

— THE — GOVERNABILITY — M A N I F E S T O —

BUILDING ENTERPRISES THAT
SCALE, ADAPT, AND ENDURE

COORDINATION
IS THE BRIDGE.
GOVERNABILITY
IS THE FOUNDATION.

CLARITY
COORDINATION
ACCOUNTABILITY
ADAPTABILITY
CONTINUITY



LESS COMPLEXITY. MORE CAPABILITY. LASTING IMPACT.

Version 1.0

Contents

Welcome	3
Chapter 1 — The Puzzle Nobody Is Talking About	5
Chapter 2 — The Evidence We Can't Ignore	9
Chapter 3 — We've Become Smarter. Why Aren't We Better?	13
Chapter 4 — The Work Nobody Counts	17
Chapter 5 — The Missing Capability	21
Chapter 6 — Intelligence Isn't the Constraint Anymore	24
Chapter 7 — The Conditions of Governability	28
Chapter 8 — What Constitutions Do	32
Chapter 9 — Making Governability Observable	37
Chapter 10 — Designing Governable Enterprises	42

Welcome

Thank you for picking up this small book.

It wasn't written because the world needs another management framework. There are already enough frameworks, methodologies, and models to fill a library. It's written because many of us have been living with the same quiet question, even if we haven't quite known how to ask it.

If you've spent any time inside an organization recently, you may have noticed something difficult to explain.

The organization isn't lacking intelligence.
It isn't lacking talented people.
It isn't lacking technology.

In fact, it probably has more of all three than ever before. And yet somehow, moving everyone together has become harder.

Strategy doesn't always become behavior.
Execution doesn't always follow intention.
Projects drift. Exceptions multiply.

We all know AI creates astonishing new capabilities, yet it seems to leave many leaders wondering why the organization still feels harder to steer.

Perhaps you've experienced it yourself.

A strategy everyone agreed with somehow dissolved during execution.
An AI initiative that generates more activity than alignment.
A meeting where everyone had the same data but left with different conclusions.
A moment when you realized the organization simply wasn't moving together.

If any of that feels familiar, you're not alone.

I don't think many executives are looking for another management framework. Many conversations convince me that most are looking for something they can barely describe.

They want an organization they can still steer. One where strategy becomes behavior, AI amplifies coherence instead of chaos, and complexity no longer pulls the enterprise away from its intentions.

That's certainly a worthwhile aspiration. This book is my attempt to understand what makes that kind of organization possible.

Together we'll begin with an economic puzzle that has been hiding in plain sight for over five decades. We'll follow the evidence wherever it leads.

Along the way, we'll consider a possibility that management has rarely explored directly. Why the constraint on organizations is no longer intelligence, but the capacity to remain governable as complexity increases.

If that possibility proves true, it changes more than the way we think about organizations.

It changes how we think about leadership.

It changes how we think about AI.

It changes what we choose to measure.

It changes what we choose to design.

And perhaps most importantly, it changes what kind of enterprise we hope to build.

I don't ask you to agree with what follows. Only to stay curious a little longer.

Because if you've ever found yourself wondering why exceptionally capable people, armed with extraordinary technology, still struggle to move together with clarity and confidence, then I think we're asking the same question.

And this book is my attempt to answer it.

Chapter 1 — The Puzzle Nobody Is Talking About

Something strange has been happening inside business organizations.

For more than half a century, we've built:

Faster computers.
Better software.
The Internet.
Enterprise systems.
Cloud computing.
Analytics.
Machine learning.
Artificial intelligence.

By every visible measure, organizations possess more intelligence than at any point in human history. They can sense more, calculate more, predict more, and automate more than executives could have imagined even twenty years ago.

So here's the puzzle.

Why aren't they getting better?

The Question We Haven't Been Asking

If intelligence were the missing ingredient, we should already be living through a golden age of organizational performance.

Instead, executives describe something very different.

Projects drift.
Exceptions multiply.
Decisions slow.
Teams work harder simply to stay aligned.
AI generates more activity than expected—and less coherence than hoped.

Organizations know more than ever. Yet they feel harder to steer than ever.

This isn't a complaint about technology. Technology has been astonishing. Nor is it a complaint about people. Today's workforce is more educated, more connected, and better equipped than any before it.

Something else appears to be happening.

An Unexpected Piece of Evidence

In what *Forbes* once described as one of the most significant business research efforts ever conducted, Deloitte examined the Return on Assets (ROA) of every publicly traded company in the United States from 1965 through 2016.

Not a sample.

Not a handful of industries.

Every public company over half a century.

The result was startling. Economy-wide ROA declined by approximately seventy-five percent. That finding should have changed the management conversation.

During the very decades in which organizations acquired extraordinary new capabilities, enterprise performance steadily deteriorated. This wasn't the result of a recession or temporary disruption. It was a sustained decline spanning five decades—the same decades in which organizations became dramatically more intelligent.

Imagine discovering that people became significantly more educated every decade for fifty years while life expectancy steadily declined.

Nobody would conclude that education doesn't matter. They would conclude that something larger was overwhelming its benefits.

That's precisely what Deloitte's research suggests about organizations.

The Promise That Never Arrived

For fifty years, every major wave of innovation arrived with a promise.

Enterprise software promised integration.

The Internet promised connection.

Cloud computing promised agility.

Analytics promised better decisions.

Artificial intelligence promises unprecedented capability.

Each promised higher productivity, faster decisions, and better outcomes. Yet the long-term performance of enterprises continued to erode.

That should unsettle every executive. It suggests something is fundamentally wrong—not with technology itself, but with our assumptions about how organizations create value.

It raises an uncomfortable possibility.

Perhaps intelligence is no longer the scarce resource. The technologies designed to improve coordination, visibility, and decision-making certainly accelerated activity. They didn't consistently strengthen the enterprise's ability to translate intention into coordinated behavior.

That distinction matters.

Activity isn't effectiveness. And intelligence isn't governability.

A Clue Hidden in the Financials

The decade following Deloitte's research offers another clue.

As operational returns remained under pressure, stock buybacks reached historic levels. That doesn't mean buybacks are inappropriate. They are often a rational capital allocation decision. But the pattern highlights an important distinction.

ROA measures how effectively an enterprise converts the resources entrusted to it into value. Buybacks can improve financial metrics such as Return on Equity (ROE) without improving that underlying capability.

