



Business Rule Solutions

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From Rulebook Management to Business Governance: Where Business Rules Fit

In this Column, Ron Ross discusses how business rules and the governance of an enterprise are inherently and inextricably linked. The implication is that the better your company gets at business rules – and business rule management – the better it can become at the nuts and bolts of governance. Ron also discusses what the governance process of a company involves, and how it should be supported. The goal is smart governance. Finally, Ron looks at the organizational function necessary to support a re-engineered governance process, sketching the new role of governance engineer.

Say “governance” and many people immediately think IT governance, or sometimes data governance. Governance has been bandied about so much that its meaning has become clouded and trivialized. That’s unfortunate, because the true meaning of governance is actually straightforward. And that true meaning has everything to do with meeting today’s business challenges.

So bear with me while I do a little refresher on the meaning of “governance”. You may be surprised at what pops out! Here’s how *governance* is defined in the Merriam-Webster Unabridged Dictionary (MWUD –emphasis added):

Governance ...

- 1: the act or **process** of governing
- 2a: the office, power, or **function** of governing
- 2b: controlling or directing influence : AUTHORITY
- 3: the state of being governed
- 4a: **the manner or method** of governing : conduct of office
- 4b [obsolete]
- 5: a **system** of governing

So “governance” implies the *process, function, manner or method, or system* of governing. It also implies *authority* or the *state of being governed*. Since most of the definitions reference “governing”, let’s also examine *govern* in MWUD (emphasis added). Note how prominently ‘rule’ and ‘policy’ appear in these definitions.

Govern ...

transitive verb:

1a: to exercise arbitrarily or by established **rules** continuous sovereign authority over; especially: to control and direct the making and administration of **policy** in

3a: to control, direct, or strongly influence the actions and conduct of (as a person or a group)

intransitive verb:

1: to prevail or have decisive influence : CONTROL

2: to exercise authority: perform the functions of government especially in the making and execution of **policy**

At the risk of saying the obvious, note that the definitions do not say anything about IT, data, or anything similar. For that matter, they don't even mention processes(!). The definitions do, however, have everything to do with business rules. To demonstrate, take a quick look at the seminal definition of "business rule" from the original GUIDE Report¹ in 1995. Note the key words 'control' and 'influence'.

Business Rule: a statement that defines or constrains some aspect of the business ... [which is] intended to assert business structure, or to **control** or **influence** the behavior of the business

The newer definition of 'business rule' in SBVR² is based on the following definition of rule from the Oxford Dictionary of English. Note the pivotal place of *governing*.

Rule: one of a set of explicit or understood regulations or principles **governing** conduct or procedure within a particular area of activity ... a law or principle that operates within a particular sphere of knowledge, describing, or prescribing what is possible or allowable

Here is my point. Business rules and governance are inherently and inextricably linked. The better your company gets at business rules, the better (smarter) it can become at the nuts and bolts of governance. Simple as that. And absolutely as critical as that in a volatile, rapidly changing, and ever more complex (and regulated) world!

What Business Governance Is and How Rulebook Management Relates to It

So what do we mean by *business* governance? A key phrase in the definition of *govern* is: "... the making and administration of policy in." Central to the activity of governing then are:

- How policy and rules are created ("made").
- How policy and rules are deployed (managed, distributed, and monitored) within the actual day-to-day operations of the business ("administration").

¹ *Defining Business Rules ~ What Are They Really?* Available at:

<http://www.BusinessRulesGroup.org>.

Formerly known as the *GUIDE Business Rules Project Report*, (1995). Emphasis added.

² *Semantics of Business Vocabularies and Business Rules* (SBVR) is a groundbreaking standard officially released in December, 2007 by the Object Management Group (OMG). For background on SBVR, refer to Ross, Ronald G. [March 2008]. "The Emergence of SBVR and the True Meaning of 'Semantics': Why You Should Care (a Lot!) ~ Part 1," *Business Rules Journal*, Vol. 9, No. 3. Available at: <http://www.BRCommunity.com/a2008/b401.html>.

Accordingly, our definition for *business governance* is:

Business Governance: a process, organizational function, set of techniques, and systematic approach for creating and deploying policy and business rules into day-to-day business operations

The effectiveness of business governance clearly hinges on the ability to deploy policy and business rules effectively. Such deployment should be timely, effective, selective, pervasive, traceable, repeatable, and retractable. We also want the activity to be transparent and to be able to hold accountable those parties responsible for specific actions.

For effective deployment, all four aspects mentioned above — a *process*, *organizational function*, *set of techniques*, and *systematic approach* — are essential. Given the complexity of the activity, however, the one perhaps most basic is simply having a *systematic approach*.

