

# Enterprise governance framework: Align your enterprise to make better decisions

By Joanna Clark, Principal, Enterprise Governance Group

- Enterprise governance involves making decisions about performance and risk at four levels of an enterprise.
- These four levels work together to make the entire enterprise successful.
- Enterprise governance allows you to link and align the objectives and priorities of an enterprise so everything is moving in the same direction at the same time.

**An enterprise governance framework is a tool to assist governors make decisions about performance and risk in order to achieve results at four levels of an enterprise.**

It allows a governor to see an entire enterprise on a single page. It shows how initiatives that need to be delivered are aligned to strategic results that need to be achieved. It also shows how initiatives are grouped into programs that can be monitored, resourced and continually improved on a regular basis.

A governor is someone who is accountable for leading the delivery of a result at one of the four levels of an enterprise. This is explained in more detail on page 145.

Most importantly, an enterprise governance framework shows how everyone and everything fits into the bigger picture of an enterprise, which allows governors at all levels to better assess opportunities and more easily resolve problems.

Once an enterprise governance framework has been mapped out, a governor can more easily:

- implement enterprise strategy
- monitor and manage the programs and initiatives in the strategy as it is being rolled out
- design and implement an effective enterprise risk management system
- establish a performance management system and capability framework

- cost every 'end to end' deliverable in the enterprise
- report on the performance of the enterprise and resolve problems relating to any initiative or program being delivered
- develop and implement a range of plans for example: policy; compliance; audit; business continuity; information technology; and corruption prevention.

It is perhaps not surprising that in order to construct an enterprise governance framework, you need to understand the concept of *enterprise governance*.

## What is enterprise governance?

Enterprise governance is a concept that goes beyond traditional notions of governance, and involves making decisions about performance and risk at four levels of an enterprise.

The concept is important because it clearly identifies the four levels of the enterprise that need to work together to deliver the results that ultimately make the entire enterprise successful.

An enterprise is just the whole of something that has been established to achieve a result.

Enterprise governance recognises that an enterprise can be an organisation of any kind in the private, public or not-for-profit sector, along with being a piece of public or sector-wide policy. The approach can also be used in conjunction with any form of governance including public sector governance, corporate governance, program governance and project governance.

It works regardless of the nature, size, location, or goals of the enterprise.

Enterprise governance allows you to link and align the objectives and priorities of an enterprise to every part of the enterprise, so everyone and everything is moving in the same direction at the same time.

It combines strategy development and monitoring at the enterprise level — usually carried out by a board, executive team, or in the case of public policy a steering committee — with strategy implementation.

An enterprise governance approach involves the governance of:

- an entire enterprise
- a strategic result
- programs
- initiatives (services, products, processes, projects).

That is, an enterprise is a combination of its strategic results, its programs and its initiatives. As shown in Figure 1, every enterprise has four levels:

- Level 0 — Enterprise: the vision and mission of the enterprise
- Level 1 — Strategic: every strategic result in the enterprise
- Level 2 — Program: every program in a strategic result
- Level 3 — Initiative: every initiative in a program.

Enterprises usually need to set between four to six strategic results in order to be successful. A result is just another way of referring to an objective that is being achieved. In the context of this article, the two terms mean the same thing. The first strategic result is always the *core business* of the enterprise. The other five or so *enable* the enterprise to sustain itself so it can be successful in the medium and long term.

Every strategic result is achieved by delivering a range of initiatives.

Initiatives are services, products, processes or projects that need to be delivered.

Figure 1: The four levels of enterprise governance



Figure 2: Setting strategic results



Initiatives are grouped into programs so they can be more effectively managed, monitored, resourced and continually improved on a regular basis.

In applying enterprise governance, it is also useful to note that enterprises move from Point A to Point B to achieve results. Point A is where you are now. Point B is where you want to be in a stated period of time.

As you can see in Figure 3, the movement from point A to point B is horizontal, and this is a key principle underpinning enterprise governance.

Figure 4 shows that every result at every level of the enterprise is made up

of a number of components that reside in various silos.

Enterprises have traditionally been structured into silos that are often called divisions, groups or business units. However achieving a result always requires working horizontally across a number of silos, even though each silo is led by a traditional line manager who is employed to manage vertically.

Enterprise governance provides a solution by allocating a governor to lead the horizontal delivery of the result at the relevant level for the entire enterprise.

Table 1 provides examples of the different types of governors who lead

results at different levels of an enterprise.

A governor is someone who understands where a result fits into the bigger picture. They have the skills to liaise, negotiate and resolve issues, and problems that might stop them from achieving their result. They also have the skill to take advantage of opportunities that might emerge in the process of delivering the result.

