

## Chapter 5

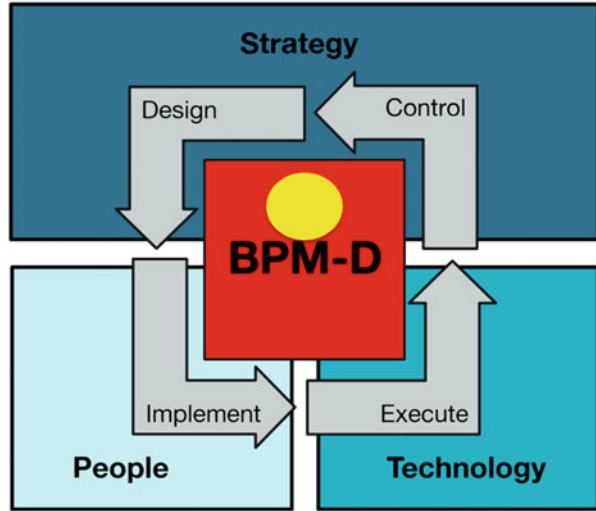
# Business Process Governance

Today, many enterprises still use concepts of business process management (BPM) for one-time transformation and improvement projects or short-term initiatives. An increasing number of organizations, however, recognize its power as a fundamental management discipline which is instrumental in achieving strategic goals for competitive advantage and long-term success. BPM becomes the discipline of strategy execution. This demands ongoing attention to deliver high performance in our digital world. The “process of process management” has to be managed as part of the day-to-day business. Organizations must orchestrate and adapt their overall management approach to realize the full potential of the BPM-Discipline. These organizational aspects about granting power, making decisions, acting on them, and controlling the results are referred to as business process governance (BPG). BPG enables the effective management of the process life cycle and with that the achievement of high performance.

Andrew Spanyi, a well-known expert in BPM and the author of several related books [1, 2], and I have worked closely together on the topic of BPG. I had approached the field of BPG from a general organizational and infrastructure point of view, while he had focused on necessary leadership behavior. We discussed the topic and decided to combine the various aspects: leadership, required tools and technologies, and governance approaches with the resulting governance processes [3, 4]. The findings of our research are the basis for the discussions in this chapter, combined with recent developments and experience [5, 6].

BPG represents the overarching approach for the management of BPM. It defines the allocation of power and authority in the enterprise to establish a process-oriented “value network” across the mainly functional and traditional organization. BPG does not replace the existing organization. It adds an additional market- and customer-focused view that enables value through process management. Business trends, corporate strategies, legal requirements, and other aspects, like the use of specific standard software packages, influence the design of process governance. BPG sets the stage for the successful and business-driven use of next-generation process automation environments, such as service-oriented architectures

**Fig. 5.1** Focus on organizing the BPM-Discipline



(SOA) or cloud-based applications. It is key to enable the value of digitalization [7]. BPG is also essential for effective change management since it helps to establish people enablement as ongoing capability of an organization. This is crucial in a permanently changing digital world [8].

BPG drives the entire BPM-Discipline. It is at the core of this management approach. This positioning is shown in Fig. 5.1.

You may wonder why this important strategic concept was not introduced earlier in this book. The reason is because it is easier to comprehend the concept and impact of BPG with an understanding of the approach of the discipline of value-driven BPM. There are many company-specific aspects to consider when you manage a successful BPM-Discipline in an organization. Therefore, successful BPG is always established in a way considering the specific company context.

But what exactly is BPG and why do you really need it? How do you establish and maintain it? We will now discuss the answers to these questions.

## 5.1 Business Process Governance: What Is It and Why Do You Need It?

Governance in general relates to procedures and decisions that seek to define actions, grant power, and verify performance [9]. If we transfer this definition to the field of business process management, “process governance” can be defined as the procedures and decisions that seek to define actions, grant power, and verify performance related to the “process of process management,” hence the BPM-Discipline. BPG is a set of guidelines and definitions focused on organizing all BPM-related activities of an organization to manage its business processes

toward achieving the strategic goals. The resulting governance framework provides the frame of reference to guide organizational units of an enterprise and enable ownership and accountability related to the discipline of process management. In its simplest terms, BPG can be considered the “definition” layer of the BPM-Discipline. It contributes to the allocation of power and authority in the entire enterprise by specifying the governance. It especially balances the power between functional responsibilities which are in general more focused on resource efficiency and process responsibilities which are market and client driven. BPG involves the following enabling components:

- A high-level identification of the company’s main, cross functional business processes
- Clarity on the high-level goals to frame the definition of key performance indicators (KPIs) of these business processes
- Accountability and ownership for the management of business processes, combined with the appropriate empowerment, control, and guidelines
- Management of the knowledge about processes (process models, KPIs, etc.) to achieve the necessary transparency and visibility of the processes
- Aligned recognition and reward systems
- A set of priorities in improving key business processes and their subprocesses

The primary objective of BPG is to set the stage for the effective deployment of the BPM-Discipline to execute the company strategy and with that create value for customers, shareholders, employees, and other stakeholders. BPG ensures that BPM delivers consistent business results to satisfy and exceed the expectations of an organization. Thus, BPG “governs” BPM. It is responsible for the management of the BPM processes, the “process of process management.” BPM again drives the success of all other business processes, including specific high-impact processes relevant for a company’s competitive positioning. The interactions between BPG, BPM, and an organization’s other operational business processes are visualized in Fig. 5.2.

BPG is established through governance processes. Let us look at a simple example regarding a restaurant that we want to manage in a process-oriented way. Two governance processes are depicted. The first process requests the automation of a business process but also requires the definition of a manual backup process to reduce or even eliminate the risk inherent to process automation. The second governance process presents the scenario for the manual process to be used. Should the automation technology malfunction then the backup process needs to be executed to ensure the delivery of the process results. These governance processes encourage efficient, automated processes that use the power of our digital world and simultaneously mitigate the risk of process automation. BPG drives the execution of the strategic goals of superior customer satisfaction. The governance processes, in the format of event-driven process chains (EPCs [10]), are shown in Fig. 5.3. The diamonds represent business events, the rectangles are functions, the ovals are organizational units, and the rectangles with the double line information objects are used or produced by a function.

