# Ownership beats budget.

Why technology and transformation initiatives rarely fail for lack of money, and what boards and executive teams can take from it.

**Dr Jeremy Celestin Schönwälder**
A point of view from research and practice

schoenwaelder.ch

SUMMARY

# The first question is usually: how much budget does it need? The better question is: who owns it?

When an initiative stalls, companies reach for a familiar remedy. They provide more money. A study of 19 corporations, which I conducted together with Anja Weber and published in 2023 in the journal Business Strategy and the Environment, points to a different lever.

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**19**
corporations studied, 12 from the DAX and MDAX, 7 international

**7 of 7**
companies without focused ownership remained on the two lowest maturity stages

**0 of 4**
companies with dedicated budget but diffused ownership moved beyond stage 2

**3 of 3**
companies with focused ownership but no dedicated budget reached stage 4 or 5

### Three statements

1. **The difference followed ownership, not budget.** Where a topic belonged to a named unit, it moved forward. Whether that unit had a dedicated fund or had to secure its funding case by case made no discernible difference.
2. **Ownership needs a mandate.** Two companies had a dedicated unit and dedicated money and were still at the beginning. Both were primarily focused on optimising the existing business.
3. **Good metrics in a field say little about the ability to build something new.** The three German companies on the highest maturity stage were in the bottom half of the sample for sustainability performance.

> **For context.** The study examines how corporations create sustainable new business models. It is qualitative and small. The transfer to technology and digital transformation from page 6 onwards is my thesis from 25 years of practice, not a finding of the study. The two are clearly separated in the text.

# Budget is the answer that is easiest to give.

A budget can be approved, quantified and communicated. It shows that a topic is taken seriously. That is why innovation funds, digital budgets and now AI funds are created. The question of who is responsible for what with this money often remains open. Our study looked at the two separately. The second question is less comfortable, because it touches organisation charts, authority and vested interests.

## The study in brief

| | |
|---|---|
| **Question** | How do corporations create sustainable new business models, and what role does collaboration between venture units and sustainability departments play? |
| **Sample** | 12 companies from the DAX and MDAX across eight industry sectors, with around 130,000 employees on average. For verification, 7 international companies headquartered in five countries. |
| **Data** | 21 expert interviews with managers from venture, innovation and sustainability functions: 14 interviews of our own from April to July 2020 and 7 transcripts from an advisory firm dated August 2020 (secondary data). Coding cross-checked by a second researcher. |
| **Framework** | The four models of corporate entrepreneurship by Wolcott and Lippitz (2007). |

## Two levers, four models

Wolcott and Lippitz distinguish companies along two questions. First: is ownership of new business focused in a named unit or diffused across the organisation? Second: are there dedicated funds for it, or is funding ad hoc? This results in four models.

| | Ad hoc funding | Dedicated funds |
|---|---|---|
| Focused ownership | **Advocate**<br>A dedicated unit drives the topic but has to win its funding from the business units. | **Producer**<br>A dedicated unit with its own funds. |
| Diffused ownership | **Opportunist**<br>No unit, no fund. New things emerge by chance. | **Enabler**<br>There is money and leadership attention, but no unit that owns the topic. |

# Where nobody owned it, money did not help either.

The chart shows all 19 companies. Each dot is one company, placed by its model and the maturity stage it reached, from 1 (no initiatives) to 5 (strategically integrated).

