

# INTRODUCTION TO ENTERPRISE GOVERNANCE

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. Enterprise Governance spans both the business and technology and provides a layer of visibility and control over the governance initiatives. 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 governance initiatives<sup>1</sup>. In this chapter we will therefore center on the concepts of Enterprise 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 Enterprise 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 Enterprise Governance.

## Why is Enterprise Governance important?

Most governance initiatives 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 governance initiatives, especially in relation to their content and how it moves through the organization. In order to truly understand organizational governance initiatives and the impact they have with content or content with the process, you need to map the process and document the interaction with content<sup>2</sup>. 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. Enterprise Governance is a structured approach employing methods, policies, metrics, management practices, and software tools to manage and continuously optimize an organization's activities and governance initiatives<sup>3</sup>. This means Enterprise 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<sup>4</sup>.

Besides the ability to govern the governance initiatives, provide governance methods, policies, and metrics to ensure Enterprise Governance, Enterprise Governance is required in order to link the daily enterprise governance to corporate governance, value governance, performance governance as well as IT governance. As illustrated in figure 1, Enterprise 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.

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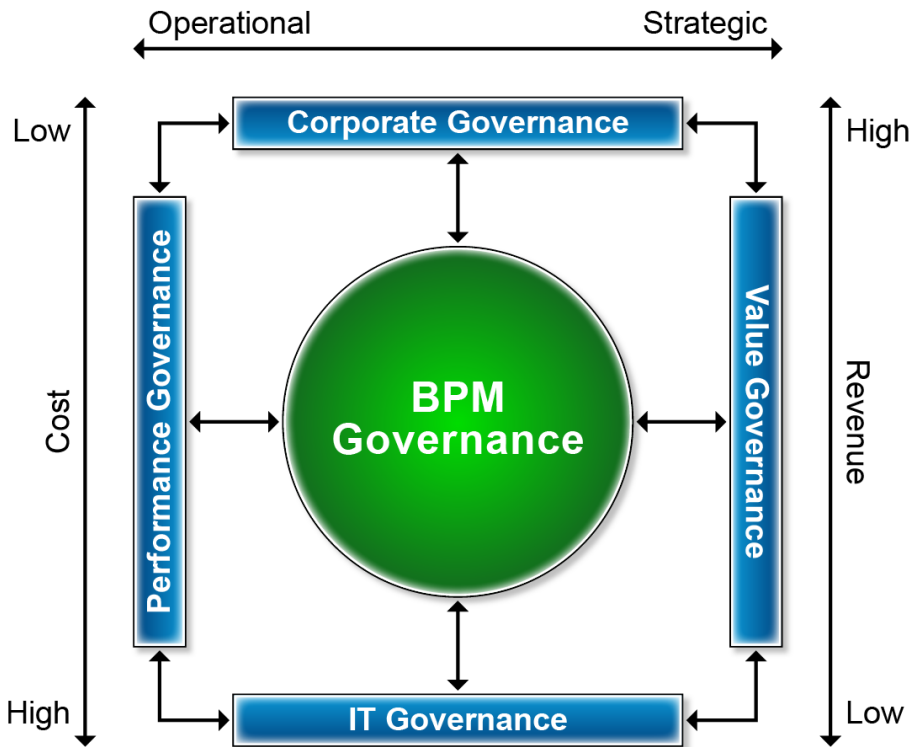
<sup>1</sup> Enterprise Governance, Andrew Spanal; <http://www.bpminstitute.org/resources/articles/bpm-governance>

<sup>2</sup> How to Unclog Your Business by Automating Content-Intensive Process; AIIM Training <http://www.trindocs.com/Portals/3/HowtoUnclogYourBusiness.pdf>

<sup>3</sup> Gartner report, Business Process Management: Preparing for the Process-Managed Organization, 2005.

<sup>4</sup> Oracle Practitioner Guide – A Framework for Enterprise Governance, Release 3.0, E24090-03, August 2011

IT related activities of Enterprise Governance focus cost reduction; while corporate aspects of Enterprise Governance focus on activities to ensure revenue generation.



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Figure 1: How Enterprise Governance connects to other governance disciplines, and the revenue and cost associated with them.<sup>5</sup>

## What is Enterprise Governance?

A business process is a continuous series of enterprise tasks, undertaken for the purpose of creating output. Business governance 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<sup>6</sup>. All companies have governance initiatives, regardless of size or industry. When maintained and optimized, they will ensure competitiveness and survival in the marketplace.

Business governance initiatives 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 governance initiatives 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 it is possible to make the right decisions, significantly improve product and service quality, boost efficiency, and cut costs<sup>5</sup>.

<sup>5</sup> LEADing Practice Governance Reference Content #LEAD-ES10018GO

<sup>6</sup> Hammer and Champy (1993): Reengineering the Corporation: A Manifesto for Business Revolution. HarperBusiness, New York.

Enterprise Governance is a management discipline that provides governance in a business environment, with the goal of improving agility and operational performance<sup>7</sup>. It is a structured approach employing methods, policies, metrics, management practices, and software tools to coordinate and continuously optimize an organization's activities and governance initiatives. 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 governance initiatives in order to effectively and efficiently deliver business objectives<sup>5 8</sup>.

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<sup>7</sup> Melenovsky M J (2006): Business Process Management as a Discipline, 1 August 2006. ID Number: G00139856. Gartner Research

<sup>8</sup> Brabaender E, Davis R (2007): ARIS Design Platform – Getting started with BPM. Springer, London.