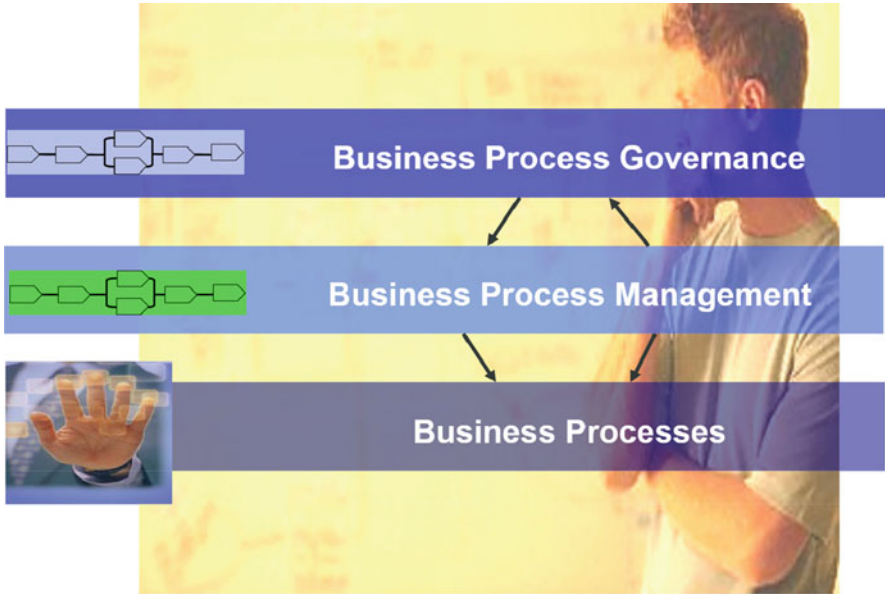


Fig. 5.2 Business process governance: Managing business process management

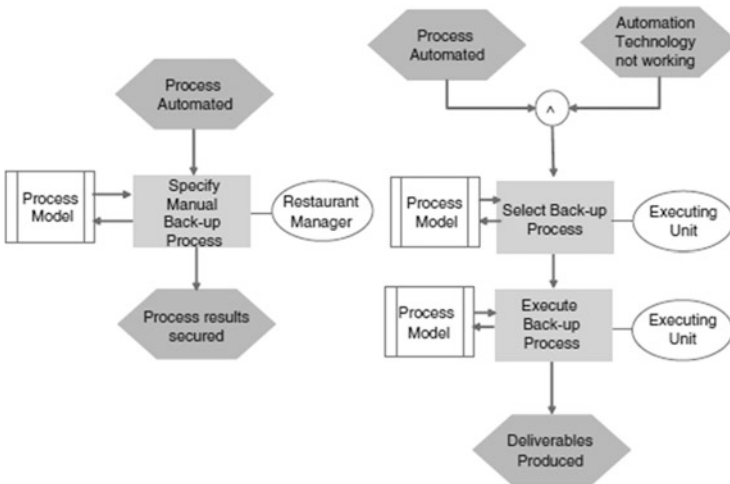


Fig. 5.3 Examples of governance processes for a restaurant

In the process design of a BPM initiative, those BPG processes lead to the design of processes for leveraging digitalization opportunities while mitigating the resulting risks. The waiter uses PDA, such as a tablet computer, to transfer the customer orders wirelessly to wherever the information is needed. This saves time and ultimately leads to high customer satisfaction. The backup processes are

