

The Importance of a Transformational Governance Process



Programmatic Projects are limited-scope projects that are typically confined to one functional area of organization. A programmatic change affects one functional and may have little or no consequences for other functional areas in the organization.

Transformational Projects, however, affect multiple, functional areas of an organization and often involve integrating processes across the enterprise that require people to behave differently.

The rule of thumb for successfully implementing change is establishing a sponsor high enough in the organization who controls all the resources for successful implementation. A programmatic change would therefore require a functional sponsor such as a Senior Manager or Director, while a transformational change would need an Executive Sponsor like a Senior VP of Operations or above depending on the scale of the initiative.

In the case of transformational change, roughly 70% of the constraints and bottlenecks to successfully execute a performance improvement initiative that affects multiple functional areas are aligning the organization to a common standard and changing behaviors. The other 30% of the challenge is building the technical solution.

The irony is that most organizations focus 100% of their effort on the technical solution and disregard the part where the organization's systems are realigned to drive and reinforce the new behavior needed to support the redefined requirements laid out by the technical solution. These systems include such things as: the performance management system, the procurement system, the financial accounting system, the information management system, the operations system, and so on. A system is a configuration of processes that help the organization achieve its mission. A system is comprised of processes which are a series of end-to-end activities, that together, add value to the organization.

This the primary reason a high percentage of transformational improvements attempts fail initiatives fail. They are often perceived as a technical solution such as reengineering processes or implementing a technology, when in fact it involves processes, people, and technology. The largest challenge is the breaking down of the organization's current functional constraints and realigning them to support an enterprise solution. It becomes what is often called, "The battle of the verticals (functions) versus the horizontals (processes).

Every function owner has his or her own set of goals, measures, and rewards for optimizing the performance of his or her area of responsibility. This reinforces things like "functional affiliation" (I'm a finance person, I'm an Operator, I'm a Technician, etc.) and generates myopic focus characterized by the following sound bites: It's not my job, it fell into the cracks, I'm tired of hitting my head against the wall, position descriptions, cost centers, etc.

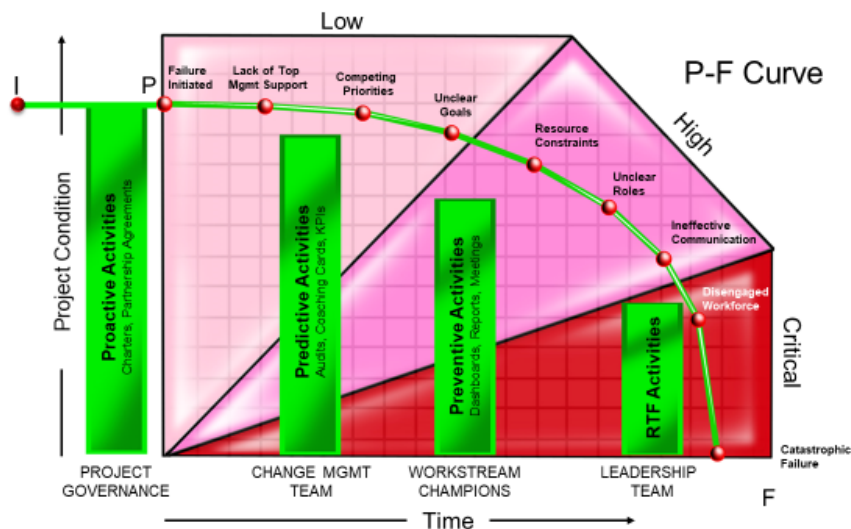
A process focused organization has sound bites such as: RASCIs which define who is responsible, accountable, supports, is consulted or informed for each step of a process. A RASCI broadens functional roles that are confined by the archaic "position description." Power and authority move

closer to the process. This is “big deal” change and without a modification to performance management (HR) to hold people accountable for a set of requirements that result from the technical solution requiring different behaviors, Information Technology (IT) that reconfigures the current data management system to support the new business requirements, Financial Accounting that drive cost centers versus the reinforcing of process effectiveness that ultimate drive cost efficiencies (Functions are measured on cost performance while Processes are measured on their effectiveness – hence Deming’s “we must measure the effectiveness of our processes and not their outcomes”).

The challenge is that Processes have no natural defenders in a functional organization. Bad data is the result of fragmented processes. Fragmented process = variation = non-value adding activity = cost. “Variation is the enemy” – Deming. Consequently, it is necessary to assign a functional owner to the role of Process Champion during any type of transformational change. A Process Champion should be a senior line manager who advocate a common organizational standard with the other functional owners of the organization.

