Process Governance

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Like so many popular business process terms, "Process Governance" means very different things to different people. Many people don't even discriminate between governance and management but there are significant differences between the two. Governance is the organization of management. It refers to the goals, principles, organization charts that define who can make what decisions, as well as the policies and rules that define or constrain what managers can do. Management, on the other hand, is a human activity. Managers respond to daily circumstances by taking actions. In other words, process governance is concerned with the formal organization of process management while process management is concerned with the day to day activities involved in seeing that work actually get done. When business people debate process governance, they debate how they should organize the management of their processes. When they discuss process management they consider how well actual managers are doing their jobs.

Perhaps the most fundamental process governance decision any organization makes is how the processes will be managed. Since there are so many ways of talking about process management, this can be a source of endless discussion. In this Advisor, we will confine our discussion to the day-to-day management of on-going processes and leave project management for a subsequent discussion.

The Day-to-Day Management of Specific Processes and Activities

The term "process" is a very vague term in most organizations. It can refer to something as large as a value chain or a supply chain, or something as specific as an activity or task. Consider a small process - the sequence of steps involved in determining whether or not a credit card is acceptable. First, an employee swipes a credit card through a reader. The reader sends the information, via phone lines, to a credit card center where it is checked against data in the credit card company's databases. If the card is valid and the amount is within the prescribed limits, approval is sent back to the originating terminal. If the card is invalid or the amount is over the account limits, that information is sent back to the originating terminal for further action.

Just describing this set of activities required several sentences. Representing it as a flow diagram, suitable for guiding a software programmer, could take a single page or multiple pages, depending on how much we want to show – and this is for a very simple process. Anyone thinking about training restaurant employees would treat this as a single activity called Check-Credit-Card – a single box or item among dozens on the training agenda, and anyone thinking about a corporate supply chain, wouldn't even have a box for an activity of this type on their flow diagram.

Each step in the process requires an employee to perform an action or activity in order to execute that activity, and that employee has a manager. For example, an employee performs the credit card check and a manager evaluates that employee's performance. That manager may wear more than one hat, but at least one role he or she performs is as the "process manager" of the check-credit card process or activity. Similarly, there are

many roles performed by the head of a supply chain, but at least one role the supply chain manager performs is a process management role.

The role of process governance is to assure that the manager responsible for the day to day management of employees performing the activities within a process, assumes responsibility for the performance of the process itself. Some organization's run all their managers through courses to introduce them to the basic ideas of process management. Some train them to read simple flow charts and make diagrams available on-line to define how each process or activity should be performed. Others provide them with training to ensure that they can assume responsibility for the ongoing improvement of the process. Still others teach each day-to-day manager to write contracts with upstream and downstream processes to define what their activity will deliver to the activity that depends on their outputs.

Value Chain Managers

Since the mid-Eighties when Michael Porter and Geary Rummler began writing about the importance of the value chain and integrating processes across the gaps between the silos on the organization chart, greater emphasis has been put on assuring that the gaps in the handoffs between departmental processess and activities is closed and that large-scale processes that cross departmental boundaries are optimized. Indeed, one might argue that the most important impact that process consultants have had is to raise the awareness of corporate managers regarding the pitfalls of sub-optimizing the overall performance of the value chain process by focusing on the individual activities within the value chain. This brings us to process governance at the enterprise level. Who manages the entire value chain that cuts across lots of departmental or divisional units? To keep things clear, let's call this individual the Value Chain manager. This individual might be a Line of Business manager or a unique manager responsible for all the activities that are required to identify a need, design a product, manufacture and sell the product and deliver the product to the customer. Either way, organizations that are interested in process governance need to be concerned with who manages the value chain.

Common Process Managers

Another kind of enterprise-level process manager is what we call the Common Process manager. This position assumes responsibility for a process that may occur several times within a single value chain, or, in several different value chains. Imagine a large financial organization that captures customer information in the course of a dozen different activities. In one case, someone might capture customer information about new savings customers, in another an individual might be working with a customer to open a checking account or assisting with a stock purchase. The company would like to assure that all activities that involve the capture of customer information are done in a similar manner. There are various drivers that lead companies to want to standardize common processes. If the processes are standardized, then you can train employees in the same manner. Similarly, you can move managers around within the organization without having to retrain them to manage what is, essentially, the same activity. More important if the process or activity is standardized, it can be supported with the same software module and you will avoid ending up with an ERP module that is tailored in multiple ways to support slightly different versions of the same process.

So What Is Process Governance?

Depending on the organization, process governance can be focused on (1) making day-to-day managers more aware of process concerns, (2) training some managers to manage value chains that cut across departmental boundaries, or (3) training some managers to maintain common processes that might occur in different value chains or in more than one place within a single, large value chain, or (4) some combination of the above.

Some organizations set up centers of excellence to help promote process thinking throughout the organization. Some would say that the head of the process center of excellence, and the people who undertake specific process improvement projects are also process managers who need governance and training. They certainly are, but as we stated above, we are not dealing with the role of project managers in this short oerview of process governance.

Of course, any training depends on governance decisions. What process responsibilities are to be assigned to each of these individuals? What authority will they be given? Will they have budgets and the ability to reward or fire?

Another consideration is the potential conflict between these various perspectives. Value Chain managers are focused on product and customer issues and on making the entire value chain as efficient as possible. Common process managers are often focused on making a single process consistent across multiple value chains. In the worst situation, the common process manager will be working to suboptimize the value chains to assure that the common processes are performed in the same way. These potential conflicts will need to be resolved by means of clear policies that are agreed to and understood by all. (Don't really understand what is meant here).

Many companies are talking about process management and process governance. Only a few have thought deeply about the possibilities and the potential problems. Most have begun with one piece of the governance puzzle and are exploring that piece Few have an integrated system that is designed to govern the management of specific activities, value chains and common processes.

For most companies, governance is the hardest piece of the process puzzle. The good news is that companies are becoming increasingly focused on process governance problems. On the other hand, most companies are only beginning to explore the benefits of effective process governance. We'll continue to report as we see successes emerge.

ABOUT PAUL HARMON

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Paul is the Co-Author and Editor of the *BPTrends Product Reports*, the most widely read reports available on BPM software products and the author of the best selling book, *Business Process Change*: *A Manager's Guide to Improving, Redesigning and Automating Processes.* He is an acknowledged BPM thought leader and noted consultant, educator, author and market analyst concerned with applying new technologies and methodologies to real-world business problems. He is a widely respected keynote speaker and has developed and delivered executive seminars, workshops, briefings and keynote addresses on all aspects of BPM to conferences and major organizations throughout the world. BPTrends Associates is partnered with Boston University to develop and deliver the BUCEC BPM Curriculum and Certification Program.