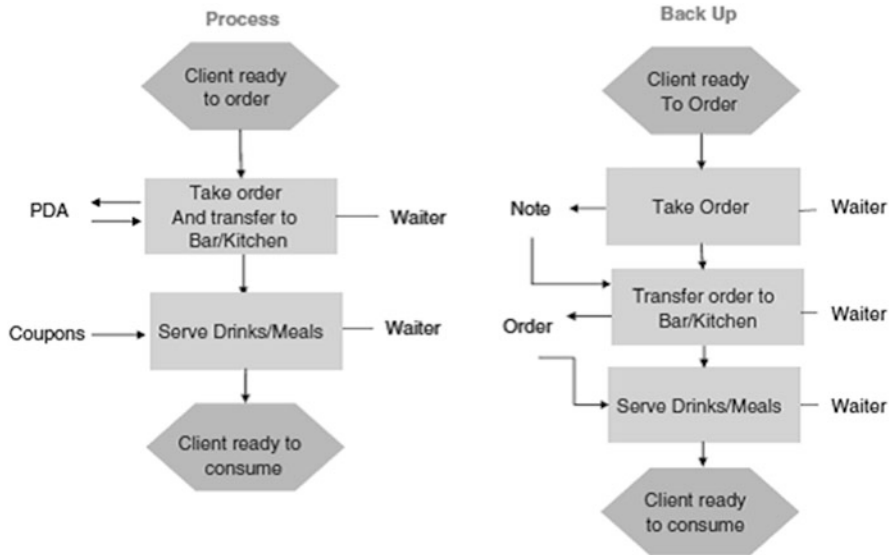


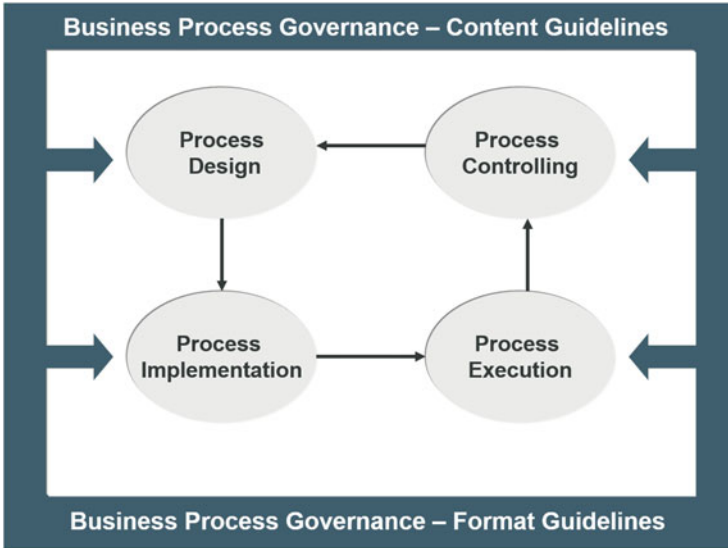
Fig. 5.4 Example of the design of selected restaurant processes

manual, independent of the implemented technologies, but still effective. They keep the restaurant running even in case of technology issues. The process is a traditional order process in the restaurant. Examples are shown in Fig. 5.4.

In both scenarios, the customer receives the ordered products. However, the manual processes are more time-consuming, inefficient, and susceptible to human error and hamper productivity. That’s why they are only backups for the digital processes—which reduce potential risk.

In reality, if a patron visits our restaurant, the business processes are executed, based on the process design we just discussed. The information models developed through our BPM-Discipline are carried out in practice. If possible, the waiter ensures the efficient digital process. In the case of a technical problem, he also knows how to proceed to fulfill the customer demands. The result is optimized customer satisfaction.

BPG is relevant for all phases of the process life cycle: design, implementation, execution, as well as monitoring and controlling of processes. Each subprocess of the process of process management is guided by BPG, leading to its overall orchestration and driving the realization of strategic goals. These guidelines may target the content of process design and models (e.g., operationalizing strategic goals, identifying and mitigating risks, defining scope) or purely formal aspects of process management (e.g., each function of a process model must be assigned to the responsible and accountable organizational unit, designing escalation procedures in case of conflicts between functional and process leaders). This is visualized in Fig. 5.5.



**Fig. 5.5** Process governance: guidelines for each phase of business process management

An example of a BPG guideline for process design is “identify operational risk in process models.” A process implementation example is “deploying the Enterprise Resource Planning (ERP) system xyz to support commodity processes, add additional digital technologies for high impact processes as long as these technologies impact one or several strategic value-drivers.” The result is a “process-oriented implementation of digital technologies” [11]. “Any change of the process flow must be approved by the process owner; involved functional managers need to be consulted” is an example of a guideline for process execution. “Process performance indicators need to relate to the result of value of a business process and must trigger actions if target values are not achieved” guides the continuous process improvement in the controlling phase of the process life cycle.

What is the broader background of process governance? BPG is the required foundation to enable the sustainability of process improvements and the continuous focus on creating value for all stakeholders, such as customers, business partners, employees, and executive leaders. Process governance makes the BPM-Discipline real by establishing it as a value network across the functional organization. The importance of governance has already been recognized in one-time improvements to managing individual business processes, such as order to cash, source to pay, or new product development. Its importance increases significantly when an organization decides to deploy the BPM-Discipline on an enterprise level to achieve sustainable competitive advantage, at pace with certainty.

BPG ensures and guides the enterprise-specific execution of the process of process management. It is an essential component of the overall leadership

approach. Therefore, general principles for execution of strategies and management tasks must be considered when defining BPG for an organization [12]:

- Know your people and your business
- Insist on realism
- Set clear goals and priorities
- Follow through
- Reward the doers
- Expand the capabilities of your employees

To develop BPG for an organization, it is crucial that the leadership team knows the people and the business of an enterprise within the context of key business processes. Vital stakeholders need to have a consistent view on those key business processes as a basis for an appropriate governance approach especially when it comes to new and innovative business models. A focus on realism and achieving a shared understanding of the organization's business processes is required when developing BPG guidelines; otherwise, the guidelines are worthless. At a minimum, the leadership team must have a common understanding of the high-level business processes, including clarity on organizational responsibilities, deliverables, inputs, outputs, key functional steps, dependencies, and KPIs. Within BPG, clear and strategy-based goals and priorities must be set so that people's efforts in executing BPM activities are as effective as possible—and provide the best value. These priorities are often defined in a BPM roadmap or agenda, identifying “target processes” for improvement and necessary BPM capabilities to achieve them [13, 14]. BPG ensures that business performance management activities create value by executing on the overall strategy and the “doers” or people who accomplish them are rewarded. This really makes the BPM-Discipline a part of how the organization gets things done. It becomes the discipline of strategy execution. BPG should include guidelines for people enablement, especially training and education, to expand the capabilities of employees and call attention to the importance of cross functional collaboration.

The leaders of organizations that chose to deploy BPM as a management discipline appreciate that value is created and strategic goals are accomplished via the organization's business processes. They recognize the importance of BPM to topics, such as innovation, growth, performance, productivity, compliance, agility, effective collaboration with partners, and the integration of mergers and acquisitions. These topics typically preoccupy the thoughts of leadership teams—the people of an organization responsible for making a value-driven BPM-Discipline happen—as core component of high-performance businesses.

Thoughtful leaders recognize that BPM enables clearer formulation and execution of strategy. As far back as 1985, Michael Porter emphasized the concept of the value chain and noted, “Activities, then, are the basics of competitive advantage. Overall advantage or disadvantage results from all of a company's activities, not only a few” and then went on to say, “The essence of strategy is choosing to perform activities differently than rivals do” [15]. Strategy must be based on a thorough assessment of external and internal business environments. Overall

business strategy drives the design of BPG, and BPM enables the execution of strategy. This aspect supports vBPM's key role as the link between strategy and its execution.