That's where business rules management — *rulebook* management — comes to play. A *rulebook* is the collection of business rules for the business (or some area within it), along with the terms and definitions — that is, the business vocabulary — that support them. A systematic approach that will scale requires special tooling. We call the kind of automated, specialized, business-level platform your company needs to manage its business rules a *general rulebook system* (GRBS). The purpose of a GRBS is to record, develop, and coordinate business rules, but not 'execute' them per se. Think of a GRBS as more or less the counterpart of a general ledger system, except that the GRBS is for business rules.

In the context of business governance, a GRBS plays another critical role: *knowledge retention*. You *will* lose workers. Staff will be downsized or outsourced; your baby boomers will retire; your most critical subject matter expert will win the lottery. If your business rules have not been retained and managed, how do you regain the lost knowledge? One approach is to try to mine business rules from legacy code (not a fun prospect!). The alternative is either reengineering the business systems from scratch or replacing them with expensive (and often painful) deployments of packaged software. Far better — just don't lose the business rules in the first place!

So job one in moving toward smarter governance is simply gearing up for a general rulebook system (GRBS). That gives you your systematic approach. Then you can start talking seriously about re-engineering the *process* of business governance.

Re-Engineering the Governance Process

Yes, Virginia, there is a governance process. Unfortunately, in many companies today the as-is governance process is ad hoc, ragged, and effectively broken. That just won't do, given the complexity, rate of change, and knowledge-intensity of doing business in today's high-tech, globally-connected world. Thinking in the large, how to fix the nuts-and-bolts of the governance process in a highly pragmatic fashion is the most fundamental insight and value-add of the business rules paradigm.

The governance process involves a series of actions and checkpoints (i.e., a workflow) indicating who should be doing what, and when, with respect to deploying policy and business rules. The scope of the governance process includes, but is not limited to:

- Developing internal business policies.
- Evaluating relevant laws, regulations, contracts, agreements, etc.
- Tracing interpretations for both the above.
- Performing reviews.

- Resolving conflicts.
- Coordinating sign-offs.
- Performing impact assessments.
- Coordinating business roll-out (deployment) of new or modified business rules.
- Ensuring the correctness of system-level deployments from the business perspective.
- Assessing when to retract or retire business rules.

A re-engineered governance process should view the workflow from beginning-to-end, encompassing all seven of these tasks:

The Seven Steps of the Governance Process

1. Assess/review business influences.
2. Create/refine business strategy.
3. Develop operational business rules.
4. Assess/simulate impact.
5. Deploy business rules.
6. Monitor performance.
7. Revise/retire business rules.

Note the starting points in tasks 1 and 2. These have to do with injecting structured, documented business strategy into the governance process. Can strategy really be structured and effectively documented? Absolutely. Applied use was reported for business projects as early as 1998³. There is now a standard for the area, *The Business Motivation Model*⁴.

Who should have responsibility for the governance process? Processes need engineering (or more commonly, *re-engineering*) and for that you need engineers. The governance process specifically needs engineers specializing in governance — *governance engineers*. What goals should they have? All the items in Table 1. Ultimately, this is what rulebook management is all about.

³ Lam, Gladys S. W., May/June, 1998. “Business Knowledge — Packaged in a Policy Charter”. Available at: <http://www.BRCommunity.com/a1998/a385.html>

⁴ Business Rules Group, *The Business Motivation Model ~ Business Governance in a Volatile World*, (Ver. 1.3). Available at: <http://www.BusinessRulesGroup.org>. Adopted as a standard of the Object Management Group (OMG) in 2007.

Table 1. Goals for Governance Engineers.

- **Fiduciary Responsibilities Support.** Demonstrate compliance by officers of the organization with their fiduciary responsibilities.
- **Risk Management.** Enable more effective, timely, and focused management of risks by monitoring performance around critical items of business policy and strategy.
- **Liability Management.** Reduce or eliminate legal and financial liabilities due to non-compliance with contractual obligations and statutory responsibilities.
- **Quality Assurance.** Ensure consistency in business behavior, and appropriate interactions with external stakeholders.
- **Regulatory Compliance.** Ensure conformance with external regulation.
- **Agility.** Ensure timely and coordinated deployment of changes in business policy and strategy.
- **Knowledge Retention.** Ensure that specialized know-how, basic business intellectual property (IP), and core competencies are captured and managed explicitly, so that survivability and sustainability are less dependent on individual workers and their tacit knowledge.
- **Accountability.** Ensure clear lines of responsibility for interpretations and deployments of business policy and regulation into day-to-day operations.
- **Transparency.** Ensure that business activity subject to external regulation is conducted in a manner that can be fully audited.

Summary

Key to better governance is managing business rules effectively. These tasks are very unlike managing the artifacts of software development and should not be mixed together. The former should be undertaken purely as a business proposition, using a general rulebook system (GRBS).

Business rules and the governance of the enterprise are inherently and inextricably linked. The implication is that the better your company gets at business rules — and rulebook management — the better it can become at the nuts and bolts of governance. The goal — *smart* governance.

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