One strengthens the economic engine.
The other paints the dashboard gauges.

Those are not the same thing.

The deeper question isn't whether buybacks are legitimate. It's whether organizations have reached a constraint that intelligence alone cannot solve.

What Executives Already Know

Executives rarely use the language I'll introduce in this booklet.

They don't say, *"Our organization lacks governability."*

Instead they say:

"We have more meetings than ever."

"We have dashboards for everything."

"We have incredible people."

"We've got AI everywhere."

"So why is it still so hard to move together?"

Those aren't isolated frustrations. They're clues. They point toward a capability management has rarely named, rarely studied directly, and almost never designed intentionally.

There's no shortage of intelligence. What appears to be missing is the enterprise's capacity to consistently translate intelligence—human and artificial—into coordinated institutional behavior.

That leaves us with a fifty-year empirical anomaly.
Management theory has never satisfactorily explained it.

This book is an attempt to understand the capability that might.

Chapter 2 — The Evidence We Can't Ignore

The decline in Return on Assets (ROA) isn't a statistical curiosity. It's one of the most persistent, well-documented, and least-explained phenomena in modern management.

Notice what ROA measures. It asks one brutally simple question:

How much value does an enterprise create from the resources already entrusted to it?

That makes ROA almost philosophical. It asks whether an organization consistently converts capability into economic performance.

Viewed that way, ROA isn't merely a financial metric. It's the economic shadow of organizational effectiveness.

When Deloitte published the *Shift Index* in 2008—and updated it through 2016—they weren't studying a sector, a sample, or a handful of companies. They examined every publicly traded company in the United States across every industry over a fifty-year period beginning in 1965.

Their question was straightforward.

Had the digital revolution fundamentally improved enterprise performance?

The answer was no.

1. The Long Decline Begins (1965–1980)

The first era of digital technology—mainframes, early automation, and basic information systems—should have improved asset productivity. Instead, ROA began a slow, sustained decline.

Not a collapse.

Not a crisis.

A drift.

A quiet erosion that attracted little attention because technology and the economy were advancing together.

Executives assumed performance would eventually catch up to capability. It never did.

2. The PC and ERP Era (1980–2000)

The next two decades brought personal computing, enterprise resource planning, global supply chains, and the early Internet. These innovations fundamentally changed how organizations processed information and coordinated work.

ROA continued to fall.

The technologies increased organizational capability. They did not reverse the long-term decline in enterprise performance.

3. The Digital and Cloud Era (2000–2016)

Cloud computing.

Mobile devices.

Analytics.

Machine learning.

These technologies expanded organizational intelligence on an unprecedented scale. Companies could sense more, analyze more, and automate more than ever before.

ROA still declined.

By 2016, aggregate ROA had fallen by more than seventy-five percent from its 1965 level. The trend wasn't ambiguous. It was a steady downward slope spanning half a century.

The empirical puzzle is difficult to ignore:

Why did every major wave of digital innovation coincide with declining asset productivity?

4. Leaders and Laggards

Deloitte also found that the gap between top-quartile and bottom-quartile firms widened. The strongest companies weren't escaping the trend. They were simply declining more slowly. The weakest firms deteriorated much faster.

One plausible interpretation is that increasing complexity rewarded organizations that coordinated better—not organizations that merely accumulated more technology.

5. The Productivity Paradox

Economists have long debated the "productivity paradox"—the observation that technological progress doesn't always produce proportional productivity gains.

The *Shift Index* extended that paradox beyond productivity into the broader performance of the enterprise itself. Technology increased capability. Enterprise performance continued to deteriorate.

6. A Post-2016 Clue

After Deloitte's research period ended, another pattern emerged. Annual share buybacks nearly doubled—from approximately \$536 billion in 2016 to more than \$1 trillion annually over the following decade.

Buybacks are often entirely appropriate. They can represent sound capital allocation. But they also illustrate an important distinction.

ROA measures how effectively an enterprise converts assets into economic value. ROE can improve simply by reducing the equity base.

One reflects operational capability.

The other can improve financial appearance without changing that capability.

This distinction matters.

As operational returns became more difficult to improve, financial engineering increasingly became an attractive alternative.

That observation doesn't explain declining ROA. It reinforces it.

7. The Uncomfortable Interpretation

Taken together, the evidence paints a remarkably consistent picture.

- Half a century of declining ROA.
- Across virtually every industry.
- During the greatest technological expansion in human history.
- Without a sustained reversal.
- Followed by increasing reliance on financial engineering to support shareholder returns.

This isn't primarily a story about technology.

Factories became more capable.
Software became dramatically better.
Supply chains became global.
Computing became nearly free.
Information became instantaneous.
Artificial intelligence entered the enterprise.

Yet the average organization became progressively less effective at converting those capabilities into economic performance.

Deloitte's *Shift Index* didn't identify the cause. It revealed the pattern.

The pattern is unmistakable. As organizational complexity increased, enterprise performance steadily eroded.

We've spent fifty years measuring returns on assets. Perhaps it's time to ask whether we've overlooked the capability that determines how effectively those assets are actually used:

the enterprise's capacity to remain governable.

Chapter 3 — We've Become Smarter. Why Aren't We Better?

By now, the pattern should be difficult to dismiss. For more than half a century, Return on Assets (ROA) has steadily declined.

Not in one industry.

Not during one recession.

Not because of one failed technology.

Across the very decades in which organizations became dramatically more capable.

If intelligence were the missing ingredient, the trend should have reversed long ago. It didn't.

Which suggests we've been asking the wrong question.

We Kept Adding Intelligence

Consider what has happened inside the modern enterprise.

Every decade delivered another wave of capability.

Mainframes.

Personal computing.

Enterprise software.

The Internet.

Cloud computing.

Analytics.

Machine learning.

Artificial intelligence.

Each promised faster decisions.

Better coordination.

Higher productivity.

Greater visibility.

Each dramatically expanded what organizations could know and accomplish.

Today, enterprises process billions of transactions in seconds, coordinate global supply chains, predict demand, automate complex workflows, and deploy AI agents that write

software, draft reports, recommend decisions, and increasingly perform work once reserved for highly trained professionals.

