

Agile governance in business transformation: a maturity model for balancing change speed, governability, and strategic alignment

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Abstract

The expansion of Agile beyond individual teams requires the speed of change to be aligned with portfolio and strategic decision-making. The aim of this study is to develop an Agile governance maturity model for assessing an organization's ability to maintain this alignment. Based on an analysis of research on Agile governance, portfolio management, strategic alignment, and maturity models, five factors were identified: strategic alignment; leadership involvement and delegation of authority; portfolio and resource management; delivery transparency; and outcome and constraint management. Five maturity levels were defined for these factors, with the overall maturity level determined by the lowest factor score. Application of the model to data from the 18th State of Agile Report 2025 showed that portfolio and information mechanisms may develop more rapidly than the strategic integration of Agile. The proposed model makes it possible to identify the factor limiting an organization's transition to the next level of Agile governance.

Keywords: Agile governance, business transformation, maturity model, strategic alignment, portfolio management, organizational performance, change management, Agile

1. Introduction

The adoption of Agile beyond software development has changed the requirements for managing business transformation. Recent studies confirm that the underlying principles can be applied across various industries and are associated with project performance (Serrador & Pinto, 2015; Conforto et al., 2014). However, accelerating the work of individual teams does not result in a comparable acceleration of change across the organization as a whole; at the portfolio level, in particular, initiatives compete for resources, depend on funding arrangements, and must remain aligned with strategic priorities. Scaling Agile therefore requires changes to portfolio management mechanisms and the allocation of management responsibilities (Stettina & Hörz, 2015).

Particular importance is attached to the ability to adjust the portfolio promptly when strategic priorities change, which depends on recognizing new initiatives and incorporating them into the existing prioritization system (Kaufmann et al., 2020). At the same time, the speed of portfolio decision-making must be aligned with the strategic direction of change (Hoffmann et al., 2020). Conversely, lengthy investment cycles and centralized decision-making increase the time between the emergence of new information and the actual reallocation of resources (van Raay et al., 2025).

The practical significance of this issue is supported by industry data. According to the 18th State of Agile

Report, 76% of respondents report an increased focus on business outcomes and return on investment, while 73% associate the further development of Agile with leadership involvement and a clearer link between ongoing work and business goals (Digital.ai, 2025). Accordingly, the focus of assessment shifts to an organization's ability to translate local improvements in delivery speed into changes in business outcomes.

In this study, this set of mechanisms is conceptualized as Agile governance, consistent with Agile Governance Theory, which links the responsiveness of change to corporate governance requirements (Luna et al., 2010), and with the subsequent operationalization of observable Agile governance characteristics (Luna et al., 2020). Empirical findings indicate that governance capabilities mediate the relationship between Agile capabilities and organizational outcomes (Luna & Marinho, 2023). At the same time, the speed of change depends on the interaction of multiple organizational mechanisms (Fuentes-Quijada et al., 2025; Kovynyov et al., 2021; Asghar et al., 2026).

Accordingly, a distinction should be made between the adoption of Agile and the maturity of Agile governance (Wendler, 2014; Richardson & Wong, 2018). The research problem lies in the need to assess the transition from the local adoption of Agile to organization-wide transformation management. The aim of this study is to develop an Agile governance maturity model that makes it possible to assess the state of the relevant management mechanisms and identify the factor limiting further development.

2. Materials and Methods

The study was based on publications addressing Agile governance, portfolio management, strategic alignment, organizational agility, and maturity models. Sources were selected based on whether they described mechanisms linking the organization's strategic level to the execution of change.

The model was developed in three stages:

1. Management mechanisms recurring across multiple research streams were systematized;
2. These mechanisms were grouped into factors whose absence disrupts the sequence from strategic decision-making to outcomes;
3. Sequential development levels were defined for each factor.

The model development procedure followed methodological requirements for the development of maturity models (Becker et al., 2009; de Bruin et al., 2005). As a result, five Agile governance factors were identified, as presented in Table 1. Their selection reflects the sequence of the management cycle: a strategic priority must be translated into a portfolio decision, assigned resources and an accountable owner, after which implementation outcomes must inform subsequent decision reviews.

Table 1. Agile governance maturity factors and diagnostic characteristics

Factor	Diagnostic characteristics
Strategic alignment	linkage of initiatives to goals; reprioritization; accountability for outcomes
Leadership and authority	decision owners; leadership involvement; escalation; decision-right boundaries
Portfolio and resources	consolidated portfolio; resource allocation; funding; dependencies; initiative termination
Delivery transparency	end-to-end data; information currency; delivery metrics
Outcomes and constraints	business and customer outcomes; risks; compliance; impact assessment

Source: compiled by the author based on an analysis of the scientific literature (Luna et al., 2010; Luna et al., 2020; Luna & Marinho, 2023; Stettina & Hörz, 2015; Hoffmann et al., 2020; Kaufmann et al., 2020; Henriquez et al., 2025).

