IT Governance: The Fundamentals and a Radical View

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Romero Consulting

Governance, Risk & Compliance – G11

Governance defined

gov·er·nance noun (ˈgə-vər-nən(t)s)

: the way that a city, company, etc., is controlled by the people who run it

Corporate governance defined

The structure and the relationships which determine corporate direction and performance.

- The board of directors is typically central to corporate governance – accountable to shareholders
- Participants include: management, employees, customers, suppliers, and creditors
- Depends on the legal, regulatory, and culture of the community

Information technology governance (ITG) defined

- "The processes that ensure the effective and efficient use of IT in enabling an organization to achieve its goals."

- "A decision-making framework for IT investments that is designed to maximize the return of benefits while managing risk to acceptable levels."

- "The system by which the current and future use of IT is directed and controlled. Corporate governance of IT involves evaluating and directing the use of IT to support the organization and monitoring this use to achieve plans. It includes the strategy and policies for using IT within an organization."

- "Governance ensures that stakeholder needs, conditions and options are evaluated to determine balanced, agreed-on enterprise objectives to be achieved; setting direction through prioritisation and decision making; and monitoring performance and compliance against agreed-on direction and objectives."

IT Governance Institute – more definitions

1998 Definition: The responsibility of executives and the board of directors, and consists of the leadership, organizational structures and processes that ensure that the enterprise's IT sustains and extends the organization's strategies and objectives.

Today's Definition: A governance system enables multiple stakeholders in an enterprise to have an organised say in evaluating conditions and options, setting direction and monitoring performance against enterprise objectives. Setting and maintaining the appropriate governance approach is the responsibility of the board of directors or equivalent body.

“An Executive View of ITG”

Based on 2009 Survey of 255 Non-IT CEOs/Executives

- 50% Ranked ITG as “very important”
- 75% of businesses consider ITG to be an integral part of enterprise governance, but the overall maturity level is still relatively low
- Stronger ITG practices correlate positively with better IT outcome (ITG is more often found in organizations where IT is a significant contributor to business value)

“Status of IT Governance GEIT”

Based on 2011 survey of 834 business executives and heads of IT

- Governance of Enterprise IT (GEIT) is a priority with most enterprises—only 5% indicated they don’t consider it important.
- 2/3 of respondents have some GEIT activities in place, the most common being the use of IT policies and standards, followed by the employment of defined and managed It processes.
- The main driver for activities related to GEIT is ensuring IT functionality aligns with business needs
- The most common outcomes are improvements in management of IT-related risk and communication and relationships between business and IT.

Latest “Status of GEIT”

Based on a 2012 survey of 3700 ISACA members

- More than half of responding enterprises use a governance framework.
- 25% of respondents said management’s level of involvement in governance is low.
- Nearly 50% said management involvement was “moderate.”

ITG and the Board of Directors

A Company's Board of Directors is responsible for ITG

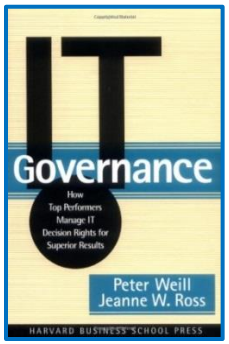
Primary responsibility for IT oversight	2012	2013
The full board	25%	26%
The audit committee	56%	54%
A separate risk committee	7%	7%
A separate IT committee	2%	3%
Other	2%	3%
No board oversight	8%	6%

Source: PwC's Annual Corporate Directors Survey - 2013

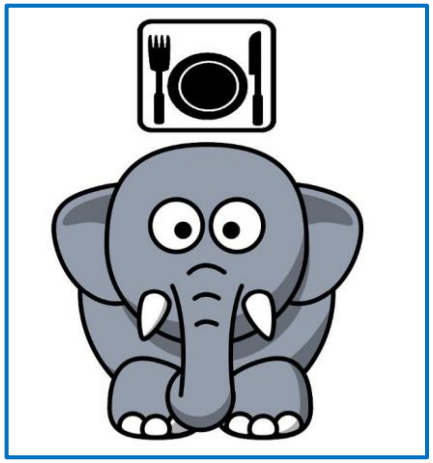
MIT CISR view of IT governance

Massachusetts Institute of Technology Center for Information Research, Sloan School of Management

- MIT CISR has been asking and answering the same question for 37 years: How do enterprises realize the most value from their investment in technology?
- Peter Weill, Chairman of MIT CISR: “If I was to choose one factor that most contributed to the success of IT, it is IT Governance.”
- Firms with superior IT Governance had more than 20% higher profits over those that did not
- “Specifying the decision rights and accountability framework to encourage desirable behavior in using IT.”