This is one of the great technological achievements in human history. Yet the long-term trajectory of enterprise performance never reversed.

We Kept Improving Management

Technology wasn't our only response. Over the same fifty years, organizations launched perhaps the most ambitious management improvement effort in history.

Total Quality Management.

Business Process Reengineering.

Lean.

Six Sigma.

Balanced Scorecard.

ERP.

Agile.

DevOps.

Digital Transformation.

AI Transformation.

Executive education expanded. Consulting became a global industry. Organizations invested enormous resources trying to improve how they worked.

Each movement solved real problems.

Each created genuine success stories.

Each improved individual organizations.

Yet the long-term pattern remained.

If software alone were enough, the problem would have disappeared.

If process alone were enough, Lean would have solved it.

If leadership alone were enough, executive education would have solved it.

If strategy alone were enough, consulting would have solved it.

If information alone were enough, dashboards would have solved it.

If AI alone were enough, the trend would already be reversing.

Instead, the puzzle remains. Somewhere between capability and performance, something is being lost.

The Missing Link

Organizations rarely suffer from a shortage of ideas. They suffer from an inability to reliably convert ideas into coordinated action. That distinction changes everything.

Ideas don't consistently become execution.

Intentions don't consistently become behavior.

Knowledge doesn't consistently become coordinated institutional action.

The challenge isn't producing intelligence. It's translating intelligence into enterprise behavior.

What Executives Already Know

Most executives wouldn't describe the problem this way. Instead, they describe symptoms.

"We have extraordinary people."

"We have world-class technology."

"We have more data than we know what to do with."

"We have AI everywhere."

Then, almost immediately:

"Why does everything still take so long?"

"Why are there so many exceptions?"

"Why do projects drift?"

"Why can't we get the organization to move together?"

Those questions reveal a contradiction. The enterprise possesses unprecedented capability.

Yet it has become less predictable.

More capable. Yet less coherent.

More connected. Yet more fragmented.

More informed. Yet more difficult to steer.

Every New Capability Creates New Coordination

It's tempting to believe technology eliminates complexity. More often, it changes its scale.

Every new capability creates new interactions. Every new interaction creates new coordination requirements.

More systems.
More dependencies.
More decisions.
More handoffs.
More exceptions.
More participants.
Now, increasingly, more AI agents.

This is the paradox of progress. Every capability that expands what an enterprise can do also expands what it must coordinate. Complexity has grown faster than the enterprise's ability to synchronize it.

That helps explain why organizations experience decision latency, reconciliation work, conflicting dashboards, manual workarounds, and projects that drift despite extraordinary talent and information.

These aren't failures of intelligence. They're symptoms of a different constraint.

The Question We've Been Missing

Every generation believed it had finally discovered the missing ingredient.

Better information.
Better processes.
Better leadership.
Better software.
Better analytics.
Better artificial intelligence.

Perhaps the missing ingredient was never intelligence. Perhaps it was the enterprise's ability to convert intelligence into coherent institutional behavior.

If that's true, then management has spent decades trying to solve the right problem with the wrong variable. That possibility changes the conversation.

The question is no longer simply: How do we make organizations smarter?

It becomes something deeper. What allows an increasingly intelligent organization to continue behaving according to its own intentions?

That is the question the rest of this book attempts to answer.

Chapter 4 — The Work Nobody Counts

Every organization has two operating systems.

One appears on the organization chart.
The other appears almost nowhere.

The first creates value.
The second exists to keep the first functioning.

The Invisible Operating System

Leaders spend most of their time managing the visible enterprise. Much of their energy is consumed by the invisible one. It rarely appears in strategy presentations.

The Slack thread before the meeting.
The meeting before the meeting.
The spreadsheet that reconciles two systems that should already agree.
The weekly status report created because nobody trusts the dashboard.
The approval added after the last failure.
The email sent *"just checking."*
The project manager whose real job is translating between departments.
The AI-generated report that still requires three people to verify before anyone will act.

Every executive recognizes this work. Almost no one measures it. None of it creates customer value.

Yet more and more of the modern enterprise exists simply to keep the enterprise coordinated.

That should give us pause.

Organizations are quietly devoting increasing amounts of energy not to creating value, but to holding themselves together.

This work rarely appears on an organizational chart. It rarely has a budget. Most organizations simply accept it as the cost of operating at scale.

The Cost of Staying Aligned

Ask almost any leadership team what has changed over the past decade.

The answers are remarkably consistent.

"We have more meetings than ever."

"We have more dashboards than ever."

"We have more tools than ever."

"We have more data than ever."

"We have more initiatives than ever."

And yet:

"We're not moving faster."

"We're not executing better."

"We're not more predictable."

"We're not more aligned."

Those observations point to a deeper shift. The coordination burden is growing.

Complexity Changes the Math

Every new capability creates new interactions.

Every new interaction creates new coordination requirements.

A new software platform creates new handoffs.

A new business unit creates new dependencies.

A new acquisition creates new interfaces.

A new AI agent creates thousands of new decisions that must be trusted, verified, integrated, and coordinated.

Complexity grows additively. Coordination grows multiplicatively.

That distinction explains much of what executives experience today.

Reasonable Decisions. Unreasonable Outcomes.

Organizations respond the only way they know how.

They add another meeting.

Another approval.

Another report.

Another project manager.
Another integration team.
Another exception process.

None of these decisions is irrational. Each solves a legitimate problem. But each also creates new interactions that must themselves be coordinated.

The cycle quietly reinforces itself. Organizations rarely notice because it happens one reasonable decision at a time.

Every workaround survives.
Every temporary exception becomes permanent.
Every reconciliation spreadsheet gains another tab.
Every approval generates another approval.
Every special case creates another special case.

Nothing appears catastrophic. Everything appears manageable.

Until one day leaders begin saying:

"We spend more time coordinating than executing."

"We can't seem to move any faster."

"It feels like everything requires everyone."

Those aren't merely complaints. They're evidence.

Giving the Work a Name

Eventually I began calling this hidden work **coordination burden**.

Organizations exist to coordinate the movement of work, materials, information, commitments, and money.

Coordination burden emerges when increasing amounts of organizational effort are devoted simply to maintaining that coordination rather than creating value.

When Burden Becomes Debt

When coordination burden persists year after year, something else begins to accumulate.