When it comes to sustainable organic growth and innovation, leaders also recognize that BPM is equally important. Rapid, sustainable growth requires a systemic view of the business and broad collaboration, which requires immense effort from many businesses. The design of BPG must recognize that focusing on goals, such as flawless delivery responsiveness, is essential in providing existing products or services to existing or new markets. Hence, BPG is key to establishing new business models successfully.

When growth is planned through mergers or acquisitions, the integration phase is essential to success. Perceptive leaders appreciate that an important reason for the success of mergers or acquisitions is the ability of the merged firm to perform for and meet the needs of their customers. It is in the "integration phase" that BPM can play an important enabling role. This is related to the fact that merged firms often have an opportunity to gather specific information on comparative core business processes and their relative health and address customer-facing issues in the premerger due diligence period. It is now that you standardize and harmonize processes for best post-merger results [8].

BPG plays a key role in vBPM and enabling high performance for an organization. Organizations elect to invest energy in establishing BPG because it is the management infrastructure that enables them to address critical topics for their strategy execution through the improvement and management of the corporation's core business processes. BPG sets the stage to achieve competitive advantage through BPM—fast and at low risk.

So, how does an organization establish BPG? What is necessary to get started with an effective process governance approach?

## 5.2 How Do You Establish Business Process Governance?

BPG is the cornerstone for establishing a BPM-Discipline in an organization. There are three essential activities to begin BPG, a subset of the previously discussed components of BPG:

- High-level enterprise process model that identifies the key process of an organization
- Set of goals to frame the definition of KPIs
- Management plan, including an enterprise or process architecture structure, priorities, as well as the organizational responsibilities, accountabilities, and related structure for people involved in BPM activities

The other components of BPG can be added over time, depending on the specific needs of an organization and the evolving maturity. In general, enterprises require a set of cross functional leadership behaviors that facilitate the development of



critical BPG components and contribute directly to the success of BPM and its role as discipline of strategy execution.

The development of a robust, compelling, and visually striking enterprise-level business process model is one of the key components of BPG. In the absence of such a model, leadership teams will rely on the one model that most companies do have—the organization chart—and that will unduly and adversely influence their thinking. In most cases, this will result in a traditional, functional approach with all of its disadvantages. The enterprise-level definition of processes includes core, support, and management processes [16], as well as the necessary governance processes.

Primary processes are typically customer touching (e.g., “order-to-delivery” and “idea-to-new product launch”). Supporting processes typically enable the performance of the primary customer-touching processes. Examples of supporting processes include “hire-to-retain,” “record-to-report,” or “idea-to-software application.” Management processes generally create the framework for BPM such as “business needs-to-budget” or “monitor-to-action.” BPG delivers the governance processes relevant to manage BPM activities. We discussed such examples previously.

The development of KPIs for the set of business processes in the enterprise-level process model must involve balance between what is important to customers (and their enterprises) and what is important to the company itself. However, it always focuses on the result of value for a client at the end of a process. This is dramatically different than what occurs in conventional organizations, where traditional financial measures of revenue, expenses, earnings, and cash flow dominate. The metrics that really matter to customers, such as “on-time receipt of product or service,” “complete, defect-free delivery,” “an accurate and user-friendly invoice,” “rapid and courteous responsiveness,” or similar KPIs, often are not included in the front page of the executive dashboard or scorecard. In traditional companies, even when the metrics that matter to customers are monitored, the next level of diagnostic measurement is usually missing, and the infrastructure for corrective action is either lacking or flawed.

In contrast, the development of BPG requires a broad range of KPIs, including cost, quality, timeliness, and productivity metrics, in the measurement of the key deliverables for each enterprise-level process, and the means to cascade these performance metrics to the subprocess level. Furthermore, a realistic assessment of current performance is needed for each end-to-end process.

The combination of the clear definition of enterprise-level processes in the process model and the clarity on KPIs are prerequisites for the management plan, which is the third basic component in establishing BPG. The process management plan must answer three fundamental questions:

- Which of our business processes need to be improved, by how much and by when, in order for us to achieve our goals?
- Who will be accountable for the improvement and management of each key business process?

- How will we organize to fully engage our people in the improvement and management of key business processes? What are the new or modified roles?

To determine which business processes need to be improved or transformed, by how much and by when, in order to achieve which business goals, the leadership team needs to express its strategic goals in a process context and assess the size of the gap between current performance and desired performance. This can be done by identifying high-impact processes and their maturity level related to the desired strategic impact, as well as the maturity level of commodity processes in comparison of the industry average [8, 13]. This step involves making difficult choices to prioritize key projects and resource allocation. But budget, time, and other resource constraints make these choices necessary.

Similarly, key decisions need to be made to determine the executive accountability for the improvement and management of business processes and the development of the appropriate process management organization—the value network. Although there are various approaches to assigning accountability or ownership, the two most common might be called the “two hats line” and the “one hat staff approach.” In the “two hats line” approach, a senior line executive assumes responsibility for an end-to-end process, as well as retaining accountability for his or her functional area. Clearly, this approach relies on “matrix management” principles. In the “one hat staff” approach, a senior executive is appointed to a full-time staff position of “process owner” or “process steward” for an end-to-end business process. The process owner is one of the most important roles of the BPG organization with some of the most important responsibilities, for example:

- Initiate process improvements or transformations based on external events.
- Review proposed changes to the Process and Governance Structure.
- Review integration issues between the various processes.
- Communicate changes to the Process and Governance Structure.
- Promote the business process management vision to senior management.
- Function as a point of escalation when required.
- Approve and initiate training when required.
- Recruit and coach staff to support the process where needed.
- Attend all key management meetings to assess the impact of organizational decisions on the process environment.
- Schedule and attend meetings according to the Process and Governance Structure; engage and manage the “value network” around the business process.
- Analyze and distribute reports.