Perhaps most importantly, enterprise governance provides a governor with the authority to act horizontally and this authority can be given in different forms which may include:

- legislation
- constitutions, memorandums of understanding, contracts, or other agreements
- terms of reference for a committee
- governance frameworks that state who has the authority to lead a result
- strategies and plans that state who has the authority to lead a result
- broader organisational, or other, policy

Figure 3: Movement to achieve results



Figure 4: Components of levels

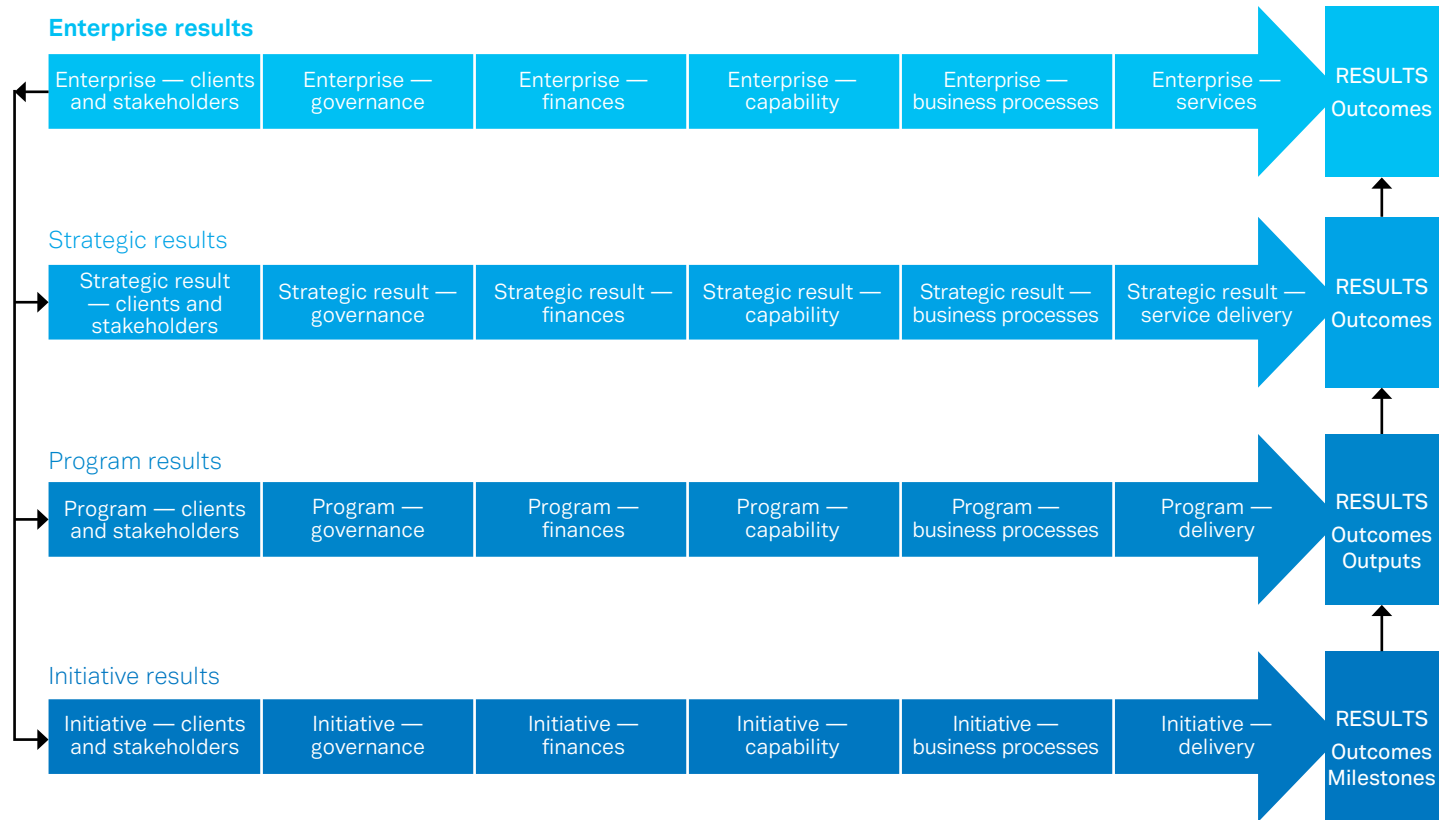


Table 1: Description of components

Level 0:	Enterprise	Board of directors Chief executive officer Steering committee
Level 1:	Strategic	Chief executive officer Chief officer (eg Chief operations officer, chief risk officer) Steering committee member
Level 2:	Program	Program manager
Level 3:	Initiative	Service manager Project manager Process manager

Table 2: Sample table

Strategic result	Program	Initiative	Alignment column

- communications from a person who has the authority to appoint the governor, for example, letters and memos provided to all relevant parties
- an enterprise culture that understands and recognises the difference between horizontal governance and vertical line management.

How to create an enterprise governance framework

That was the theory, so what does an enterprise governance framework look like in practice?

Step 1 involves constructing a table with four columns as shown in Table 2.

Step 2 involves populating the left hand column of the table with your strategic results.

Step 3 involves identifying the initiatives that need to be delivered to achieve each strategic result.

Step 4 involves grouping these initiatives into programs.

Step 5 involves aligning the programs to the relevant strategic result.

Step 6 involves populating the alignment column. Different governors at different levels can use the alignment column in different ways, for example,

for reporting, to create scorecards and to record accountability. This is explained in more detail in the following pages.