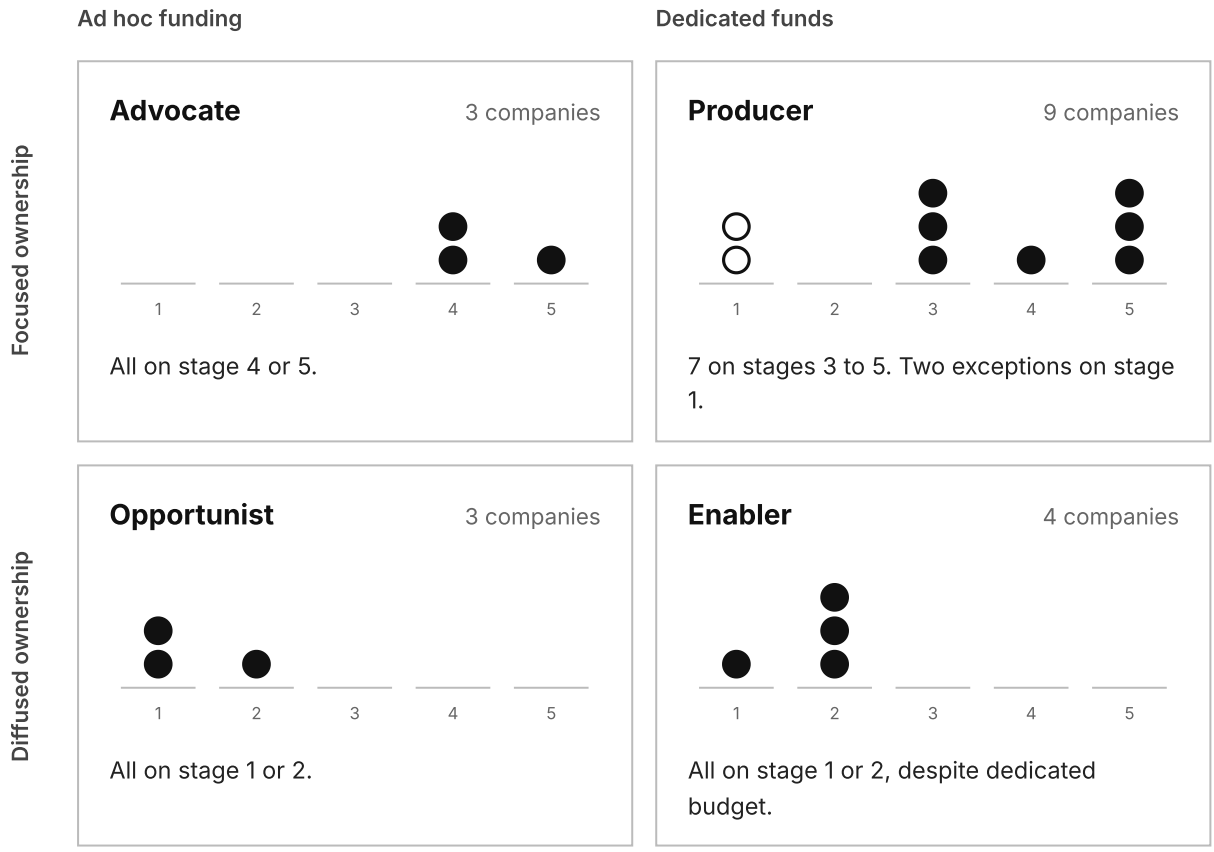


Figure 1: Organisational model and maturity stage reached, 19 companies. Own illustration based on Schönwälder and Weber (2023), figures as per Table 9 of the dissertation version. Hollow dots: exceptions, see page 5.

## What the chart shows

- **The dividing line runs horizontally.** All seven companies with diffused ownership remained on stages 1 and 2. Of the twelve companies with focused ownership, ten reached stages 3 to 5.
- **Vertically, there is no advantage.** The four enablers had dedicated budget and did not move beyond stage 2. The three advocates had none and reached the two highest stages.
- **The conclusion of the study:** it is primarily clear ownership, rather than the dedication of financial funds, that drives such initiatives.

# A unit alone is not enough. It needs the mandate to build something new.

Two companies do not fit the pattern. Both had a dedicated unit with its own funds and were still on stage 1. The interviews show a common feature: both focused their work primarily on optimising existing processes and supply chains. In one of the two, according to the interview, the functions involved had no shared strategic goal. The infrastructure was there, the mandate was not.

The second qualification concerns measurement. We found no association between the companies' sustainability performance, measured by ESG score, and their maturity stage. The three German companies on the highest stage were in the bottom half for sustainability performance. Running the existing business well does not mean building something new.

## The five stages

The stages describe how closely two functions with different knowledge work together: the one that can build new business, and the one that understands the subject matter.

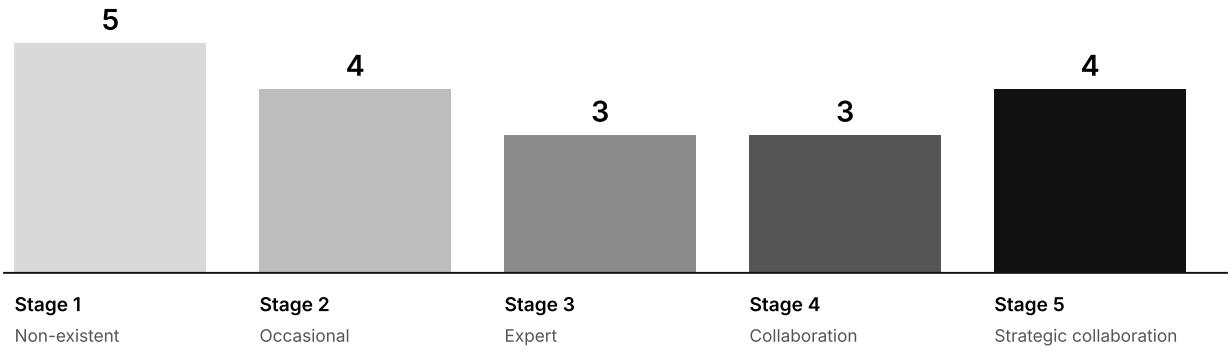


Figure 2: Distribution of the 19 companies across the five maturity stages. Own illustration based on Schönwälder and Weber (2023).