An organizational core unit ensuring the implementation and execution of BPG and the underlying process management is generally necessary to fully engage people into a process management. This core unit has to support the employees involved in daily BPM-related management and administration activities to make sure they don't get overwhelmed. Sometimes they may even need to push things a bit to keep making progress with the process management journey. In many cases, a “BPM Center of Excellence,” “BPM Center of Expertise,” or “Strategy Execution

Team” is founded. A pragmatic approach to this is to start with an existing team and migrate its members into such a BPM core organization unit. This saves time and effort. The naming should be chosen in the company context so that it has a positive connotation. We will discuss the systematic setup and rollout of such a vBPM core organization unit later in this chapter. At the beginning this is in many cases a small team, often only one to three people, supporting process initiatives as needed.

The head of the entire BPM organization and the BPG needs to be somebody with a good standing in the organization, best a top executive, who provides process-oriented input into the overall business strategy, drives the idea of value-driven process management into the company, and positions its full power for people- and technology-based strategy execution. We refer to this emerging top management role as the chief process officer (CPO) [6, 17].

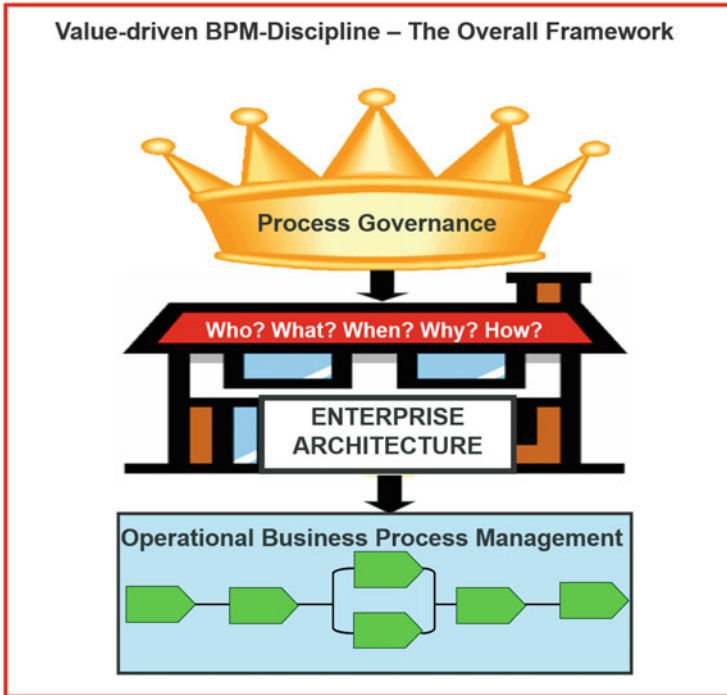
To apply the defined process approach on a company-wide level, the high-level process model should be the entrance point into a structured description of processes at all levels of detail—as required by different business process initiatives. This can be supported by enterprise architecture (EA), which is a framework to describe all aspects relevant for a business process at various levels of detail. We use enterprise architecture in a wide sense, including business and technology information—contrary to other approaches that focus EA on technology aspects. Examples for predefined architectures are the ARIS Architecture, the Zachman Framework, or the US Department of Defense Architecture Framework (DoDAF) [10, 18–21].

In most cases, those general frameworks are then adjusted to company-specific needs. The following key activities are used to build an EA in an organization:

- Identify what to use the architecture for to drive the following steps through the desired outcomes.
- Define architecture requirements (e.g., which aspects of a process should be included: business, IT, legal, etc.—hence the content of the architecture).
- Select the right existing EA framework (ARIS, DoDAF, Zachman, etc.—the structure).
- Tailor the selected architecture (which information is needed in which level of detail—detail structure).
- Choose the right methods/notations (methods that deliver the needed information, easy to use, etc.—define how to get information into the structure).
- Define the architecture governance required to keep the information up to date.
- Select the appropriate architecture software tool to implement the framework.

The application of an EA is facilitated through specialized software tools, such as the ARIS Platform [22, 23] or Signavio [24], both introduced before in Chap. 1. EA can be seen as a tool to enable the transfer of BPG into the operational process management since it provides the required transparency to execute a process governance approach. This mechanism is part of the overall value-driven BPM-Discipline. This is visualized in Fig. 5.6.

The definition of BPG is generally influenced by the following factors:



**Fig. 5.6** Enterprise architecture: transfer of BPG into operational business process management

- Enterprise strategy, e.g., revenue growth through customer-centric organization and real-time business, higher margins through cost reduction and appropriate quality standards, product strategy, or specific innovation goals
- Legal requirements, e.g., Sarbanes-Oxley (SOX), Basel II, or FDA regulations
- “Megatrends,” e.g., digitalization, omni-channel approaches, globalization, or mobility
- Other corporate factors, e.g., ERP systems in use, enterprise culture, or regional locations

These factors are shown in Fig. 5.7. Once the general influence factors for BPG are identified, concrete requirements must be defined. Some requirements are relevant for all enterprises within an industry sector or even across industry boundaries—others are company specific. Therefore, it is very important for each enterprise to develop a BPG, suited to the specific culture and business situation.

The development of BPG to govern an organization’s BPM efforts is still not a general management practice, although more and more organizations are moving in this direction. In many cases, companies start establishing BPG without calling it by name. For example, they develop “method handbooks” as part of their BPM projects and keep on applying and controlling the related rules and guidelines. Hence, they start rolling out a process governance approach as a “side effect” of process



Fig. 5.7 Key factors influencing process governance

improvement or transformation projects. However, to reach the full potential of a BPM-Discipline and use it for systematic strategy execution, a well-thought-through process governance approach is required.

In spite of the compelling logic that customer and shareholder value is created by means of business processes—not just individual functions, current leaders at many organizations continue to support a traditional, functional view of the business and act accordingly. Why? There are at least four possible reasons [1, 2]: leaders do not care; leaders cannot focus; leaders do not know how; and leaders have been conditioned.

