PROCESS GOVERNANCE: THE WHY, WHAT AND HOW

Introduction

Companies create value for customers and shareholders (value streams) via the effectiveness and efficiency of activities which flow across organization boundaries – often referred to as the firm's cross-functional business concepts. Process Governance spans both the business and technology and provides a layer of visibility and control over the processes. In order to optimize and sustain business process improvements it's essential to overlay some form of governance that creates the right structures, metrics, roles and responsibilities to measure, improve and manage the performance of a firm's end-to-end business processes[1]. In this chapter we will therefore center on the concepts of Process Governance, both from the angle of what it is, why it is needed, where it can be applied and the benefits of applying it. We believe that the principles of Process Governance are essential to any organization. This chapter is intended to Executives, Project Leaders, and methodology experts, governance responsible and business owners who are responsible for daily operations and are interested in Process Governance.

Why is Process Governance important?

Most business processes happen through serendipitous need. Action is needed, someone does something that works, and the organization accepts this as the way things should be done going forward. As such, many organizations do not fully understand how things happen nor have they considered alternative ways to improve their processes, especially in relation to their content and how it moves through the organization. In order to truly understand organizational processes and the impact they have with content or content with the process, you need to map the process and document the interaction with content[2]. BPM, Business Architecture, Finance, Production etc., should be management practices that provides for governance of the business environment toward the goal of improving agility and operational performance. Process Governance is a structured approach employing methods, policies, metrics, management practices, and software tools to manage and continuously optimize an organization's activities and processes[3]. This means Process Governance goes to the root of organizational structures, methods and operations, and it is important to ensure that the changes it initiates are the right ones[4].

Besides the ability to govern the processes, provide governance methods, policies, and metrics to ensure Process Governance, Process Governance is required in order to link the daily process governance to corporate governance, value governance, performance governance as well as IT

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[1] Enterprise Governance, Andrew Spanal; http://www.bpminstitute.org/resources/articles/bpm-governance
[2] How to Unclog Your Business by Automating Content-Intensive Process; AIIM Training http://www.trindocs.com/Portals/3/HowtoUnclogYourBusiness.pdf
[3] Gartner report, Business Process Management: Preparing for the Process-Managed Organization, 2005.
[4] Oracle Practitioner Guide – A Framework for Enterprise Governance, Release 3.0, E24090-03, August 2011

governance. As illustrated in figure 1, Process Governance provides the connection to the other governance disciplines within an organization. It governs performance and conformance at an operational level and on the strategic level focuses on value identification, planning and creation. IT related activities of Process Governance focus cost reduction; while corporate aspects of Process Governance focus on activities to ensure revenue generation.
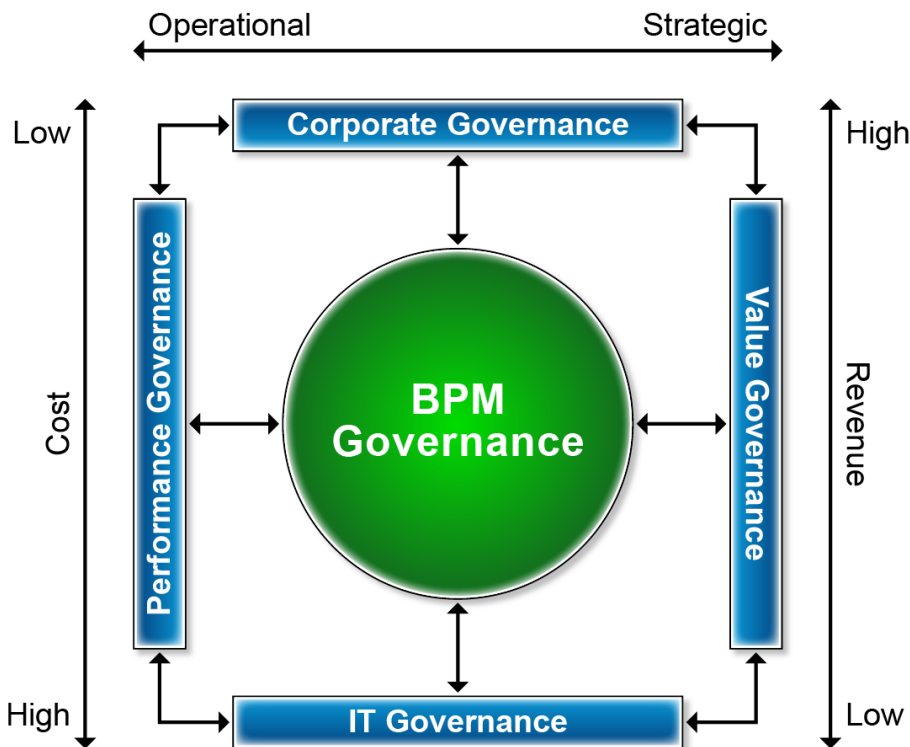
Figure 1: How Process Governance connects to other governance disciplines, and the revenue and cost associated with them.[5]

