

PRACTICAL OPERATIONAL GOVERNANCE

Further thoughts on the duties and disciplines that comprise Operational Governance.

This document is a supplement to the paper entitled 'The Duties of Governance' and its contents should be considered in conjunction with the original paper.

THE 10 DUTIES OF OPERATIONAL GOVERNANCE

1. Interpreting Policy

At an operational level, policy has to be translated into the strategies and tactics that steer the regular operation of the business functions. All of the activities, processes and techniques employed within the business are derived from the correct interpretation of the corporate policy by the operational governors. By adhering to the policy one can make judgements, without fear of retribution, about the success or otherwise of the business enterprise. A set of clear unequivocal policies is a means of empowerment; they establish the boundaries and allow the freedom for the operational governors to work within those boundaries. If any abuse of these privileges should occur then there can be no room for argument and the penalties should be explicit.

2. Quality Control

It is essential that the product or service, the output of the business, should be maintained at a viable level of quality in the same way as the business itself needs to remain compliant with the relevant rules and regulations. Total Quality Management is the means of achieving this consistency, which is expected by the customer and the business itself. If the quality is variable then it is almost certain that the costs and the value will vary. This is likely to frustrate the governors and disenchant the customers.

3. Running the Operation

The core concern of the operational governors is running the actual operation, or operations, that represent the main activities of the business. This is the area where skills, training and experience bear fruit. Each and every business will have a unique set of operations that need to run smoothly and efficiently to provide the range of services and products. Obviously there will be similarities between businesses within the same industry but it is generally their distinctness that provides them with their unique selling points.

4. Protecting Investment

The material benefits that are the manifestation of capital investment need to be nurtured and protected, this is the concern of the operational governors. Assets, facilities and resources have to be prudently managed and effectively employed. Furthermore it is essential that this operational prudence can be adequately demonstrated at all times. This is to satisfy the regulators and stakeholders through the internal and external audit processes. It is achieved by means of monitoring, reporting and control systems that enable the governors to track what is happening and correct any errors or drifts before they become established, embarrassing or expensive.

5. Maintaining Standards

To a large extent the maintenance of standards addresses the issues associated with investment protection. This is the main reason why the corporate governors set them in the first place. At the operational level there must be a clear understanding of those standards and an unreserved acceptance of them and their implications. Any disagreement or contention will lead to a compromise or even a flagrant breach of those standards. Proper application of the corporate standards ensures that the business culture, its image and products or services meet the expectations of all interested parties.

6. Meeting Expectations

Whilst meeting expectations is a by-product of all of the above disciplines, it is essential that the reality is constantly monitored against the expectations. The feedback from the monitoring process is what enables the operational governor to know how well the services or products meet the current expectations. From this base it is possible to estimate how expectations may change over time and anticipate those trends so as to continue to deliver the ideal product for the customer or end user. Deviation from the ideal can be measured and costs apportioned in order to ensure that the pursuit of perfection does not become prohibitively expensive.

7. Product Delivery

The quintessential element of the whole business operation is the successful delivery of the particular product at the appropriate time, in the correct quantity, in a proper condition and to the right place. Indeed it is the primary purpose and *raison d'être* of the whole business. The logistics of transporting the output of the operation from its point of origin to its point of consumption involve a complete range of management and planning skills. This forms a large part of the customer interface and is often the most likely cause of satisfaction or dissatisfaction from the client perspective. It is also essential to remember just how important that client perspective can be.

8. Satisfying Demand

There are two distinct aspects to demand management. One is making sure the right quantities are available to meet the scale of the demand at all times. This involves market knowledge and both short term and long term prediction of the market needs. On the other hand it is necessary to predict or judge the type and style of product or service that will be attractive to the customer set. This involves monitoring trends and gauging the future to some extent but it may also involve steering the customers' desires towards a particular range or style of product or service.

9. Resource Utilisation

The prudent use of the resources available is a key element in the long term success of any organisation. If resources are idle for any length of time there is a financial burden as well as a maintenance or re-commissioning liability. On the other hand if resources are overloaded the operation will suffer from failures, degradation of quality or unacceptable delays. If resources are misused or employed for the wrong purposes, damage may be caused or the products and services may be compromised. In order to successfully manage the operational

resources the governor has to have a full understanding of them and the processes they support.

10. Risk Avoidance

At the operational level it is essential to eliminate or avoid risks as far as is practically possible. This means identifying the threats and dangers and defending the business against their impact. A wise blend of prevention and mitigation measures will keep the exposure to accidents, problems and failures to a reasonable minimum level. Reduction of exposure minimises the incidence of such unwelcome events. Like all the other duties of operational governance, risk avoidance must be achieved in a cost effective manner. Operational governance should be seeking to reduce or eliminate risk and wastage whilst maintaining or improving the value and quality of the product or services.

THE 12 DISCIPLINES OF OPERATIONAL GOVERNANCE

1. Operational Management

is all about running those core operations that are the main purpose of the business. Whilst the actual operations themselves are unique to every business enterprise, the basic principles of management will have a number of common characteristics throughout all types of enterprise. Operational management touches on interpreting policy, quality control, running the operation, maintaining standards, meeting expectations, product delivery, satisfying demand, resource utilisation and risk avoidance.