If leaders really cared, were focused, and knew how, would they not behave differently? Would they not measure what is important to customers in a disciplined way, in addition to monitoring the traditional financial metrics, such as revenues, earnings, and cash flow? Would they not assign accountability for the performance of the company’s large business processes, instead of opting to assign accountability purely in terms of functional or business unit lines? Of course leaders would do these things if they cared enough to invest the time and energy, were able to devote sufficient attention for sustainability, and knew how to do so. They would do all of this if they recognized that business processes are core assets of an organization.

However, in many companies, leaders have been conditioned by both their academic and business experience to think and act in traditional, functional terms. Most leaders studied a particular academic discipline in college, such as

marketing, finance, IT, or engineering. Then, for the most part their first job was in the same functional area that they studied—marketing, finance, IT, or engineering. In most cases, career progression was based on demonstrating excellence in that same area of functional responsibility.

It is this experience that leads to “silo” behavior and “turf protection.” So it should come as no surprise that many leaders view the world through a functional bias. Although more and more universities and academic institutions, as well as professional organizations, are offering BPM-related educational programs, this is still not the norm. But things are starting to change, and process orientation is increasingly recognized as key for graduate and postgraduate education. BPM-D, the consulting organization I co-founded to help organizations realize the full potential of the BPM-Discipline, has educated over 300 executives in the last 2 years in the power of process management and its role as discipline of systematic strategy execution.

Leaders who chose to deploy BPG to establish a BPM-Discipline recognize the importance of shifting traditional functional thinking at both executive and middle-management levels. They practice a set of leadership behaviors to shift conventional wisdom and invest significant time and energy in this respect. This is the leadership aspect of process governance, related to various BPG aspects discussed before.

Leading firms appear to practice the following three distinct leadership behaviors in establishing BPG:

- Wide-range communication of a robust, enterprise-level process definition
- Discipline in performance measurement
- Commitment to broad-based education on process management

The first leadership behavior in establishing BPG involves leadership commitment to a wide-range communication of a robust, enterprise-level process definition, and the related enterprise architecture. A prerequisite is the aforementioned enterprise process model and clarity on the ownership of the principal business processes depicted in this model. Such a process model is central to broad-based communication, but it is the leadership team’s shared understanding of the underlying details on the definition of the business processes and the size of the performance gap that needs to be bridged that drives deep commitment to deploying BPM as a management discipline that moves strategy into execution.

The second essential leadership behavior in establishing BPG is to exercise discipline in performance measurement and achieve balance between measuring what matters to customers and what matters to the company. Then the leadership team exercises discipline in reviewing results on a regular basis and takes corrective action when actual results are below targeted levels. It is not about having as many metrics as possible but about having a few important performance indicators that really drive action when necessary.

The third key leadership behavior in this context is related to leadership commitment to broad-based education on BPM, the value it provides, and the BPM processes necessary to make it happen on an ongoing basis. In leading firms,

executives are directly involved in sponsoring, introducing, and even delivering process-oriented education to senior and middle managers. In a leading financial institution, for example, the responsible executive vice president opened the training session for the team of business analysts, delivered by an external partner he and his management team had selected. The resulting motivation and psychological effect has been as important as the training content itself.

Although the set of these three leadership behaviors requires a significant investment of executive time and energy, the return on effort invested can be considerable—if it results in a functioning BPM-Discipline. What does it mean to sustain BPG and, with that, enable a long-term successful BPM-Discipline in an organization?

### 5.3 What Does It Mean to Sustain Process Governance?

The central goal of BPG is to ensure that BPM delivers consistent business results in strategy execution to satisfy and exceed the expectations of customers and other stakeholders. BPG is successful when the BPM-Discipline delivers on the strategic goals of the organization. BPG “governs” the process of process management on a day-to-day basis.

Success in establishing and sustaining BPG relies on both leadership attitudes, as discussed above, and organizational skills in the deployment of the required management discipline. In terms of sustaining BPG, digital technology matters tremendously. Not only is it important to use a process-modeling and repository tool to manage the enterprise architecture as previously discussed, it is equally important that the selected tool is able to link directly to a company’s execution environment, which can be ERP based or use a more advanced technology architecture, as discussed in Chap. 3. The degree of complexity in most, even small and medium businesses, requires the use of a robust modeling tool to effectively cascade BPG principles across the organization.

BPG enables the discussed concept of open BPM [25] within value-driven BPM by requesting and identifying open standards to be used. These selections must be reviewed on a regular basis to reflect the newest developments regarding technology and business standards. The measurement of defined KPIs should be automated as far as possible to enable the effective implementation of BPG guidelines in a cost- and time-efficient way [22].

The definition of BPG processes and guidelines for each phase of the BPM approach can be used to drive an “execution-oriented” culture into an enterprise [12]. BPG sets the stage for getting things done. An enterprise must define how process governance and the resulting BPM-Discipline affect the organizational structure. BPG-related activities and BPM in general may be centralized for the entire organization or decentralized (e.g., a process governance approach for every business unit). Alternatively, a combination of both extreme approaches can be

