the foundational data quality, architecture, and governance capabilities that AI integration demands. Research shows 64% of organisations cite data quality as their top data integrity challenge, with 77% rating their data quality as average or worse, an 11-point decline since 2024 despite increased investment. Organizations with poor data quality experience 60% higher project failure rates and lose an average of 25% of revenue annually due to quality-related inefficiencies.

As one CIO recently observed: "We are no longer transforming for technology's sake. We are transforming for resilience." Yet boards face a critical dilemma: fiduciary duty now explicitly extends to AI oversight and digital transformation governance, yet the gap between mandate and capability remains vast. BlackRock, Allianz, and proxy advisors like Glass Lewis have updated stewardship guidelines, expecting boards to demonstrate AI literacy and document director training and oversight frameworks in proxy statements by the 2026 proxy season.

### **Why This Dialogue Matters**

This session addresses the governance gap between mandate and capability. It combines Professor Helmut Krcmar's rigorous academic frameworks with Thomas Saueressig's unvarnished operational reality from managing enterprise-scale transformation at SAP. Julie Teigland's moderation ensures we address questions boards grapple with in closed sessions.

### **Four Questions for Reflection**

To prepare for substantive contribution, we invite reflection on these deliberately provocative questions. They surface assumptions, challenge conventional thinking, and articulate the dilemmas boards face. There are no simple answers, which is precisely why peer dialogue proves invaluable.

#### **1. The Information Asymmetry Dilemma**

Management presents transformation proposals with sophisticated models, vendor endorsements, and competitive necessity arguments. Your board holds ultimate

authority yet systematically lacks the technical depth to evaluate these rigorously. Research shows 38% of organisations report lack of digital skills limits transformation success, while 36% of leaders worry their workforce, including boards, lacks necessary capabilities.

**How do you distinguish between legitimate complexity requiring trust in management versus complexity used to obscure risk? What governance mechanisms provide effective oversight without micromanagement? At what point does 'trust but verify' become institutionalised naivety?**

## **2. The Vendor Dependency Calculus**

Cloud migration and enterprise system modernisation create dependencies on platform providers offering efficiency gains whilst constraining strategic flexibility. Volkswagen's Cariad software initiative, over two years behind schedule with 20 million lines of overlapping code, illustrates strategic overreach. Switching costs measure in hundreds of millions, implementation timelines in years.

**How should boards weigh short-term efficiency gains against long-term strategic optionality? What contractual and architectural provisions might mitigate vendor dependency without sacrificing integration benefits? When does pragmatic partnership cross into strategic vulnerability requiring board intervention?**

## **3. The Data Foundation Paradox**

Management emphasises AI's transformational potential, yet 82% of organisations lack foundational data capabilities such transformation demands. The gap between AI promise and data reality remains systematically hidden in transformation proposals. Organizations with poor data quality face 60% higher project failure rates, yet data quality ratings have declined 11 points since 2024 despite increased investment.

**Should boards approve AI initiatives when foundational data capabilities remain unproven? How can you assess whether data quality claims withstand scrutiny or represent aspiration? What milestones provide genuine evidence of data readiness versus sophisticated theatre designed to secure budget approval?**



#### **4. The Governance Structure Question**

Most boards route technology oversight to already oversubscribed audit committees, risking process failure and greater Caremark exposure. Yet only 13% of S&P 500 boards have established dedicated technology committees, despite 72% of executives identifying digital transformation as critical. BlackRock and Glass Lewis now expect documented board oversight frameworks in proxy statements.

**Does your current committee structure provide adequate oversight for multi-hundred-million transformation investments? Should you establish a dedicated technology committee, or would this fragment oversight? How do you ensure digital transformation governance connects to strategy, risk, and audit without creating coordination complexity that slows critical decisions?**

#### **Your Contribution**

These questions admit no simple answers. The dialogue will be most productive when we bring concrete experiences, specific dilemmas, and willingness to examine our own assumptions. Under Chatham House Rules, we create space for candour impossible in formal settings.

Those organisations establishing flexible architectures and coherent data strategies in 2026 will hold disproportionate competitive advantage. Digital maturity becomes the defining differentiator, not as technical capability but as organisational adaptability governed effectively at board level.

We look forward to your participation on 9 February.

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