What is Process Governance?

A business process is a continuous series of enterprise tasks, undertaken for the purpose of creating output. Business processes enable the value chain of the enterprise, as well as focusing on the customer when the output is created. The purpose is to make the business process as significant as possible and to link it to multiple functions[6]. All companies have business processes, regardless of size or industry. When maintained and optimized, they will ensure competitiveness and survival in the marketplace.

Business processes have to be managed within an organization to enable and support a long-term business success. This means the continuous reassessment, realignment and adaptation of business processes that enable strategic objectives to be implemented consistently and translated into everyday operational activity. It also means realignment and continuous adaptation of the related organizational and IT structures to meet the requirements of the market. Based on process analysis

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[5] LEADing Practice Governance Reference Content #LEAD-ES10018GO
[6] Hammer and Champy (1993): Reengineering the Corporation: A Manifesto for Business Revolution. HarperBusiness, New York.

it is possible to make the right decisions, significantly improve product and service quality, boost efficiency, and cut costs[5].

Business Process Management is a management discipline that provides governance in a business environment, with the goal of improving agility and operational performance[7]. It is a structured approach employing methods, policies, metrics, management practices, and software tools to coordinate and continuously optimize an organization's activities and business processes. Its objective is to control and improve an organization's business through active, coordinated governance of all aspects of the specification, design, implementation, operation, measurement, analysis, and optimization of business processes in order to effectively and efficiently deliver business objectives[5] [8].

Business Modelling Center of Excellence & Governance

Process Governance supports the establishment of enterprise-wide concepts such as processes, services, rules, methodologies, guidelines, tools, measures and roles for business management. For the most Process Governance is ether found within the Business Modelling Center of Excellence such as BPM CoE or Transformation CoE or its concepts is applied within to oversee and manage projects throughout the entire LifeCycle. Ensuring the operation is consistent across the enterprise, reusable, and efficient. The development and maintenance of policy, conventions, and standards for an enterprise-wide Business Modelling approach are main tasks of such CoE. Below in Figure 2 is an example of a BPM Center of Excellence[5] which is executed through Process Governance.
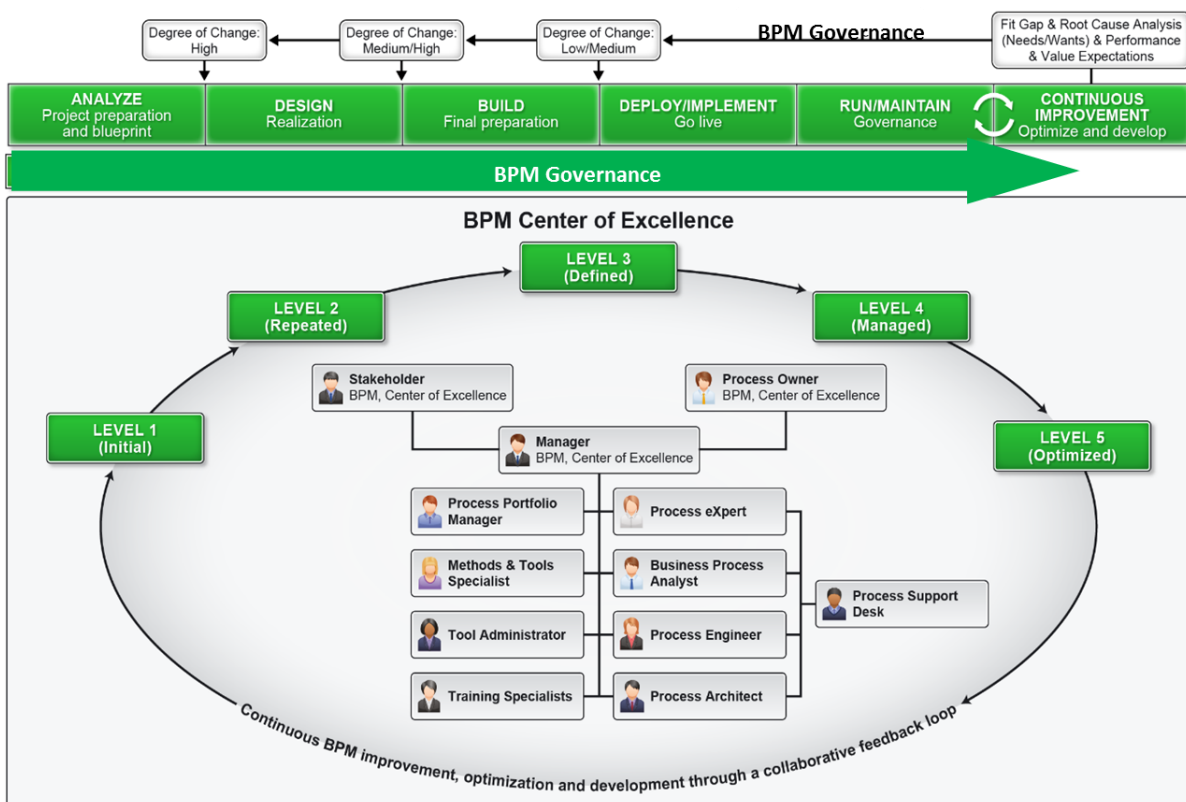
[7] Melenovsky M J (2006): Business Process Management as a Discipline, 1 August 2006. ID Number: G00139856. Gartner Research
[8] Brabaender E, Davis R (2007): ARIS Design Platform – Getting started with BPM. Springer, London.