Temporary workarounds become permanent architecture.
Exceptions become normal practice.
Manual reconciliation becomes institutional routine.

Organizations carry yesterday's coordination problems into tomorrow.

Like technical debt.

Like financial debt.

This accumulation becomes **coordination debt**.

It doesn't happen all at once.

One exception.

One workaround.

One approval.

One spreadsheet.

One accommodation at a time.

Eventually, an increasing share of organizational capability is consumed not by serving customers or creating value, but by sustaining coordination itself.

That is work almost nobody counts. Yet every executive feels its weight.

Which raises an unavoidable question. If organizations devote more and more effort simply to coordinating themselves, what determines whether that coordination actually succeeds?

The Pattern Behind the Symptoms

Viewed individually, these all appear to be operational problems.

More exceptions.

More workarounds.

More coordination debt.

More decision latency.

More reconciliation.

More drift.

More fragility.

More unpredictability.

Viewed together, they tell a different story. They are manifestations of a single underlying phenomenon. The enterprise is gradually losing its ability to behave consistently with its own intentions.

Chapter 5 — The Missing Capability

The evidence points toward a possibility management has rarely named. A missing capability.

The Question Hiding in Plain Sight

Every organization has intentions.

It intends to serve customers.

It intends to execute strategy.

It intends to coordinate work.

It intends to allocate resources wisely.

It intends to learn from experience.

It intends to behave in ways consistent with its purpose.

But anyone who has led an organization knows those intentions are not self-executing.

Somewhere between intention and behavior, something happens. Or doesn't.

Strategies drift.

Projects lose coherence.

Priorities compete.

Exceptions multiply.

Decisions slow.

Gradually, the enterprise begins behaving differently from what its leaders intended.

That raises a different question: whether an organization can consistently convert intelligence into coordinated institutional behavior.

That is a different capability altogether.

A Capability We've Rarely Named

Management has developed rich vocabularies for almost everything.

Leadership.
Culture.
Strategy.
Innovation.
Transformation.
Governance.
Execution.
Change management.
Operational excellence.

Curiously, we have almost no language for the enterprise's ability to remain faithful to its own intentions as complexity increases.

We describe outcomes. We rarely describe the capability that makes those outcomes reliable. That omission has become increasingly costly.

Complexity no longer grows one project at a time. It grows interaction by interaction. Decision by decision. Agent by agent. Increasingly, enterprise performance depends on what the organization can reliably coordinate.

Giving the Capability a Name

Eventually I realized I needed a word for what I kept observing.

Not leadership.
Not governance.
Not culture.
Not execution.

Each describes something important. None describes the phenomenon itself.

The question was surprisingly simple. Can the enterprise continue behaving according to its own intentions? Can it absorb increasing complexity without gradually drifting away from itself? Can it remain steerable?

I began calling that capability **governability**.

Not because the word is clever. Because I couldn't find another word that described the phenomenon more precisely. **Governability is the enterprise's capacity to continue behaving according to its own intentions as complexity increases.**

It is the capability that determines whether intelligence becomes coordinated institutional behavior.

Why Naming It Matters

Naming a phenomenon changes how we see it. Before physicians understood infection, disease often appeared mysterious. Before engineers understood structural stress, bridges appeared to fail without warning. Before economists understood inflation, prices appeared unpredictable.

The phenomena existed long before the vocabulary.

Organizations have always been more or less governable. We simply lacked language for describing the capability itself. Once the capability has a name, familiar observations begin to connect.

Decision latency.

Organizational drift.

Coordination burden.

Coordination debt.

Manual workarounds.

Endless reconciliation.

Exceptions becoming routine.

These no longer appear to be isolated operational frustrations. They become symptoms of a common underlying capability — or of its gradual weakening.

A Different Question

For decades, management has largely asked: *How do we make organizations smarter?*

That remains an important question. It is no longer the first one.

A more fundamental question now presents itself. *What allows an increasingly intelligent organization to continue behaving according to its own intentions?*

That question changes the direction of the rest of this book. Because once governability becomes visible, another question immediately follows.

What determines it?

Chapter 6 — Intelligence Isn't the Constraint Anymore

For most of modern management, intelligence was the scarce resource. Organizations struggled to gather information. To understand customers. To forecast demand. To coordinate operations across distance and time. To make informed decisions.

The assumption was straightforward. As intelligence increased, performance improved.

For much of the twentieth century, management's central task was overcoming the limits of human knowledge.

Better information.
Better analysis.
Better planning.
Better models.
Better decisions.

That was the age we inherited.

A Threshold Has Been Crossed

Something fundamental has changed. Organizations no longer struggle primarily because they lack information. They struggle because they possess more intelligence than they can reliably coordinate.

Consider what has quietly become ordinary.

Real-time operational dashboards.
Predictive analytics.
Global data platforms.
Cloud-scale computing.
Machine learning.
Artificial intelligence embedded in everyday work.

The modern enterprise can now sense, calculate, predict, and generate insight at a scale unimaginable only a decade ago.

Intelligence has not ceased to matter. But it has become increasingly abundant. The bottleneck has moved.

Every Solution Creates New Coordination

There is an irony at the heart of technological progress. Every capability that expands what an organization can do also expands what it must coordinate.

A new information system creates new interfaces.

A new business capability creates new dependencies.