Each factor is assessed on a five-point ordinal scale and is considered an essential element of the management cycle. The overall maturity level is determined by the lowest score among the five factors. The factor scores are denoted by d_1, d_2, d_3, d_4, d_5 , where:

$$d_i \in \{5\}.$$

The overall maturity level is then determined as follows:

$$M = \min(d_5).$$

The use of the minimum value is based on the assumption of a limiting factor, since an organization cannot consistently operate at a higher level of Agile governance if at least one of the management mechanisms required for that level remains at the preceding stage. For additional characterization, the mean score is calculated as follows:

$$\bar{d} = \frac{d_1 + d_2 + d_3 + d_4 + d_5}{5}.$$

The unevenness of development is determined by the difference between the mean and minimum scores:

$$\Delta = \bar{d} - M.$$

The minimum score represents the level that the governance system is capable of sustaining across all factors simultaneously, while Δ characterizes the gap between the overall development of the mechanisms and the least developed factor.

3. Results and Discussion

The results of the analysis allow Agile governance to be conceptualized as a sequence of transitions from strategic decision-making to the portfolio of initiatives, resource allocation, execution, and assessment of the resulting outcomes. The duration of the feedback cycle plays an important role in this process, as new information informing decisions must be reflected in the portfolio composition in a timely manner, while information on achieved outcomes must be used in subsequent reviews of priorities.

The corresponding mechanism is presented in Figure 1.