Figure 2: Process Governance applied throughout the BPM LifeCycle and done by the BPM CoE.[9]

Process Governance consists of the set of guidelines and resources that an organization uses to facilitate collaboration and communication when it undertakes enterprise process initiatives, such as implementing a new contracts administration process or a new budgeting system. In this context, there are five basic steps for effective process governance:[10]

1. **Establish standards** for implementing new projects. Examples of enterprise standards include:
   - Implementation Methodology: Organizations should subscribe to a specific set of their implementation methodologies.
   - Modeling Notation: When modeling processes, services, value or even case's, it is important to standardize how different activities and events should be graphically represented.
   - Development Platform: Implementing enterprise-wide project initiatives require organizations to standardize on a set of development concepts and tools.
   - Integration Protocols: Enterprise-wide modelling governance typically require tight integration with back-end data and other enterprise systems. It is important to decide early on which integration standards will be used to connect for example processes and services with other internal and external systems.

2. **Prioritize enterprise wide projects** so that you work on the most achievable ones first.
   - Level of Complexity: How complex is the proposed project or process? At the beginning of your initiative it is important to establish quick wins. If possible, avoid implementing complex processes first.
   - Reach and Impact: How many people will the project or process impact and how much pain is caused by the current process? Initially, priority should be given to project that represent the greatest impact to a small group of users.
   - Executive Support: Is the process currently a hot topic in the executive board room? It is important to decide how priority will be given to processes that are widely supported by the executive team.
   - Subject Matter Expertise: How well documented is the area of interest; on paper and in carbon life forms? Priority should be given to processes that are well documented. You should also consider accessibility to subject matter experts.
   - Process selection guidelines should list and weight each criterion. This will create some level of transparency around how processes are selected for implementation. It is important to gain consensus throughout the organization on the slate of process selection criteria.

3. **Clearly define the roles** and responsibilities of everyone involved in the BPM project. At a minimum, responsibilities should be defined for the following roles:
   - Executive Sponsor: As outlined in the previous section, the executive sponsor provides high level visibility for the process initiative.
   - Process Steward: The process steward provides guidance and direction for a particular process. This is typically the business unit manager or director that realizes a direct benefit or pain as a result of the process.

