

## GOOD GOVERNANCE

*Business governance is not a waste of time, argues Graham Oakes, but it needs to lighten up.*

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**Graham Oakes: re-frame governance as a learning process**

I recently came across a quote from Shigeo Shingo, one of the leading thinkers on lean manufacturing:

“There are two types of inspection:

- Inspection to find defects is waste.
- Inspection to prevent defects is essential.”

To a lean guru, waste is the enemy, something to be relentlessly eliminated. So it's hard to imagine that Shingo would be impressed by the governance industry which has grown in recent years.

Governance has been framed in terms of controls. We add checkpoints, audit trails and similar measures to our systems and processes, in order to catch defects (non-compliances) as, or after, they occur. In doing this, we add waste.

Of course, many people recognise this waste, calling it overhead or bureaucracy. In this guise, they feel free to resist any corporate governance initiative. So we create yet more waste as we invest effort in overcoming the resistance.

(As often as not, I think this resistance stems not from an abhorrence of waste, but from an abhorrence of uncontrolled behaviour – a mindset that people can't be trusted to do the right thing, so they must be monitored and controlled. But that's another story.)

However, this whole struggle misses an important point. At its core, governance is simply about ensuring that we use organisational assets in the way their owners want them to be used. That sounds reasonable enough to me. The problem is in the control-led framing of governance, not in governance *per se*.

I'd like to re-frame governance as a learning process. By building feedback loops into our processes and systems, we can learn about what is and isn't working and hence refine the way we operate in order to avoid problems before they occur.

Governance then focuses on identifying which feedbacks are most useful, and on helping these feedbacks to operate more effectively.

This framing opens up several areas which governance tools and techniques might address. For example, I'd like to see governance that addresses:

- Operational feedbacks – monitoring operational data and events in order to better inform day-to-day decisions about sales, customer service, etc.
- Process improvement feedbacks – reviewing and refining our processes, practices and tools in order to improve our underlying performance.
- Strategic feedbacks – analysing and reflecting on broader trends in order to refine our overall business model and objectives.

We can't eliminate all waste. People do sometimes operate stupidly or unethically, so we need controls to find and fix these problems. But governance which focuses purely on such controls, rather than on learning and feedback, seems wasteful indeed.

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