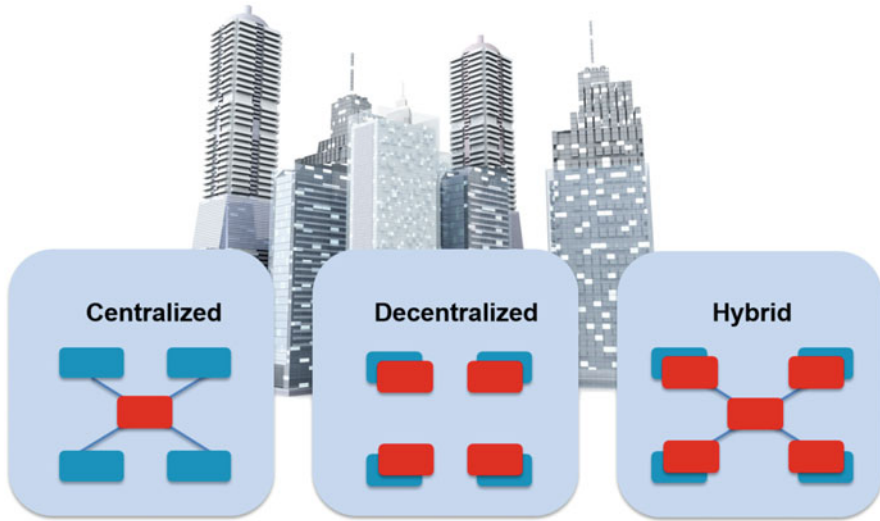


Fig. 5.8 Options to include process governance and the BPM-Discipline into the organization

applied and rolled out as a hybrid organizational model. This is visualized in Fig. 5.8.

The decision about the centralization or decentralization of BPG activities can be made on the basis of the same principles used in process management to make decisions about the degree of centralization [11]:

- Coordination requirements
- Relevant time periods
- Actuality of data (yearly, monthly, etc.)
- Data volume

Over time the organizational integration of BPM may change based on the maturity level of the company. Many businesses start with a focused central approach, e.g., targeting just one business unit, and move over time to a hybrid approach keeping a small centralized governance organization to enable synergies and move most activities into decentralized product or geographical units to be close to the operational business.

The organization of BPG may lead to new departments like the mentioned “BPM Center of Excellence” or to new roles, e.g., the formerly mentioned chief process officer (CPO), process owners, process architects, business process analysts, process repository manager, and more [5]. The steps necessary to formalize and roll out such a Center of Excellence while the BPM-Discipline gets more mature are shown in Fig. 5.9.

While the initial BPM core organization or Center of Excellence (CoE) is more or less defined very pragmatically through the initial governance and BPM support needs, this organizational unit will soon need to be more formally defined to



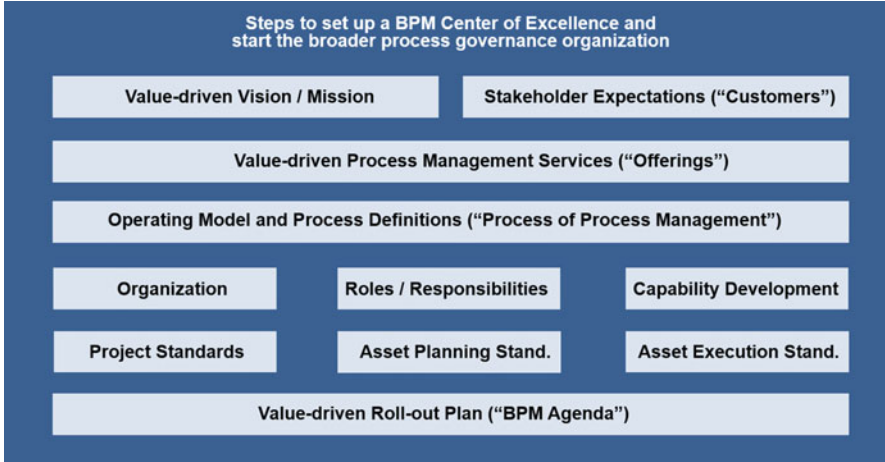


Fig. 5.9 Steps necessary to set up and roll out a BPM Center of Excellence

become a sustainable organizational unit. At this point it is key to demonstrate clearly to the organization that we don't just create another overhead unit but a value-driving strategy execution organization. It is important to define a BPM Center of Excellence in a "market-driven way," considering the company as its "internal market." By defining internal offerings that such a center brings to the organization, you set the appropriate expectations. Typical offerings of such a unit are improvement and transformation initiatives, prioritization initiatives, process innovation, support of an enterprise wide-system rollout, post-merger integration, standardization and harmonization of processes, providing transparency through appropriate process repository management, integration of process and data governance, or enabling process-oriented training. The head of this center is basically the owner of the process of process management. The offerings are determined based on overall vision and mission of the CoE, as well as the related stakeholder expectations. Once the offerings are defined, you can establish the supporting process of process management as the operating model. An example of such a process of process management and its subprocesses is shown in Fig. 5.10 [26]. It divides the subprocess of the BPM process into project-focused, directly value-creating subprocesses and asset-focused enabling subprocesses. Each group is again segmented into planning and execution processes [26]. The BPG processes are part of this process of process management providing the organizational infrastructure. Finally, you need to go through all the other steps necessary to set up a new organizational unit, shown in Fig. 5.9—in general, a relatively straightforward exercise.

The implementation and execution of BPG are also enabled by specific governance applications, for example, Sarbanes-Oxley (SOX) Process Audit Management Systems or other systems supporting the process of process management [26]. These systems support the process governance similar to how BPM is enabled

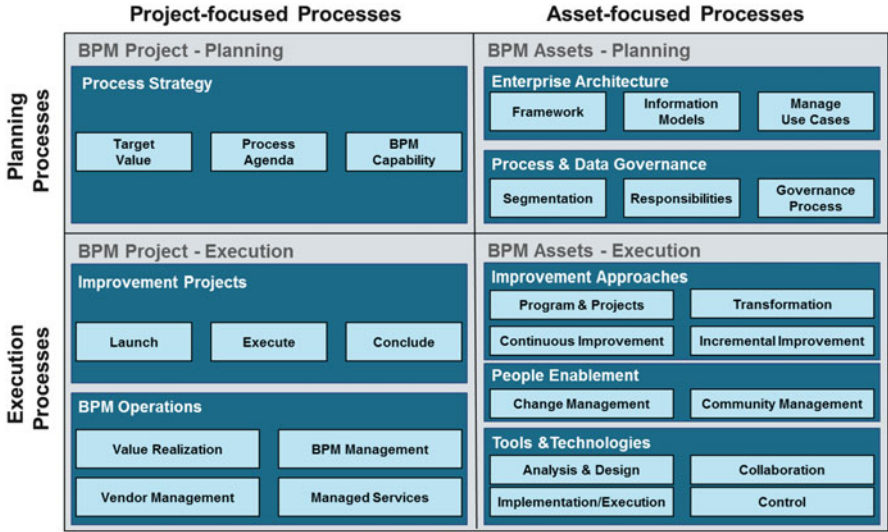


Fig. 5.10 BPM-D process framework—Example for a process of process management definition [26]