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[9] LEADing Practice Business Process Reference Content #LEAD-ES20005BP
[10] "Process Governance Best Practices: Building a BPM Center of Excellence", Clay Richardson, 2006

- Process Manager: The process manager is the person charged with leading the implementation of a particular business process. This individual is held accountable for the success or failure of deploying the business process.
- Functional Lead: This individual is responsible for leading process analysis and requirements gathering. Functional leads oversee process discovery sessions with end users and managers, in addition to modeling the process and business rules.
- Technical Lead: The technical lead oversees implementation of technical components of the process. This includes system installation and configuration, application and forms development, and back-end integration.

4. **Put someone in charge** with authority to enforce Process Governance rules.
   - Executive sponsorship is the single most important ingredient required for successful process governance. Without executive sponsorship, most enterprise-wide process initiatives lack a decisive voice capable of resolving process-related conflicts that arise during implementation. Within some organizations, the executive sponsor is a full-time vice president or manager that is accountable to the CEO. However, in most cases the executive sponsor plays a part-time role in addition to his or her regular full-time job duties. With either scenario, the executive sponsor must be empowered to enforce agreed upon governance rules and should have budget authority for process initiatives.

5. **Establish a BPM Center of Excellence** to ensure that steps 1-4 are followed on every initiative. These Centers of Excellence serve as internal practices that support deployment of enterprise-wide business processes. BPM Centers of Excellence are usually chartered to accomplish the following objectives:
   - Prioritize and Implement Processes: The Center of Excellence works with the executive sponsor and business managers to identify and prioritize process projects. Process selection guidelines should be developed to help the BPM Center of Excellence rank the processes to be implemented. After processes have been prioritized, the Center of Excellence can focus on its primary objective: developing and deploying processes.
   - Maintain the Process Portfolios: This consists of maintaining knowledge and documentation captured for each process. This knowledge is often contained in process requirements documents, training manuals, and project plans. The Center of Excellence is tasked with maintaining these artifacts in a physical library or within a virtual knowledgebase.
   - Establish Process Practices: Upon completion of each deployment, the BPM Center of Excellence conducts post-project reviews and identifies lessons learned. These reviews are used to establish leading, or at the very least, best practices that can be applied to future process implementations.
   - Evaluate Process Performance: Working with the process steward and executive sponsor, the Center of Excellence periodically evaluates the effectiveness of deployed processes. Process effectiveness is evaluated based on key performance metrics established prior to process deployment.

BPM Centers of Excellence are growing in popularity as many organizations begin to expand departmental BPM initiatives to encompass the enterprise. Centers of Excellence are most appropriate for organizations looking to deploy three or more processes that will need to interact with multiple departments. Working closely with the executive sponsor, the BPM Center of Excellence should be assigned responsibility for defining and enforcing process governance rules. Once process governance rules have been established, these rules should be institutionalized and automated by the Center of Excellence.

How does Process Governance work?

In practice, Process Governance works on two levels, the program and the project level.
At the program level, while executive management sets the strategic direction for the
BPM initiative, the governance body is responsible for its measurement and enforcement, ensuring
alignment using approved frameworks and tools; managing the roadmap and selection of projects to
meet strategic goals. At the project level, Process Governance directs the project management of
solution delivery to work within an engineering and project framework[4].

Process Governance directs both the conformance and performance aspects in alignment within
Process Governance and can be described as follows:

Performance includes:
- Maximising economies of scale across co-existing processes and value streams
- Efficiency gains (processing time, costs, throughput capability).
- Customer satisfaction/customer experience.
- BPM Program/Project management (benefits realisation & value management)
- Effective & efficient use of resources (e.g. human, financial, assets)