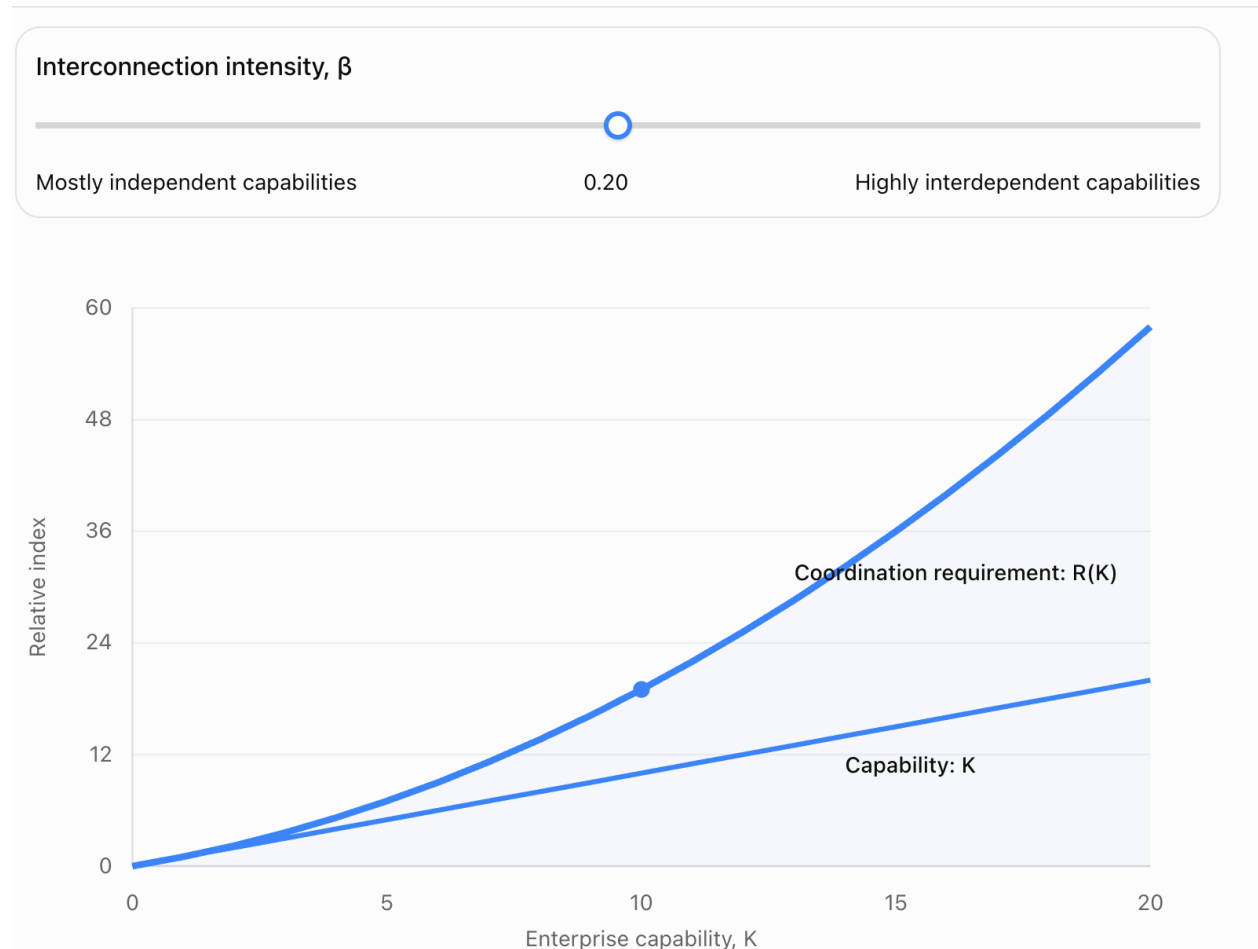
A new acquisition creates new interactions.

A new AI agent creates thousands of new decisions that must fit coherently into the life of the enterprise.

Technology solves one problem. It often creates another.

Every increase in capability produces a corresponding increase in coordination. Each capability may accumulate one unit at a time, while coordination requirements accelerate as those capabilities become interdependent. The enterprise becomes more capable. It also becomes more interconnected.

Those two curves are no longer moving at the same speed.



The organization gains a new capability one unit at a time. But each new capability does two different things. First, it adds its own **direct** coordination needs — the extra work required just to manage that capability by itself. Second, it creates **indirect** coordination needs — the extra work required because that capability now interacts with all the others already in place.

The New Constraint

When interactions grow faster than an organization's ability to coordinate them, intelligence begins producing diminishing returns.

Sometimes it produces the opposite.

More information.

More recommendations.

More choices.

More activity.

Without stronger coordinating conditions, those additional capabilities become additional coordination work.

This helps explain a familiar executive experience. Organizations know more than ever. Yet moving together feels harder than ever. The limitation is no longer what the enterprise can know. It is what the enterprise can reliably convert into coordinated institutional behavior.

Intelligence Has Become Abundant

For generations, intelligence primarily reduced uncertainty. Today, its abundance increasingly creates new coordination demands.

Artificial intelligence makes this especially visible. Every AI-generated recommendation creates another decision. Every autonomous action creates another dependency. Every digital capability creates new interactions among people, systems, regulations, customers, suppliers, and increasingly, other intelligent agents.

AI did not create the coordination challenge. It exposed and accelerated one that had been quietly growing for decades.

The more intelligence enters the enterprise, the more governability matters.

A Different Kind of Management

This represents a profound shift in management thinking. For decades the central question was: *How do we make organizations smarter?*

It is no longer sufficient.

A more fundamental question now emerges. *How do increasingly intelligent organizations continue behaving according to their own intentions?*

That question belongs to a different discipline. Not the management of intelligence. The management of governability.

Looking Through a New Lens

Once leaders recognize this shift, familiar problems begin to look different.

Decision latency is no longer merely a process issue.

Organizational drift is no longer merely an execution issue.

Coordination burden is no longer merely operational overhead.

They become indicators that the enterprise is approaching the limits of its governability.

That realization changes what leaders observe. It changes what they measure. It changes what they design.

Most importantly, it changes the question they ask.

What conditions allow an increasingly intelligent organization to remain true to its own intentions?

That question leads naturally to the next chapter. Governability is not an abstraction. It emerges from identifiable conditions. The question now becomes: **What are they?**

Chapter 7 — The Conditions of Governability

Every mature discipline eventually asks the question that shifts inquiry from **What happens?** to **What makes it happen?** By now, we've assembled enough evidence to ask that question of organizations. Why do some enterprises continue behaving according to their own intentions as complexity increases, while others gradually drift away from theirs?

If governability is a real organizational capability, it must emerge from identifiable conditions. The question is, What are they?

Looking Beneath the Symptoms

At first, the organizations we studied appeared to have very little in common.

Hospitals.
Agriculture.
Logistics.
Technology firms.
Energy companies.

Different industries.
Different histories.
Different technologies.
Different cultures.
Different leadership styles.

Yet beneath those differences, a pattern kept emerging. The same underlying conditions appeared again and again. Not occasionally. Repeatedly.