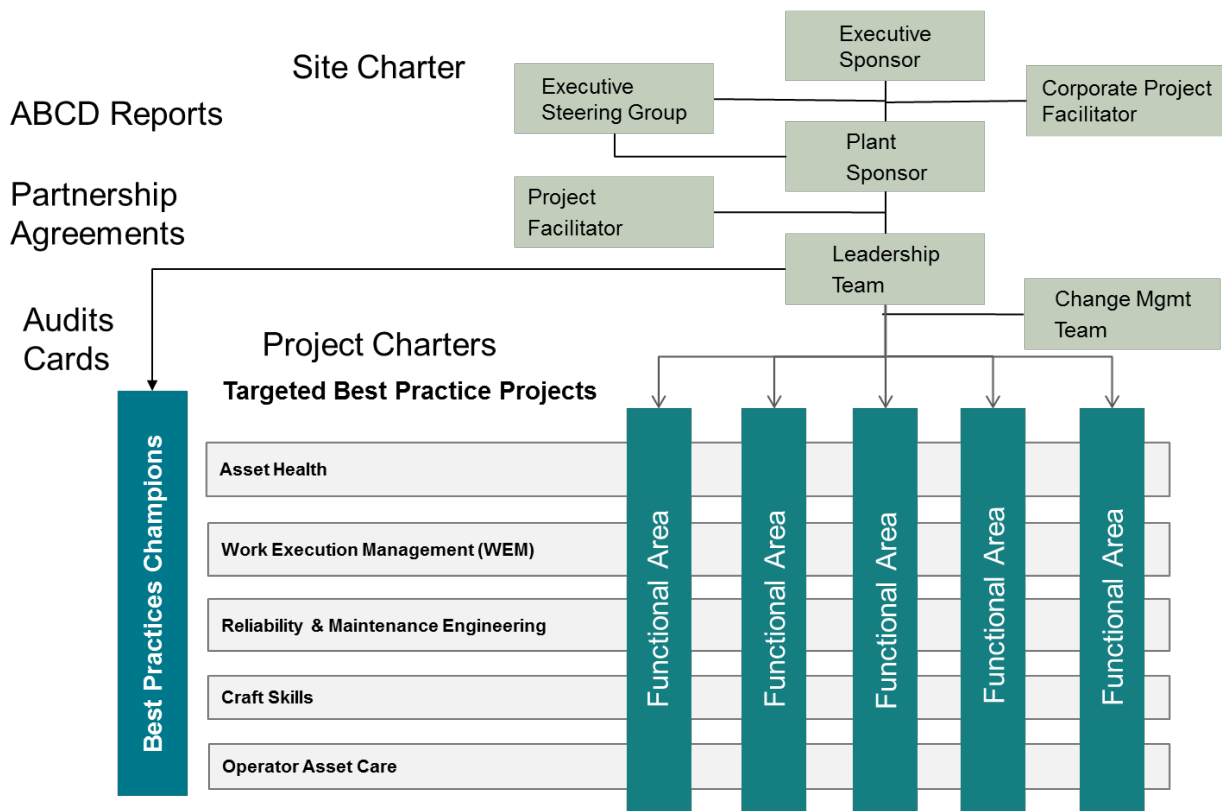
A transformational change has failure modes just like equipment components. The major project failure modes that are almost always encountered are: lack of leadership engagement; breakdowns in communication; competing initiatives and priorities for resources; lack of clarity of roles and responsibilities; and unclear goals and metrics.

Figure 1. Managing Failure Modes & Governance



Consequently, establishing a “parallel organization” called a Governance Structure with a defined process for planning, executing, checking, and adjusting identifies failure modes early, provides a cadence of accountability to remove these failure modes early before they lead to project failure. This approach greatly improves the likelihood of success; that is, achieving the full functionality of the project on time and on budget.

Figure 2. Creating a Parallel Organization

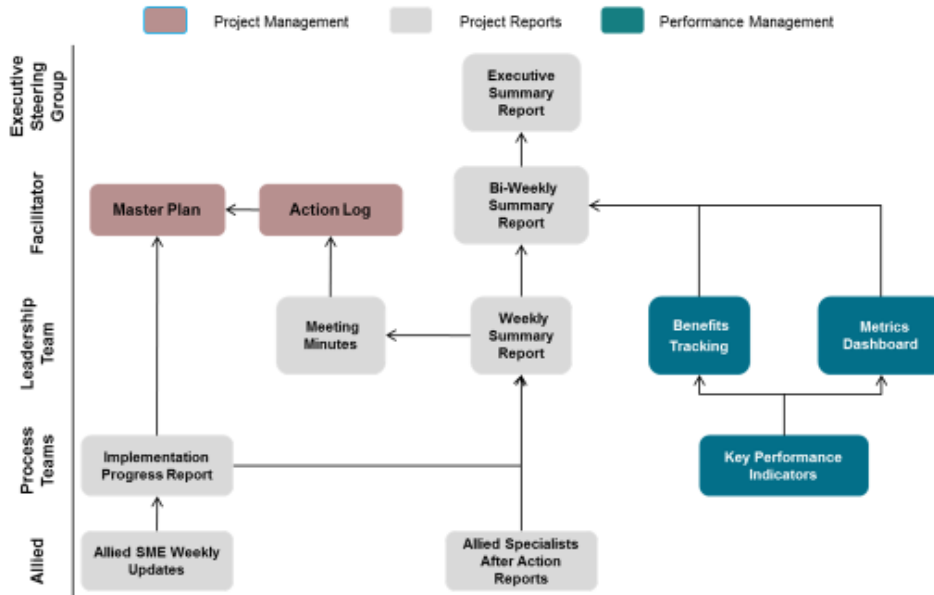


This approach is best explained and supported in the Covey Institute’s book “The 4 Disciplines of Execution” where the organization is faced with the “whirlwind” of day-to-day activities while at the same time trying to implement several high-priority projects designed to improve performance.



In order to implement a meaningful and reliable Transformational Governance Process, there must be consistency during the implementation and execution of the different phases of this process.

Figure 3. Governance Process



There are five phases of the Transformational Governance Process which are Pre-Kick-Off Phase, Kick-Off Phase, Planning & Preparation Phase, Implementation Phase and Sustainment Phase.

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