- a. Project Management is about achieving specific one-off objectives. Each project has a known starting point and a recognisable end point.
- b. Process Management is about the routine delivery of a service or product. Each process has a particular regular, repeatable outcome.

2. Budgetary Control

is concerned with the financial aspects of running the operation, protecting the investment, meeting expectations, resource utilisation and risk avoidance. Ideally it should be a control process rather than a constraint system.

3. Total Quality Management

is the application of quality control in an intelligent feedback loop that allows and seeks for improvements as well as consistency. It is concerned with interpreting policy, running the operation, maintaining standards and meeting expectations.

4. Risk Management

is concerned with monitoring the whole operation and ensuring that the appropriate risk avoidance measures are in place. It also contributes to maintaining the standards, protecting the investment and ensuring product delivery.

5. Security

is also concerned with the avoidance of risk and is a means of ensuring that the operation and the investment are fully protected from the health and safety perspective as well as the asset and property angle.

- a. Operational security ensures that the integrity of the business's operational assets is not compromised.
- b. Physical security ensures that the integrity of the business's physical assets is not compromised.

Logical security ensures that the integrity of the business's logical or intellectual assets is not compromised.

6. Supply Chain Management

applies all of the skills and disciplines of governance to those who supply, receive or handle goods and services for, or on behalf of, the company. It aims to avoid risks from external sources, maintain standards, control quality, meet expectations, deliver the product and satisfy demands from the very source to the point of final consumption.

- Commercial Relationships with other organisations or entities who may have indirect or casual effects on the supply chain should also be monitored and managed where necessary.

7. Operational Technology

is the highly technical and very specific discipline or skill set concerned with supporting the business operation as and where required. Information technology is commonplace across a wide range of industries and encompasses a bewildering variety of applications. Operational technology also covers all those other forms of technology, applied science or practical engineering that serve the modern enterprise. There are 4 main streams of Operational Technology

- a. Process Control, which is the instrumentation and automation of ongoing regular processes.
- b. Production Technology, which is the engineering and machinery to support and enable the production of goods or services.
- c. Information Technology, which stores, acquires and manipulates data or information on behalf of the business.
- d. Communications Technology, which enables internal and external communication in support of the business needs.

8. Knowledge Management

is concerned with acquiring, developing, retaining and sharing the intangible assets that form the intellectual property of any intelligent organisation. Here we are taking the term intelligent organisation to mean the type of enterprise that treasures the unique information they have obtained or evolved over the years. Knowledge management is concerned with protecting the investment in the intangible assets and ensuring the right information is available to support all other aspects of the enterprise. It is also responsible for risk avoidance and seeks to ensure that the corporate knowledge base is not abused, corrupted or compromised.

9. Customer Relationship

seeks to retain customers by making sure they are kept informed and their problems are resolved swiftly and amicably. A well managed relationship also complements the marketing and sales strategies; the voice of the public is a sound reference source in the marketplace. It touches upon quality control, maintaining standards, meeting expectations, product delivery and satisfying demand.

10. Logistics

is concerned with arranging and enabling the movement of goods and people in a secure and cost effective manner according to the needs of the business. It takes into consideration various aspects of meeting expectations, product delivery, resource utilisation and risk avoidance.

- a. Supply Logistics is concerned with ensuring that the right goods and people are brought into the right part of the business at the right time.
- b. Delivery Logistics is concerned with ensuring that the right goods and people reach their destination at the right time in the right condition.

11. Asset Management

is concerned with the provision and maintenance of the operational environment that is required to support delivery of the processes carried out by the company.

- a. Estates management is about protecting the investment in the accommodation for the business operations. It is mostly concerned with the proper repair, maintenance and usage of premises
- b. Facilities management maintains a safe, clean and efficient workspace for the effective practice of the business operations. It is largely concerned with resource utilisation and risk avoidance.

12. Business Continuity Management

addresses some of the issues arising from protecting the investment, meeting expectations, product delivery, satisfying demand and risk avoidance. It is also involved with the running of the operation because a full understanding of the operation is an essential element in developing its proper protection.

- a. Emergency Management is about being prepared and capable to deal with an incident or emergency. The focus is on the management and control of the business operation and its environment.
- b. Functional Recovery ensures continuity of the delivery of support services and functions such as IT. The focus is on the technical capability and restoration of equipment and services.

THE OPERATIONAL GOVERNOR'S TOOLKIT

Scenario planning

The process of outlining and considering a number of alternative future outcomes before making a decision.

SWOT shops

Surveying the strengths, weaknesses, opportunities and threats.

Matrix planning

As discussed in 'The Mind of a Fox' by Chantell Ilbury and Clem Sunter. Listing the basic rules, facts and certainties; establishing the key uncertainties; developing alternate scenarios and considering the full range of options before making important strategic or tactical decisions

Micro sufficiency

Micro sufficiency is a concept of decentralising and fragmenting the core business operations in which isolation and unit effectiveness can overcome the risks and threats associated with centralisation and economy of scale. It is a means of applying self-sufficiency and resilience to a large enterprise by separating the individual elements and treating them as stand alone entities.