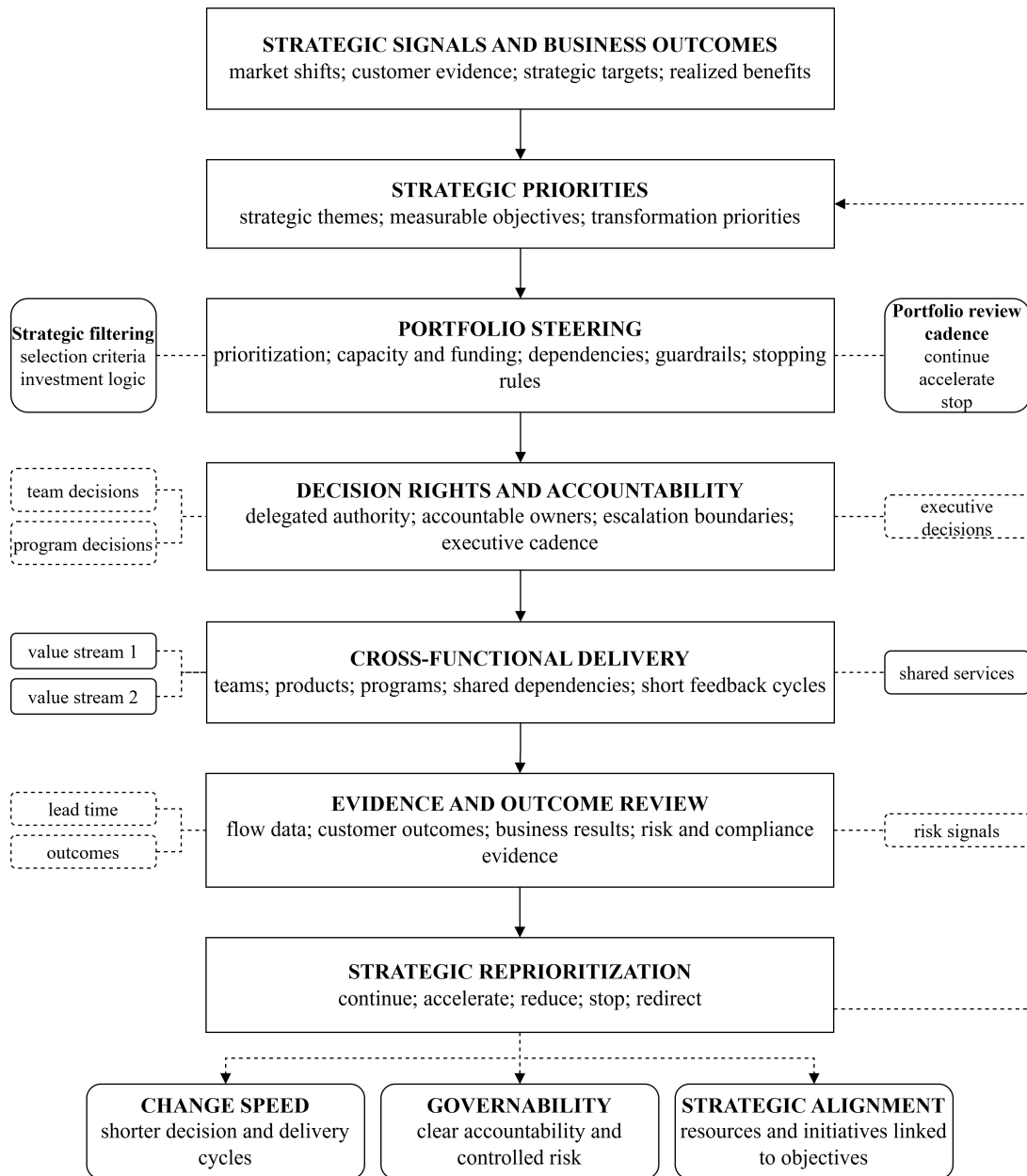


Figure 1. Agile governance mechanism in business transformation

Source: developed by the author.

The mechanism presented shows that the speed of transformation is determined, among other factors, by the speed of portfolio and management decision-making. Strategic alignment ensures that initiatives remain linked to organizational goals (Kaufmann et al., 2020; Hoffmann et al., 2020), the allocation of authority determines the level at which decisions are made (Henriquez et al., 2025), and portfolio management enables the timely reallocation of resources (Stettina & Hörz, 2015). Delivery transparency and outcome assessment provide the information required for subsequent decision reviews. The joint development of these factors forms the basis of the five-level Agile governance maturity model presented in Figure 2.