Conformance includes:
- Process compliance (standardisation).
- Compliance with enterprise policies and external regulatory standards.
- Risk management and control.
- Integration of Process Governance across the organization (coexistence with other
  governances).
- BPM Guiding Principles & Standards
- Alignment of Process Governance with Business Architecture (e.g. processes mapped to
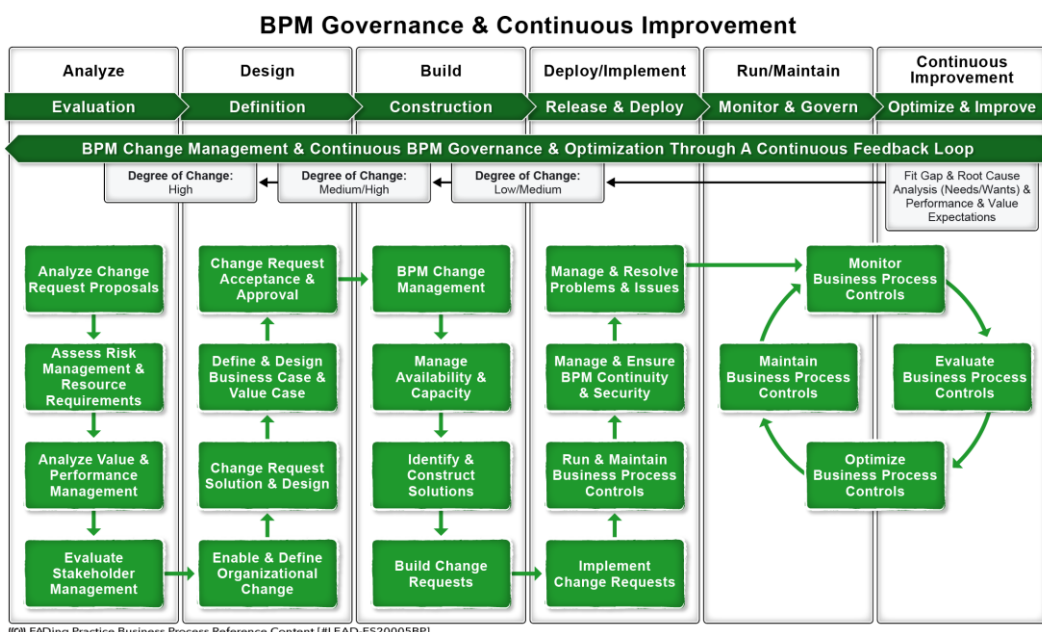 value streams; processes linked to business competencies).

BPM Governance & Continuous Improvement

Figure 3: The Process Governance & Continuous Improvement model.[11]

This is accomplished within a continuous improvement lifecycle methodology, ensuring Process Governance is relevant, effective and always in alignment with the strategic objects of the organisation[5]. It includes the governance of business process improvement using BPM, as well as governance of the implementation and adoption of BPM in the organization. The lifecycle can be described as follows:

Analyse:
- Analyse as-is state of BPM CoE governance (e.g. methodology, organisational structure) and maturity of business processes.
- Identify BPM CoE governance objectives & requirements
- Assess alignment of business processes to strategic business objectives and critical success factors of organisation
- Identify present pain points, bottlenecks & weakness clusters
- Analyse the structure and efficiency of current business processes (e.g. process architecture; process flows, times & costs).
- Assess current state of process accountabilities & compliance to standards

Design:
- Define to-be state of Process Governance CoE (e.g. framework/model, structure)
- Assess BPM CoE resource capacity
- Define process control objectives and practices
- Define targets to support strategic business objectives and critical success factors of organisation
- Define enterprise wide process architecture
- Define BPM standards & policies
- Define Measurements & Monitoring methods (benefits realisation, value management)

Build:
- Develop accountability framework (e.g. RACI)
- Develop BPM Policies & Standards (modelling approach, best practices)
- Select process improvement & reengineering projects (e.g. Six Sigma), grouping projects into BPM programs
- Create to-be state of selected processes (e.g. optimization, agility)
- Allocate BPM CoE Governance resources
- Create BPM CoE Governance structures

Deploy/Implement:
- Implement BPM CoE Governance structures
- Direct process improvement projects and programs, including automation opportunities (e.g. using Process Reference Models)
- Implement BPM standards, policies & procedures
- Deploy BPM CoE Change Deployment management, including communications & training

Run/Maintain:
- Monitor and govern compliance & accountability (audit)
- Monitor effectiveness of BPM CoE Governance Structures

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[11] LEADing Practice Governance Reference Content #LEAD-ES10018GO

- Monitor process effectiveness & efficiency (e.g. resource utilization, costs, processing times) through qualitative and quantitative measures against targets (KPIs, SLAs)
- Monitor success of process improvement projects (benefits realisation)

Continuous Improvement:
- Identify processes with potential for redesign, improvement and greater productivity.
- Identify opportunities to streamline value streams.
- Identify/eliminate process redundancy.
- Identify opportunities to improve accountability and compliance
- Identify opportunities to improve BPM standards, policies, procedures and enterprise wide process architecture
- Identify opportunities to optimize BPM CoE Governance Structures
- Identify opportunities to optimize resource utilization
- Modify targets to support changes in strategic business objectives and critical success factors of organisation