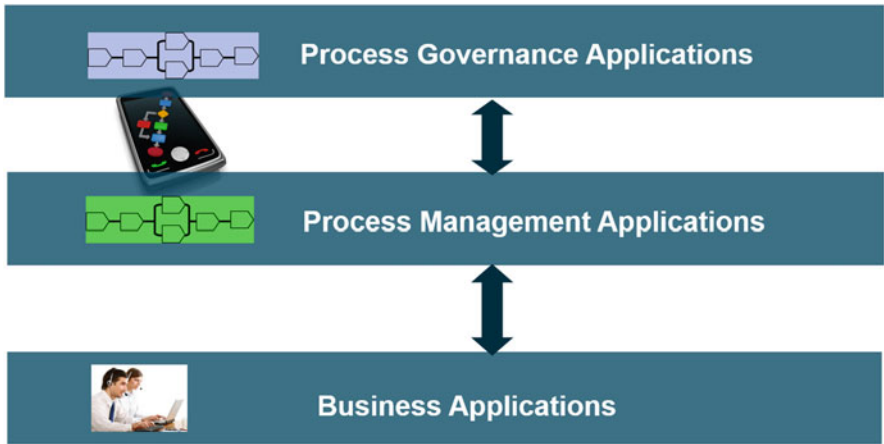


Fig. 5.11 Software application hierarchy, starting with process governance software

by BPM applications like repository tools and the execution of processes by systems like ERP or next-generation process automation. Process governance applications are basically “meta” applications to enable a faster less risky management of operational processes. This application hierarchy is visualized in Fig. 5.11.

BPG applications require appropriate implementation approaches. Although the general concepts of a process-oriented implementation of standard software can be utilized [11], the following specific aspects must be included in the BPG application approach:

- Close integration with BPM tools (e.g., a BPG application could prioritize BPM initiatives or carrying out a consistency check of process models)
- Documentation requirements to prove compliance with BPG processes and guidelines (e.g., executing SOX-relevant checks is insufficient—these requirements must also be documented)
- Change management to make BPG part of the overall enterprise culture (e.g., BPG guidelines may also need to be applied “manually” by employees working on BPM initiatives; thus, BPG tools simply deliver the necessary information)
- Integration of guidelines not supported and enforced by applications (e.g., the requirement to use a specific modeling method)

BPG is a key element of a successful enterprise management focused on systematic strategy execution. It ensures the appropriate and targeted use of BPM throughout the entire business process life cycle. Therefore, it has to be maintained on a day-to-day basis as part of an organization’s daily working activities. Hence, BPG makes BPM a real management discipline—the discipline of strategy execution.

## 5.4 The Bottom Line

- Business process governance (BPG) relates to guidelines and decisions that seek to define actions, grant power, and verify performance related to the process of process management. It is a set of guidelines focused on organizing all BPM activities and initiatives of an organization to manage its business processes (Sect. 5.1).
- BPG ensures that BPM delivers consistent business results for strategy execution to satisfy and exceed the expectations of an organization (Sect. 5.1).
- Some of the guidelines of BPG can again be processes, so-called BPG processes. They can be managed using a BPM approach (Sect. 5.1).
- The leaders of organizations that chose to deploy BPM as a management discipline appreciate its value and, therefore, establish BPG. They recognize its importance to topics such as strategy execution, growth, and the integration of mergers and acquisitions, innovation, agility, efficiency, compliance and standardization, or internal alignment of employees toward the market (Sect. 5.1).
- There are three essential components involved in getting BPG started: creating a high-level enterprise process model; the setting of goals and a management plan, including an enterprise architecture (EA) with business and IT aspects; and activating the organizational structure for people involved in BPM activities (Sect. 5.2).
- Enterprises require a set of leadership behaviors that facilitate the development of critical BPG components and contribute directly to the effectiveness of BPM (Sect. 5.2).

- To apply the enterprise process model on a company-wide basis, this model should be the entry point into a structured design of processes on all levels of detail. This is supported by an enterprise architecture (EA) (Sect. 5.2).
- The definition of a BPG approach is influenced by multiple factors, including the enterprise strategy, legal requirements, and “megatrends” (Sect. 5.2).
- Leaders who chose to deploy BPG and BPM recognize the importance of shifting traditional functional thinking at executive, middle management, and operational levels (Sect. 5.2).
- Success in establishing and sustaining BPG, and hence BPM, relies both on leadership attitudes and organizational skills in the deployment of the required management discipline (Sect. 5.3).
- BPG and the BPM-Discipline can be established in a centralized, decentralized, or hybrid approach. This needs to be determined based on the enterprise context—the BPM journey (Sect. 5.3).
- A BPM Center of Excellence (CoE) is required to support the necessary BPG and the execution of the process of process management (Sect. 5.3).
- In order to sustain a BPG approach, the definition of the BPM Center of Excellence needs to be formalized more and more as required by the existing and targeted BPM maturity level (Sect. 5.3).
- The process of process management is the operating model of the BPM organization, including the BPM Center of Excellence (Sect. 5.3).
- In terms of executing and sustaining BPG, digital technology matters tremendously and can be used to enforce and execute BPG guidelines (Sect. 5.3).
- BPG applications (specific software to support BPG) require appropriate implementation approaches (Sect. 5.3).

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