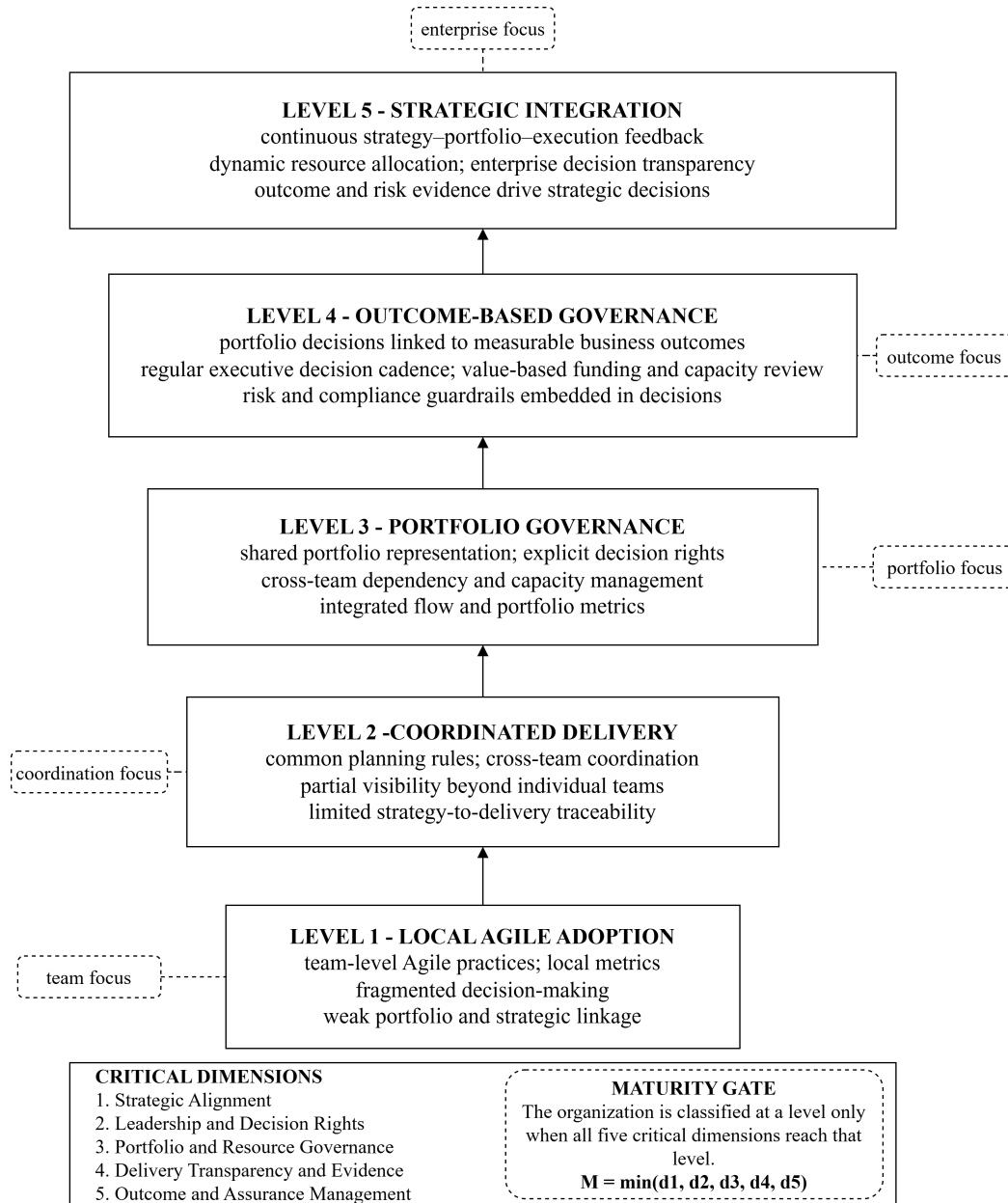


Figure 2. Agile governance maturity levels
Source: developed by the author.

The model describes a sequential transition from the local adoption of Agile to its integration into strategic management and comprises five levels: Local Agile Adoption, Coordinated Delivery, Portfolio Governance, Outcome-Based Governance, and Strategic Integration. Transition to the next level is possible only when all five factors have developed accordingly. Overall maturity is therefore determined by the lowest score among the five factors, making it possible to identify the factor limiting the organization’s further development (Kovynyov et al., 2021; Asghar et al., 2026).

To characterize the outcomes produced by the governance mechanisms, the Balanced Transformation Index is proposed, integrating the speed of change, governability, and strategic alignment:

$$BTI = (V \times G \times A)^{1/3},$$

where V is the normalized speed of change, G is governability, and A is strategic alignment.

The geometric mean was selected because a decrease in any one component should reduce the overall score: a high speed of change cannot compensate for weak strategic alignment or insufficient governability. The composition of each component is presented in Figure 3.