Eventually, the pattern became too consistent to dismiss as coincidence. That observation changed the direction of our work. Instead of asking why organizations failed, we began asking a different question:

What conditions were consistently present whenever organizations remained governable?

The Constitutional Environment

Imagine trying to govern a nation without a constitution. Every important decision would depend on whoever happened to be in the room. Authority would shift with personalities. Rules would drift with circumstances. Institutional memory would disappear with each administration.

The nation might continue functioning.
It would not remain reliably governable.

We understand this almost instinctively in civic life. Yet we rarely ask the equivalent question of enterprises.

What operating environment allows an increasingly complex organization to remain governable?

Not its culture.
Not its technology.
Not its organization chart.

Its governing environment — the environment within which decisions become coordinated behavior.

I call this the enterprise's **constitutional environment**. Because it establishes the enduring conditions under which coordinated institutional behavior becomes reliable.

Five Conditions Kept Reappearing

We didn't begin with a framework. We began with observations.

Failed projects left behind broken commitments.
Executive meetings eventually became arguments about evidence.
Bottlenecks ultimately became questions of authority.
Recurring behaviors persisted because consequences permitted them.
Organizations repeated mistakes they failed to institutionalize.

At first, these appeared unrelated. Eventually, they pointed toward something much simpler. Five conditions kept reappearing.

Commitment.
Evidence.
Permission.
Consequence.
Memory.

Only later did we begin calling them the **constitutional primitives**, because they appeared to be irreducible.

Different organizations expressed them differently.
Different industries implemented them differently.

But the underlying conditions remained remarkably consistent.

Why These Conditions Matter

Constitutions do not exist because people lack intelligence. They exist because intelligence alone cannot sustain coordinated behavior. As complexity increases, institutions become increasingly dependent on stable governing conditions rather than individual judgment.

That is true of nations.
It is equally true of enterprises.

And it becomes even more important as humans increasingly work alongside intelligent machines. AI does not eliminate the need for governing conditions. It magnifies it. Every increase in intelligence increases the number of interactions an enterprise must reliably coordinate.

Without stable governing conditions, activity grows faster than coherence.

A Different Kind of Explanation

The explanation emerging from this work is straightforward. Governability is not an accidental property of organizations. It emerges from constitutional conditions.

That does not mean every organization should look alike. Nor does it imply a single operating model. It means something more fundamental.

Beneath their visible differences, governable enterprises share a common constitutional architecture. That explanation connects the observations developed throughout the first half of this book.

Why intelligence increased.
Why coordination burden increased.
Why organizations became harder to steer.
Why enterprise performance continued to erode.

The governing environment failed to evolve as rapidly as intelligence itself.

Observation and Explanation

Throughout this book, I've tried to distinguish between observation and explanation.

The long decline in Return on Assets.

The explosion of organizational intelligence.

The growth of coordination burden.

Those are observations.

The constitutional environment is a proposed explanation. It identifies the mechanism that could connect those observations into a coherent theory. Like every serious explanation, it should be tested. Refined. Challenged. That is how disciplines mature.

Toward a Different Kind of Constitution

If governability emerges from constitutional conditions, then constitutions cease to be merely legal documents.

They become operating systems. They become the architecture through which intelligence becomes coordinated institutional behavior.

Which leaves one final question.

If every governable nation depends upon a constitution, why would we expect increasingly intelligent enterprises to be any different?

That is where we turn next.

Chapter 8 — What Constitutions Do

By now, the argument has brought us to an unexpected place. We began with a puzzle. Why have organizations become dramatically more intelligent while becoming steadily harder to steer? The evidence suggested that intelligence is no longer the emerging constraint. Instead, the missing capability is governability—the enterprise's capacity to continue behaving according to its own intentions.

That naturally leads to another question. *If governability depends upon constitutional conditions, what does a constitution actually do?*

The answer is surprisingly practical.

More Than a Document

The word *constitution* often misleads us.

We imagine parchment.
Legal language.
Government.
Politics.

But constitutions existed long before they were written. Every enduring institution has always depended upon governing conditions. Some explicit. Many invisible. The document is not the constitution. The document describes it. A constitution is the operating environment that makes coordinated institutional behavior possible.

The Enterprise as a Distributed System

Software engineers learned this lesson decades ago. Distributed computer systems do not coordinate because individual computers are intelligent. They coordinate because they operate within shared protocols.

Identity.
Authority.
Message formats.

State.
Recovery.
Conflict resolution.

Without those protocols, extraordinary computing power quickly becomes unreliable.

Modern enterprises increasingly resemble distributed systems. They consist of independent participants continuously coordinating decisions.

Employees.
Teams.
Suppliers.
Customers.
Partners.
Algorithms.
AI agents.

Millions of interactions now occur every day without direct managerial supervision. The enterprise depends less on constant management than on the environment within which those interactions occur.

That is constitutional work.

The Orchestra Nobody Sees

The same principle becomes obvious in another setting.

Imagine listening to a symphony orchestra. The audience hears beautiful music. They rarely think about what makes the performance possible.

The shared score.
The tempo.
The conductor's authority.
The agreed interpretation.

The memory developed through rehearsal.

Remove those conditions. Leave every musician exactly as talented. The performance collapses. Nothing about the intelligence of the musicians changed. Only the governing environment.

Organizations work the same way.

We often attribute success to talented people, exceptional leaders, or sophisticated technology.

Those capabilities matter enormously. But they are not sufficient. They amplify whatever environment surrounds them. The governing environment determines whether those capabilities reinforce one another—or work at cross-purposes.

That is what constitutions create.

What Constitutions Actually Change

Imagine something entirely ordinary.

A customer places an order.
An AI agent confirms inventory.
Operations schedules production.
Finance authorizes payment.
Shipping releases inventory.
Customer service updates the customer.

Nothing unusual.

Now imagine one governing condition is unclear. Who may approve an exception?

The AI recommends one action.
Operations chooses another.
Finance refuses payment.
Customer service promises something impossible.
The customer experiences confusion.

Nobody intended failure. Nobody lacked intelligence. The failure emerged because independent actors could no longer behave coherently together.

Constitutions exist precisely to prevent that kind of failure. Not by controlling every decision — by creating the conditions within which independent decisions naturally align.

The Shift in Design

This changes how we think about organizations. Traditional management begins with people.

Hire better people.
Train better people.
Lead better people.

