

Process Based Governance and the Role of SLAs

by Andrew Spanyi

By now, it is fairly well known that the root causes of excessive costs and errors, of delays and inflexibility, are related to the non value added handoffs across organizational boundaries. In most companies, work is fragmented across multiple departments, product lines and business units. No one has end-to-end ownership of the flow of work or responsibility for flawless service to the customer. In such environments, redundant activities and duplication of effort is common, errors are frequent, and overall responsiveness to customers’ needs is elusive. The key to resolving these issues is to implement a governance framework which assures cross departmental collaboration and encourages different units to work together for value creation.

The ideal solution is to implement some form of process based governance, based on a framework of process ownership. This has been advocated for over two decades, originally by Rummler and Brache in their book *Improving Performance: Managing the White Space on the Organization Chart*, and subsequently by Michael Hammer in his 2001 book *The Agenda*. However, there has been more rhetoric than action when it comes to process ownership and process based governance. Check it out. Just do a search for “process owner jobs” and see what results you get.

Further, the key steps to establish process based accountability are well known. Table 1 below summarizes the key steps, taken from my book *More for Less: The Power of Process Management*.

Key Steps (What)	Why
Start with a large, successful process improvement project.	Provide evidence of the benefits of cross departmental collaboration.
Define the quality and timelines measures that truly matter to customers and estimate the current level of performance for the top 3 to 5 customer touching processes.	Establish awareness of the need for cross departmental collaboration and set a baseline to enable calculation of the size of the gap between current and desired performance.
Build a one page picture of core, support and management processes. Define each of these with a one paragraph description.	Create a shared understanding of the organization’s critical business processes.
Determine the size of the gap between current and desired performance for at least the core or customer touching processes and take action.	Enables identification of the top priority process improvement opportunities.
Assign executive process owners for the top 6 to 8 end-to-end processes.	Create ongoing executive attention on cross departmental collaboration and performing for customers.
Include the top few quality and timelines measures that truly matter to customers on the senior leadership monthly scorecard.	Needed to focus management attention.
Align recognition/reward systems accordingly.	Reinforce attention on cross departmental collaboration and performing for customers.

Table 1: Key Steps in Implementing Process Based Governance

While these steps are relatively easy to understand, organizations find it difficult to implement. The culprit is frequently the traditional mindset of some members of the senior leadership team. You can't ignore culture. If you try to do so, then implementing process based governance is like pushing a rope or a boulder up a hill. Service level agreements (SLAs) can be useful in shifting management attention in such traditional organizations as the following example illustrates.

The Quality Director at a manufacturer of custom designed electric systems for the automotive sector realized that the company's product quality was good, but its performance in terms of delivering orders on time (when promised) wasn't. He also knew that the CEO cared mostly about revenues and profits, and most of the other members of the management team were focused on their own department's performance. The Quality Director decided to introduce the concept of SLAs at the company's operating review meeting, and here is the conversation that took place.

Quality Director: "According to our most recent quality review, product quality is good, but we are missing our promised delivery dates to our customers around 17% of the time. I think this has a direct impact on customer satisfaction and repeat orders."

CEO (looking directly at the VP Sales): "If we could improve on time delivery, what do you think might be estimated revenue impact?"

VP Sales: "It's hard to say. I know that our customers have complained about late orders. I'd guess if we could improve our on-time delivery from 83% by 15% to around 95%, we might see around a 5 to 8% uptick in sales, and maybe more. But that's really in the hands of our manufacturing department."

CEO (looking directly now at the VP Manufacturing): "Even a 5% increase in revenues is pretty significant. What would we have to do to improve our on-time delivery to around 95%?"

VP Manufacturing: "There's opportunity to improve our performance in delivering orders to customers on our promise date, but we can't do it alone. My people tell me that two of our challenges involve getting raw materials on time – as these are often late – and getting the production ready drawings from engineering on time. So we would need Procurement and Engineering to improve what they are doing."

The VP Purchasing didn't say a word, but the look on his face told volumes. However, the VP Engineering said, "We are ready to step up to the plate on that, but as you know, we have been understaffed for several months, and we need HR to present us with qualified candidates so we can get back to full strength."

There was an uncomfortable silence in the meeting room for several seconds. Then, the Quality Director, looking at the CEO, said, "It's pretty clear that we are dependent on one another. We have had some success in improving product quality using Service Level Agreements (SLA) within several units in the production area. Maybe the concept of SLAs can also be used by us to enter into performance agreements between our major departments?"

The CEO thought for a moment and then said, “OK. Let’s deal with this issue off-line. But deal with it we will – it’s too important for us to ignore.”

This Quality Director recognized the traditional mindset of executives at his company and rather than preaching process improvement or Lean or Six Sigma, he found a way to highlight inter-departmental dependencies and use SLAs to promote better collaboration. The same concepts apply to service firms. To learn more about the potential benefits of using SLAs at your organization, readers are invited to contact the author.

Andrew Spanyi is the author of three books emphasizing the importance of cross-functional collaboration and a customer-oriented, process based focus: *More for Less: The Power of Process Management*, *Business Process Management Is a Team Sport: Play It to Win!* and *Operational Leadership*. Contact Andrew at www.spanyi.com or [andrew\(at\)spanyi.com](mailto:andrew(at)spanyi.com).

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