Process Governance & Incident Management

In the Run & Maintain phase of the Process Governance & Continuous Improvement lifecycle (see figure 3), Incident Management is an important service that supports process governance and control. Incident Management should be used for handling all incidents related to both manual/labour-intensive and automated processes. This includes requests for BPM projects (process improvement/redesign), process failures, degradation of services (value streams), or process questions and concerns reported by users, by technical staff, or automatically detected and reported by event monitoring tools. In the context of Process Governance the primary goal of the Incident Management process is to restore normal operations as quickly as possible and minimize the adverse impact on services. Process Governance also uses the information created by Incident Management to monitor and direct performance & conformance governance aspects. As illustrated in figure 4 are there seven main phases of Incident Management[12] and all of them are interlinked with the BPM CoE, the BPM Roles, the BPM LifeCycle, the Process Templates as well as BPM Change Management.
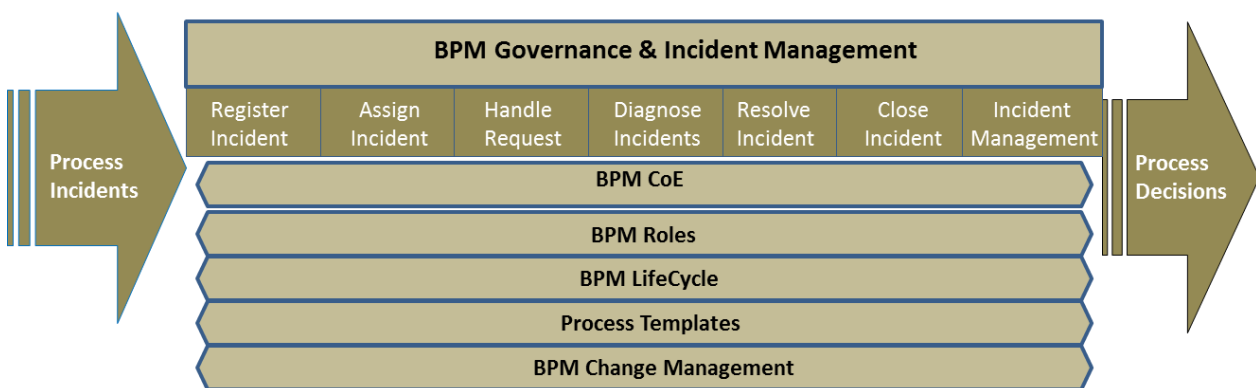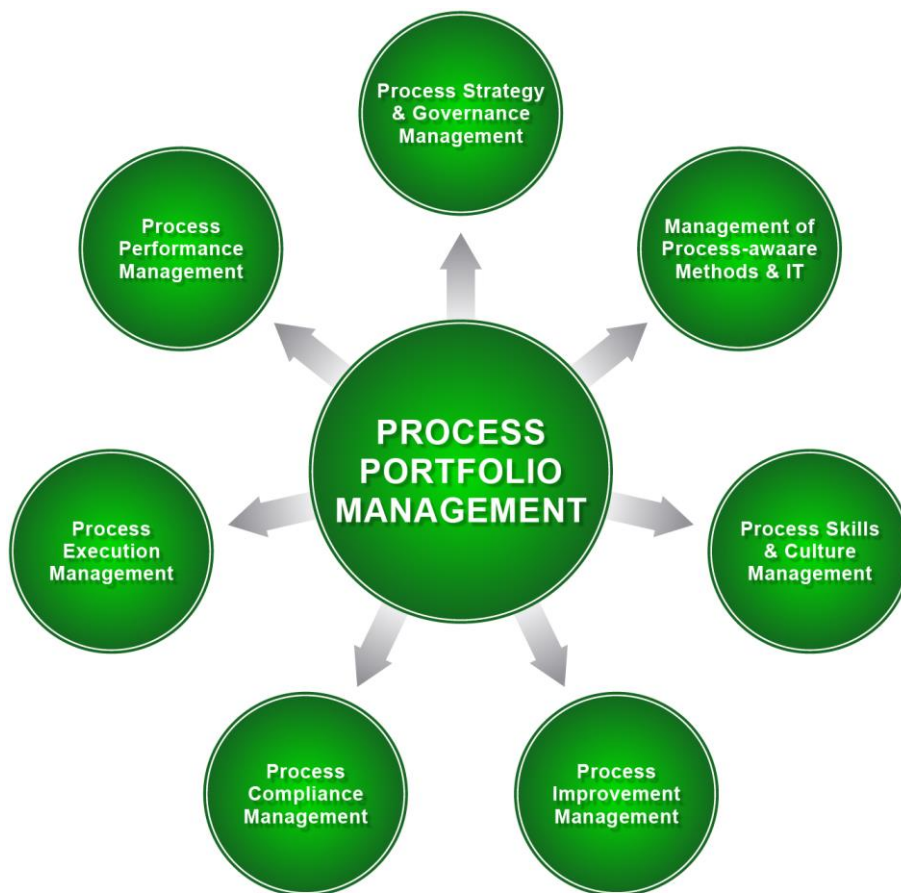