Governability begins somewhere else.

Design the environment.
The environment shapes interactions.
Interactions shape behavior.
Behavior shapes institutional performance.

The constitution is therefore not another layer of management. It is the architecture within which management itself operates.

Why AI Makes This Urgent

Previous technologies expanded what organizations could accomplish. AI changes something more fundamental. It changes who participates.

Mainframes processed information.
ERP systems organized information.
Dashboards displayed information.

AI agents increasingly recommend.

Negotiate.
Generate.
Decide.
Execute.

Organizations are no longer coordinating only people. They are coordinating people and increasingly autonomous participants.

That changes the design problem. *The question is no longer: How do we coordinate people? It becomes: How do we create an environment in which humans and intelligent agents reliably behave as one institution?*

That is not primarily a technology question. It is a constitutional one.

The Invisible Infrastructure

Roads make transportation possible.
Electrical grids make modern cities possible.
Internet protocols make digital communication possible.

Most people rarely notice these systems. Until they fail.

Constitutions belong in the same category. They are invisible infrastructure. When they function well, organizations appear naturally coordinated. When they weaken, coordination burden quietly expands.

Exceptions multiply.

Trust erodes.

Drift accelerates.

People blame individuals.

The deeper explanation lies in the environment itself.

A Different Way of Seeing

Perhaps the most important shift in this book is also the simplest. Organizations do not become governable because they employ intelligent people. They become governable because they intentionally create environments in which intelligence becomes coordinated institutional behavior.

That is what constitutions do.

They do not replace leadership.

They do not replace management.

They do not replace technology.

They make all three more coherent.

Once constitutions are understood this way, they cease to be legal artifacts. They become operational architecture.

Which changes the next question entirely. The question is no longer, *Should enterprises have constitutions?* It becomes, *How do we know whether one is actually working?*

That is where we turn next.

Chapter 9 — Making Governability Observable

Gravity shaped the universe long before Newton described it.
Germs spread disease long before Pasteur could observe them.
Continents drifted long before geology explained them.

Governability has influenced organizations for as long as organizations have existed.

The phenomenon did not begin when we gave it a name. Only our ability to observe it did. The question is whether governability leaves observable traces.

If it does, an entirely new discipline becomes possible.

Learning to See

Every mature discipline reaches the moment when something previously invisible becomes observable.

Astronomy changed when celestial motion could be predicted. Medicine changed when disease could be detected before symptoms became catastrophic. Engineering changed when hidden structural stresses could be analyzed before bridges failed.

None of those disciplines invented their phenomena. They developed ways to observe them.

Governability deserves the same question. **If it is a real organizational capability, what evidence does it leave behind?**

What Today's Metrics Actually Tell Us

Modern organizations measure almost everything.

Revenue.
Margins.
Cycle time.
Inventory turns.
Utilization.

Customer satisfaction.
Employee engagement.

These measurements matter. But almost all answer the same question: *What happened?*
Very few answer the increasingly important question: *Why did the organization behave the way it did?*

Outcome metrics measure performance.
They rarely illuminate the conditions that produced it.

Looking Upstream

Financial statements reveal the economic consequences of organizational behavior.
Operational metrics reveal how work flowed. Customer metrics reveal how the market responded.

All are valuable. All are downstream. They describe results. They do not directly reveal the environment that produced those results.

Management has become extraordinarily good at measuring outcomes. The next step is learning to observe the conditions from which those outcomes emerge.

The question gradually shifts. Not, *What happened?* but: *What made this pattern of organizational behavior possible?*

That is an inquiry into constituting conditions rather than merely observable outcomes.

The Object of Observation

If governability is real, then the object of observation is not people. Nor financial performance. Nor culture.

It is the constitutional environment — the conditions within which coordinated institutional behavior either remains reliable or gradually begins to drift. That environment leaves traces.

Broken commitments.
Conflicting evidence.
Unclear authority.
Repeated exceptions.
Institutional forgetting.

These are not isolated operational annoyances. They are observable signals. They are fingerprints left by the constitutional environment itself.

Why Observation Matters

Observation changes what leaders notice.

Instead of asking: *Who made the mistake?* They begin asking: *What condition made that mistake possible?*

Instead of asking: *Why did execution fail?* They ask: *What weakened the enterprise's capacity to coordinate itself?*

The difference appears subtle. Its implications are enormous for leaders and organizations alike.

Organizations stop treating symptoms. They begin diagnosing environments.

From Measurement to Instrumentation

Useful observation does more than explain yesterday. It changes tomorrow.

Doctors value MRI imaging because it reveals conditions while intervention is still possible. Engineers monitor bridge stress before collapse. Pilots rely on instruments long before visual cues become dangerous.

Governability should work the same way.

Weakening commitments.
Growing coordination burden.
Increasing decision latency.
Expanding organizational drift.

These are not merely historical observations. They are **early indicators**. They appear long before deteriorating financial performance forces everyone to pay attention.

That is the difference between measurement and instrumentation.

Measurement reports what happened.
Instrumentation reveals what is happening.

The Beginning of Instrumentation

Every mature discipline eventually develops instruments.

Microscopes did not create bacteria.

Telescopes did not create galaxies.

Stress analysis did not create structural forces.

They made previously invisible realities observable.

Governability will require its own instrumentation. Not merely measuring financial outcomes — but observing the constitutional environment itself.

The reliability of commitments.

The coherence of evidence.

The clarity of permissions.

The predictability of consequences.

The durability of institutional memory.

The instrument is not the discovery. It is what the discovery eventually makes possible.

A Different Kind of Management

For more than a century, management has steadily improved its ability to measure organizational performance.

The next century may require something more fundamental. Not simply measuring what organizations accomplish. Observing the conditions that determine whether those accomplishments remain reliable.

That is not another dashboard.

It is a different object of inquiry.

A different form of instrumentation.

A different discipline.

Looking Ahead

Observation changes what becomes possible. What was once invisible becomes observable. What becomes observable becomes measurable. What becomes measurable becomes designable.

If governability can be observed, it can be strengthened. If it can be strengthened, organizations no longer need accept drift as the inevitable price of complexity. They can begin intentionally designing environments in which increasingly intelligent institutions remain faithful to their own intentions.

That is where we turn next.