A level of judgment is required to identify those initiatives that are essential in delivering enterprise strategy, or those initiatives that are essential in meeting high level compliance requirements. It is also important to include the initiatives that the board, executive or steering committee want to monitor. That is, not every initiative being delivered in the enterprise needs to be included in an enterprise governance framework.

Table 3 is an example of an enterprise governance framework that has been constructed for a shared corporate service provider.

How to use an enterprise governance framework

By using a single *enterprise governance* framework, the enterprise is able to align its decision-making which improves efficiency and reduces risk by reducing gaps and duplication.

An enterprise governance framework can be used for a range of purposes including the following.

Enterprise strategy

It allows the board or executive, or in the case of public policy the steering committee, to see how the strategic results, programs and initiatives are aligned so they can make more informed decisions.

Planning and metrics

It can be turned into an Annual Plan on a Page with outcome measures being developed for strategic results, outcome or output measures developed for programs, and output or milestone measures developed for initiatives.

Performance and reporting

It can be used to create an enterprise scorecard, with the alignment column being used as a series of traffic lights. It is also a useful tool for reporting to external bodies on specific issues as it is a repository of all possible initiatives that can be considered in meeting the request for information.

Accountability

The alignment column can be used to record the operational governor accountable for delivering an initiative and managing operational risk. Every program box can be used to record the title of the governor who is accountable for delivering a program and managing program risk. Every strategic result box can be used to record the title of the governor accountable for the delivery of the result and managing strategic risk.

Risk

An enterprise governance framework is the foundation of an enterprise risk management framework. It aligns strategic, tactical and operational risk with every strategic, tactical and operational result in the enterprise. That is:

- the strategic result column is the basis of your strategic risk assessment
- the program column is the basis of your tactical risk assessment
- the initiative column is the basis of your operational risk assessment.

**Table 3: Enterprise governance framework — shared corporate service provider**

Strategic objective	Program name	Initiative name	Alignment
<b>Our services</b> <i>To deliver reliable, low cost and secure services to make business easier for our frontline people</i> Core business	IT services	IT user Infrastructure Email and messaging	
	HR services	Recruitment Payroll and benefits	
	Finance services	Accounts payable Accounts receivable Taxation	
<b>Our service strategy</b> <i>User-friendly services that can be accessed anytime and anywhere</i> Business improvement	Name of program (for group of projects)	Name of project Name of project Name of project	
	Name of program	Name of project Name of project	
	Name of program	Name of project Name of project Name of project	
<b>Our clients and stakeholders</b> <i>Our clients and stakeholders appreciate how we do business</i> Stakeholder management	Client strategy	Service marketing strategy Service agreements Service level agreements	
	Relationship management	Name of stakeholder Name of stakeholder Name of stakeholder	
<b>Our people</b> <i>A great place to work</i> People	People	Workforce strategy and plan Voluntary redundancy Recognition and rewards program Workplace health and safety	
	Communications	Intranet Brand development Marketing strategy	
<b>Our finances</b> <i>Prudent financial management</i> Financial management	Financial management	Net cost of services Cash flow Cost centre reporting	
	Statutory reporting	Board Regulator 1 Regulator 2	
<b>Governance</b> <i>Co-ordinated and aligned decision-making processes that effectively manages risk</i> Governance	Performance	Enterprise strategy 2014–2017 Annual business plan Organisational scorecards Business intelligence	
	Compliance	Enterprise risk Risk management Audit program Information security Business continuity Delegations	

- **Audit**

An internal audit function can use the alignment column to identify the initiatives and programs that need to be audited every year.

- **Compliance**

A compliance function can use the alignment column to identify and document the compliance requirements at every level of the enterprise level for every relevant program and every relevant initiative.

- **Business continuity**

The business continuity function can use the alignment column to identify:

- an enterprise's critical services that require an immediate and coordinated response to resume the service to acceptable levels
- business process owners who will continue to work on resuming all services to usual levels.

- **Corruption prevention**

A corruption prevention function can use the alignment column to identify the vulnerable program areas where training and monitoring needs to be targeted.

- **Human resources**

A human resource function can use the framework to undertake a capability assessment. It can also be used to identify where additional resources are required or where resources can be reduced.

- **Business improvement**

A business improvement function can use the alignment column to identify processes that require re-engineering including processes that can potentially be automated.

- **Finance**

Finance can use the framework to cost every initiative and program to understand the cost of achieving every strategic result.

## Making it happen

An enterprise governance framework creates a common framework for assessing a myriad of enterprise-wide decisions, and a common language for understanding and discussing what has to be achieved and what needs to be delivered.

Of course it would be most desirable for a board, executive or the secretariat of a steering committee to map out an enterprise governance framework. This would create the most value for an enterprise and allow governance managers at all levels to see how they fit into the bigger picture.

However the good news is that any governor at any level can create an enterprise governance framework that will ultimately create better outcomes for the entire enterprise. ▀

*Joanna Clark can be contacted on 0458 729 443 or by email at [joanna.clark@governancegroup.com.au](mailto:joanna.clark@governancegroup.com.au).*