Figure 4: Incident Management phases are interlinked with the various BPM concepts.

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[12] "Incident Management", Lisa Callihan from http://www.mais.umich.edu/methodology/service-management/incident-management.html

BPM Portfolio Management & Governance

Process portfolio management plays a pivotal role in successful Business Process Management (see figure 5) for a number of reasons. It provides an approach, or a mindset, that is essential in directing limited resources in terms of funds, people, etc., into the processes with the highest demand for an increased process orientation. In the true sense of a balanced portfolio, process portfolio management can be used to diversify the Process Governance activities, leading to parallel projects in different stages of the business process lifecycle. In summary, process portfolio management marks the difference between the isolated and uncoordinated improvement and management of a single process and the holistic process-based management of an organization.[13]

Figure 5: Process Portfolio Management in the context of Process Governance activities.[14]

In the BPM Portfolio Management cycle, the following general questions should be asked for every item in your organization's process portfolio:[15]

- Does this process align with the organization's strategic objectives and goals?

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[13] "Process Portfolio Management", Michael Rosemann, 2006
[14] LEADing Practice Portfolio Management Reference Content #LEAD-ES10019AL
[15] "Essential Steps to Building a Profitable Portfolio Process" - See more at: http://epmlive.com/portfolio-management/essential-steps-to-building-a-profitable-portfolio-process/#sthash.yxwwdMs3.dpuf

- Based on defined key performance indicators and probable risks, does this process initiative meet the requirements for portfolio inclusion?
- Does it still meet the requirements for portfolio inclusion when compared to other competing process portfolio items also in consideration?

Many organizations do not have a Portfolio Management process. In order to create a process where no process exists, the right steps must be taken.

1. Define a Process Portfolio Management Structure (organizational chart).
2. Define a Process Portfolio Management Plan.
3. Define Key Performance Indicators.
4. Define Process Performance Indicators.

The following are essential steps or activities for process portfolio management, although more process mature organizations may introduce additional steps into the process:

1. Identify Process Portfolio Items
2. Define Process Portfolio Items
3. Evaluate Process Portfolio Items
4. Select Your Process Portfolio
5. Reassess Process Portfolio
6. Approve Process Portfolio
7. Transition to Process Initiative
8. Communicate. Track and Report
9. Accommodate and Adjust for Changes

While many organizations have significantly matured in their understanding of the opportunities, and also the constraints, of business process management, many of them lack well-defined accountability for their entire portfolio of business processes. In the same way that a manager in charge of strategic marketing is not the product manager, there will be a clear distinction between the role of the centralized process portfolio manager and the duties of decentralized process owners. In terms of Process Governance, a process portfolio manager can be seen as an additional role within the corporate BPM team. The process portfolio manager will be measured by his/her ongoing awareness of the entire range of an organization's business processes and the capability of allocating BPM resources to the most promising processes. The more advanced the organization is in its BPM maturity – i.e., the more it moves from simple overview architectures to a widely populated model repository, even with information about actual process executions – the more critical it will be to shift the initial focus on individual processes to a view that manages the entire landscape of organizational business processes.[16]

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[16] "Process Portfolio Management", Michael Rosemann, 2006

Lessons Learned

The organization-wide adoption of BPM typically goes through multiple stages[17] which can be described as follows:

1. Awareness of the benefits and methodologies of BPM
2. Desire to adopt BPM Based on a business-related driver (e.g., mergers, IT system implementations, new business segments, cost reduction activities, etc.)
3. Set up, execute, and monitor individual BPM projects
4. Convert from multiple BPM projects to a governing and more centralized BPM program
5. Productize BPM through a BPM Center of Excellence

To reach this goal of a holistic BPM approach, the same elements have to be in place that are necessary to run every process efficiently[5]:

- The definition and understanding of the BPM process
- Clear objectives regarding the outcome and benefits of the BPM process
- A BPM organization and a BPM Center of Excellence with appropriate knowledge, roles, and responsibilities
- A BPM methodology, BPM standards, and BPM service offerings
- A mature BPM technology and tools that optimally support an efficient BPM approach across the organization.