So why isn’t everyone doing it?



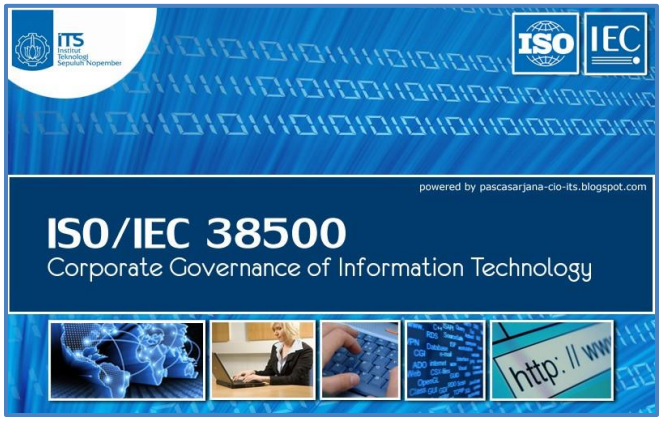
IT Governance Authorities

The ISO/IEC IT Governance Standard, 2008

ISO/IEC 38500 is a high level, principles based advisory standard. In addition to providing broad guidance on the role of a governing body, it encourages organizations to use appropriate standards to underpin their governance of IT. 75% of businesses consider ITG to be an integral part of enterprise governance, but the overall maturity level is still relatively low.

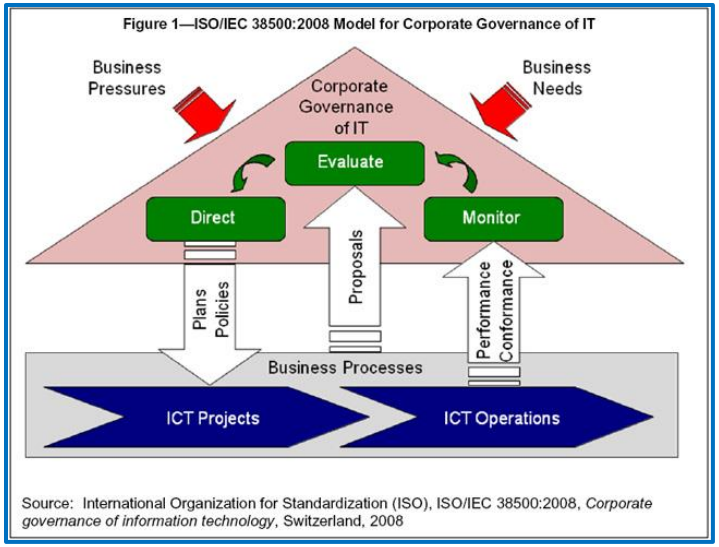
ISO/IEC definition of IT governance

ISO 38500 definition: The system by which the current and future use of IT is directed and controlled. Corporate governance of IT involves evaluating and directing the use of IT to support the organization and monitoring this use to achieve plans. It includes the strategy and policies for using IT within an organization.



The objective of ISO/IEC 38500

The objective of their standard is to provide a framework of principles for Directors to use when evaluating, directing and monitoring the use of information technology (IT) in their organizations.



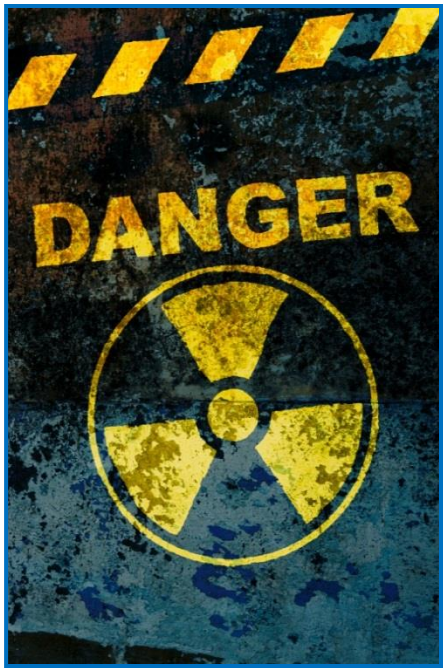
The ‘other’ objectives of ISO/IEC 38500

- Proper corporate governance of IT may assist directors in assuring conformance with obligations (regulatory, legislation, common law, contractual) concerning the acceptable use of IT.
- Inadequate IT systems can expose the directors to the risk of not complying with legislation. For example, in some jurisdictions, directors could be held personally accountable if an inadequate accounting system results in tax not being paid.