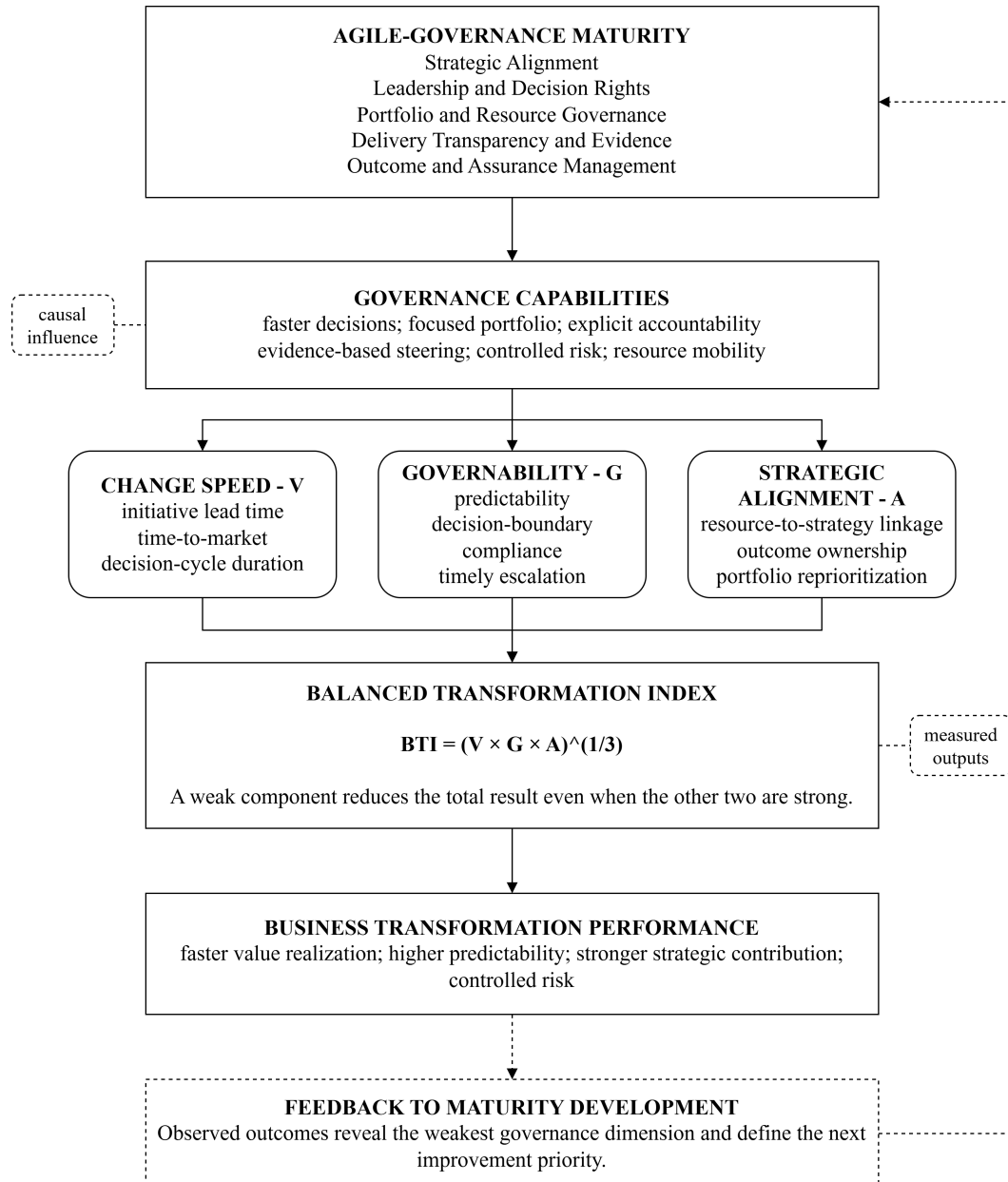


Figure 3. Balance among the speed of change, governability, and strategic alignment
Source: compiled by the author.

The speed of change encompasses the time required to implement an initiative, deliver its outcome, and complete the management cycle; governability encompasses the predictability of decisions, adherence to

established decision rights, and timely escalation; and strategic alignment reflects the linkage of resources and initiatives to organizational goals. The indicator is considered a conceptual complement to the maturity model, as the maturity level characterizes the state of governance mechanisms, whereas the Balanced Transformation Index reflects the expected outcome of their operation. Its quantitative validation requires data from individual organizations.

For this application, aggregated data from the 18th State of Agile Report 2025, which includes responses from 349 professionals across different industries, regions, and professional roles, were used (Digital.ai, 2025). The resulting assessments characterize the surveyed population as a whole rather than the profile of an individual organization, since the proportions of respondents reported for different questions refer to overlapping but non-identical groups.

Level 3 was assigned when the corresponding characteristic was reported by more than half of the respondents, while Level 2 was assigned when it was less prevalent or when a comparable challenge was reported. Strategic alignment was assessed at Level 2 (13% of respondents reported the integration of Agile with strategic outcomes, while 53% indicated difficulties in linking ongoing work to business goals). Leadership involvement was also assessed at Level 2 (15% of respondents reported active involvement of business and executive leadership in shaping Agile practices). Portfolio management was assessed at Level 3 (two-thirds of respondents use data for planning and resource allocation). Delivery transparency was likewise assessed at Level 3 (55% reported end-to-end visibility, 63% expressed confidence in metrics, and 67% reported using data to improve their work). Outcome management was assessed at Level 2 (49% measure value delivered, while 52% experience difficulties in linking delivery to business impact) (Digital.ai, 2025). The results are presented in Table 2.

Table 2. Application of the Agile governance maturity model to aggregated data from the 18th State of Agile Report 2025

Factor	Diagnostic result	Level
Strategic alignment	limited alignment of Agile with strategic goals	2
Leadership and authority	leadership involvement remains limited	2
Portfolio and resources	evidence of portfolio management is present	3
Delivery transparency	data are used beyond individual teams	3
Outcomes and constraints	business impact is used inconsistently	2

Source: calculated by the author based on data from the 18th State of Agile Report 2025 (Digital.ai, 2025).

The resulting diagnostic profile is [2; 2; 3; 3; 2] and corresponds to the Coordinated Delivery level: the minimum score is 2, the mean score is 2.4, and Δ is 0.4. Portfolio and information mechanisms are more developed than strategic alignment, leadership involvement, and outcome management. Thus, the minimum score identifies the areas limiting the transition to the next level, while the mean score characterizes the overall development of the mechanisms.

The limitations of this application are related to the use of aggregated industry data, the preliminary nature of the boundaries between maturity levels, and the absence of an assessment of consistency in expert evaluations. The Balanced Transformation Index also requires further operationalization.

4. Conclusions

The study developed a five-factor Agile governance maturity model for assessing the transition from local Agile adoption to business transformation management. The overall maturity level is determined by the lowest factor score, making it possible to identify the limiting governance mechanism. Application of the model to data from the 18th State of Agile Report 2025 showed that portfolio management and information transparency were more developed than strategic alignment, leadership involvement, and the use of business outcomes. The practical value of the model lies in identifying the reasons why local acceleration within Agile teams does not lead to comparable organization-wide change. Further validation should be conducted using data from individual organizations.

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