Chapter 10 — Designing Governable Enterprises

Every mature discipline reaches the same turning point. It begins by observing a phenomenon. Then it explains it. Eventually, it learns to influence it.

Astronomy learned to predict.
Medicine learned to prevent.
Engineering learned to design.

Management now stands at a similar threshold.

We began with an economic anomaly: organizations had become dramatically more intelligent while becoming steadily harder to steer. We examined the hidden work required simply to keep enterprises coordinated. We identified governability as the missing capability. We proposed that governability emerges from constitutional conditions. And we considered how those conditions might become observable.

That journey changes the question. The inquiry is no longer simply, *Why do organizations drift?* It becomes: *How do we design organizations that remain faithful to their intentions as complexity grows?*

A Different Kind of Design

For more than a century, management has largely tried to improve organizations by improving people. Hire better people. Train them. Reward them. Evaluate them. Replace them when necessary.

Those practices will always matter. But they begin with an assumption that individual behavior is the primary object of organizational design.

Governability begins one level deeper.

The primary object of design is the environment within which behavior occurs. The constitutional environment shapes interactions. Interactions shape institutional behavior. Institutional behavior shapes enterprise performance. The design problem has been deeper than we realized.

Designing Conditions Instead of Corrections

Traditional management often asks: *How do we correct undesirable behavior?*

Governable enterprise design asks: *What condition allowed that behavior to emerge?*

That distinction changes the intervention. Instead of adding another approval, strengthen the condition that made the approval necessary.

Instead of adding another reconciliation process, strengthen the conditions that allow evidence to remain coherent.

Instead of creating another oversight committee, strengthen the conditions that make trustworthy decisions possible in the first place.

Instead of managing the same exception repeatedly, identify the constitutional weakness that allows it to recur.

The objective is not to become more efficient at correcting drift. It is to design environments in which less drift emerges.

The Enterprise as an Engineered Environment

Bridge engineers do not rely on careful drivers to keep bridges standing.

Aircraft engineers do not depend on pilot optimism to survive turbulence.

Distributed software systems do not coordinate because computers are cooperative.

Reliable behavior emerges because the environment has been engineered to support it.

The same principle applies to enterprises.

Governable organizations are not accidental. They are intentionally designed environments. The question becomes: *What conditions make reliable institutional behavior more likely?*

That is an engineering question.

Constitutional Design

Constitutional design begins before the organization chart.

Before the workflow.

Before the software.

Before the AI.

It begins with foundational questions.

What transforms an intention into a genuine commitment?

What qualifies as trustworthy evidence?

Under what conditions may action proceed?

Who possesses authority, and within what limits?

How should consequences reinforce institutional reliability?

What must the organization remember so that capability compounds rather than disappears?

These questions do not merely produce procedures. They establish the environment within which procedures, technologies, and decisions can operate coherently.

Everything else grows from there.

Why Artificial Intelligence Changes the Stakes

Artificial intelligence does more than automate work. It multiplies participation.

Increasingly, enterprises consist of people and intelligent agents continuously generating recommendations, decisions, negotiations, and actions. The organization is becoming an ecosystem of interacting intelligence.

That changes the work of management. Management can no longer depend primarily on supervision. It must increasingly depend on constitutional design.

The challenge is to create an environment in which independent participants—human and artificial—can reliably behave as one institution.

That challenge did not begin with AI. AI makes postponing it impossible.

From Management to Engineering

Every new discipline begins when someone realizes the wrong thing has been treated as the primary object of design. Medicine moved beyond treating symptoms to understanding underlying conditions. Engineering moved beyond craftsmanship to designing repeatable systems. Computer science moved beyond programming isolated machines to architecting distributed environments.

Management now faces a similar transition.

The next frontier is not simply designing better organizations. It is designing the governing environments that allow organizations to remain coherent as their capabilities and complexity expand.

For decades, enterprises improved what they possessed:

Better leaders.

Better processes.

Better technology.

Better information.

Now, better artificial intelligence.

The next advance will come from improving the conditions under which those capabilities interact.

That is not another management methodology. It is not another operating model. It is not another transformation framework. It is the beginning of **governable enterprise design**.

A New Object of Management

Management has become highly proficient at analyzing organizations.

It measures performance.

Optimizes processes.

Allocates resources.

Improves decisions.

Those disciplines remain indispensable.

But as enterprises become more complex, the challenge shifts from optimizing isolated parts to designing the conditions that allow those parts to behave coherently together.

Governability begins as an act of perception. Before it can be measured, strengthened, or engineered, it must be seen.

Once seen, it becomes possible to ask different questions.

Where are commitments weakening?

Where is evidence becoming unreliable?

Where is authority unclear?

Where are consequences failing to shape behavior?

Where is institutional memory being lost?

Those are not secondary operating questions.

They are questions about the enterprise's capacity to remain itself.

The Work Ahead

This book has not attempted to present a finished system. It has attempted to make a previously neglected capability visible.

The theory must now be tested.

The observations expanded.

The instruments refined.

The constitutional patterns examined across industries, institutions, cultures, and technologies. Some ideas will prove incomplete. Some distinctions will need revision. New evidence will challenge present assumptions.

That is not a weakness. It is how a serious discipline develops.

The work cannot belong to one person, one company, one university, or one profession. It requires executives, operators, researchers, engineers, economists, technologists, and institutional leaders willing to examine organizations from a different level.

Not merely, *What did the organization produce?* But, *What conditions caused the organization to behave as it did?*

Once those conditions become visible, we are no longer limited to explaining organizations. We can begin to design them.

The Next Era of Management

The twentieth century taught us how to build intelligent enterprises. The twenty-first century will be defined by whether we learn to build governable ones.

Not organizations that resist change— but organizations that remain true to their purpose through change.

Not institutions that merely accumulate intelligence— but institutions that reliably convert intelligence into coordinated behavior.

Not enterprises that depend on continual intervention— but enterprises whose governing environments make coherent action possible at scale.

AI has ended the era in which management could assume that coordination would emerge naturally from better information, better systems, and better decisions.

It will not.

Coordination must now be designed. Governability must become observable.
Constitutional conditions must become an explicit object of management.

This is not the end of the inquiry. It is the beginning of a new discipline.

**The twentieth century optimized the enterprise.
The twenty-first century must learn to govern it.**