| | |
|---|---|
| 1 | **Non-existent.** No initiatives, no touchpoints. |
| 2 | **Occasional.** Individual projects emerge by chance in single units. |
| 3 | **Expert.** One unit drives the topic and involves the other for advice and validation. |
| 4 | **Collaboration.** Both functions work hand in hand and align strategically, but remain separate. |
| 5 | **Strategic collaboration.** Both competencies sit in one unit under one leadership. Customers and partners are involved early. |

# What this means for technology.

> **From here on, practice speaks.** The study examined sustainability, not technology. The following statements are my thesis. I consider the transfer sound because the starting position is the same: a function with specialist knowledge has to come together with the business for something new to emerge.

Replace "sustainability" with "technology" in the five stages and a picture emerges that many executive teams will recognise. On stage 3, IT is brought in for a feasibility check or sign-off after the business function has decided. On stage 5, business and technology are jointly accountable for an outcome. I regularly encounter three patterns from the study in practice.

PATTERN 1

### Budget without an owner

There is a fund for digitalisation or AI that many areas draw on. Pilots emerge, but hardly anything becomes standard, because nobody is accountable for the outcome beyond the pilot. This corresponds to the enabler: money and attention are there, ownership is missing.

PATTERN 2

### Ownership without a mandate

The technology organisation is clearly named and funded, but measured on stability and cost alone. It reliably optimises what exists. New things then emerge around it, often as shadow IT. This corresponds to the two exceptions in the study.

PATTERN 3

### Knowledge in silos

Business and technology work one after the other instead of together. One orders, the other delivers. The cost of this handover appears in no budget, but in every project timeline.

## An example of the opposite

At Henkel, the purpose-built unit dx Ventures created a new direct-to-consumer business. An interdisciplinary team needed four weeks for ideation and eight weeks for prototyping and validation. The subsequent pilot was run by a start-up with its own founding team. In my view, that was decisive: in every phase it was clear who owned the outcome. The case has been published as a case study (Marketing Review St. Gallen, 2021).

## Limitations

The study is qualitative and covers 19 companies. It shows a pattern, not a statistically established causal relationship. The interviews date from 2020, seven of them are secondary data, and the interviewees came from venture or sustainability functions. Whether the findings hold for mid-sized companies has not been examined. The transfer to technology in chapters 4 to 6 is the author's assessment.

# Four principles for leading technology.

**1** **Name the owner first, then approve the budget.**

Every initiative and every digital product has a named person who is accountable for the outcome in the business, not just for delivery. A budget request without this is not ready for a decision.

**2** **Split the mandate explicitly.**

Running and building are different mandates with different metrics. Measure the technology organisation on stability and cost alone, and you get stability and low cost. The mandate to build something new has to be stated and measured.

**3** **Bring competencies together instead of managing interfaces.**

The highest stage in the study was reached where both competencies sat in one team under one leadership. For core products, this means mixed teams of business and technology with a shared goal.

**4** **Measure the effect on the business.**

Good operating metrics prove good operations. Whether technology moves the business forward shows in revenue, cost, time and customer experience.

### How I put this into practice: Run, Enable, Drive

In my own organisation, I assign every task to one of three layers. **Run** keeps operations secure and economical. **Enable** creates platforms and standards on which the business functions work faster. **Drive** builds, together with the business, what sets the company apart. Each layer has its own goals and a clear owner. This makes visible what funds are used for and who is accountable for the outcome.

| Run | Enable | Drive |
|---|---|---|
| Operate | Empower | Shape |
| Stability, security, cost | Platforms, standards, speed | Differentiation, growth |

# Five questions for boards and executive teams.

1. Can we name, for each of our five most important technology initiatives, one person who is accountable for the business outcome?
2. Which budgets have we approved without a named owner?
3. Does our technology organisation have the explicit mandate to build something new, and do we measure it on that?
4. On which of the five stages do business and technology work together in our company: advice on request, alignment or joint accountability?
5. How would we recognise in twelve months that technology has moved the business forward?

## Sources

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## About the author

Dr Jeremy Celestin Schönwälder is responsible for technology, IT and digital products at a Swiss watch manufacturer. He previously held senior roles at Henkel, IKEA, Amazon and Telefónica. He holds a doctorate from HHL Leipzig and a dual MBA from Durham University and EBS.

**jeremy@schoenwaelder.ch · schoenwaelder.ch**

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