There are five main responsibilities of a centralized and enterprise-wide BPM Center of Excellence[5]:

- BPM leadership
- Regulatory framework
- Project support
- Training and communication
- Process controlling

Rosemann proposes analyzing and managing the BPM services portfolio offered by the BPM Center of Excellence based on the two dimensions of demand and capability[9]. Demand reflects the current organizational needs and appetite for a specific BPM service. The capabilities describe the readiness of the BPM Center of Excellence to provide a certain service. This dimension reflects the accumulated knowledge, skills, and experience of the BPM Center of Excellence, as well as the technological capacities to successfully deliver[5].

In order to implement a BPM Center of Excellence within an organization to support a Process Governance approach, specific service offerings for stakeholders should be defined, along with internal roles and responsibilities. A service offering is a combination of methodology, tools, and communication activities that together address a strategic BPM target field of the organization. The organization's BPM target fields should be analyzed and prioritized first to identify the necessary BPM service offerings. Every target field (e.g., strategic decision support, ITIL implementation and review, IT system implementation, cost reduction initiatives, or introduction of new products, etc.) has to be identified and described[5].

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[17] Rosemann M (2008): ARIS TV – Episode 6 - What are your BPM Services? http://www.youtube. com/watch?v=LQ1ZqUq9q-k&feature=channel_page

The greatest value from BPM is found in automating enterprise-wide value streams and this is where good governance becomes critical. Unfortunately a number of challenges commonly stand in the way of this kind of cross-functional, enterprise-wide governance, including the following[4]:

- Organizational structures are typically organized by functional silos.
- Related to the organizational concern, there is typically a resistance to change and even to cross-functional cooperation.
- Formal governance frameworks for this scope are rare.
- Inadequate infrastructure and tools support.

It is necessary to understand the scope of Process Governance in relation to other governance concerns and practices, not only to avoid duplication or conflict, but where appropriate to integrate them for greatest continuity[4].

The benefits and value of Process Governance

A Gartner research note states that 80% of enterprise companies conducting Business Process Management (BPM) projects will experience a return on investment greater than 15%. The survey looked at responses from 20 companies that had completed 154 BPM projects and 95% of the companies experienced more than a 90% success rate among their BPM projects. All successful projects had a return on investment greater than 10%, Gartner found. Seventy-eight percent of the respondents had ROI rates greater than 15%[18]. Organizations with an identified BPM Center of Excellence and governance in place can achieve a five times greater ROI over those with no Center of Excellence or dedicated process team[19]. Similarly, those with a dedicated business process team in place reported nearly twice the ROI of those without any dedicated team in place[11, 5].

Process Governance is an essential program overlay activity that enforces standards, engineering practices, organization structures, roles and responsibilities, in order to measure, manage, and improve the effectiveness of BPM itself. It ensures that your BPM initiative is aligned to your corporate strategies and objectives and that BPM delivers measurable value[4]. Process Governance will help the organization to find and reinforce its control structure and thereby develop its agility and organizational effectiveness.

Conclusion

In this chapter we have focused on Process Governance and how it is a top priority for executives and BPM CoE. We covered what Process Governance is, why it is important, and how and where it can or should be applied. Furthermore, we detailed typical phases and tasks of Process Governance and illustrated lessons learned in terms of what works good and what doesn't. We then ended with

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[18] Dubie D (2004): BPM and ROI. NetworkWorld.com http://www.networkworld.com/weblogs/management/005640.html Accessed 03 June 2008

[19] Nathaniel Palmer s Introduction: Workflow and BPM in 2007: Business Process Standards See a New Global Imperative. 2007 BPM & Workflow Handbook

the benefits and value of Process Governance which is critical for monitoring enterprise-wide and automated value streams.