A standard rooted in risk aversion

Processes dealing with IT incorporate specific risks must be appropriately addressed. For example, directors could be held accountable for breaches of:

- security standards
- privacy legislation
- spam legislation
- trade practices legislation
- intellectual property rights
- record keeping requirements
- environmental legislation and regulations
- health and safety legislation
- accessibility legislation
- social responsibility standards



ISO/IEC 38500 based on six principles

- Responsibility – Individuals and groups within the organization understand and accept their responsibilities in respect of both supply of, and demand for IT. Those with responsibility for actions also have the authority to perform those actions.
- Strategy – The organization's business strategy takes into account the current and future capabilities of IT; the strategic plans for IT satisfy the current and ongoing needs of the organization's business strategy.
- Acquisition – IT acquisitions are made for valid reasons, on the basis of appropriate and ongoing analysis, with clear and transparent decision making. There is appropriate balance between benefits, opportunities, costs, and risks, in both the short term and the long term.

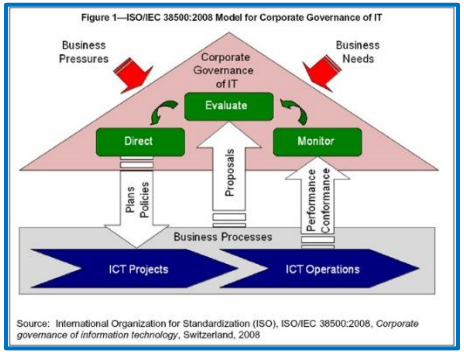
ISO/IEC 38500 based on six principles

- Performance – IT is fit for purpose in supporting the organization, providing the services, levels of service and service quality required to meet current and future business requirements.
- Conformance – IT complies with all mandatory legislation and regulations. Policies and practices are clearly defined, implemented and enforced.
- Human Behavior – IT policies, practices and decisions demonstrate respect for Human Behavior, including the current and evolving needs of all the ‘people in the process’.

ISO/IEC 38500 Governance Model

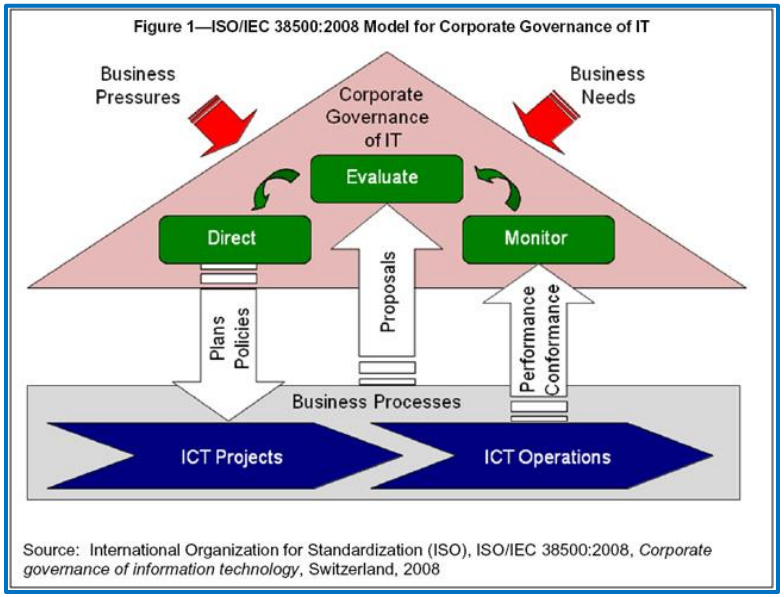
IT is governed through 3 main tasks

- Evaluate the current and future use of IT.
- Direct preparation and implementation of plans and policies to ensure that use of IT meets business objectives.
- Monitor conformance to policies, and performance against the plans



The governance and management "distinction"

"In ISO's view, governance is distinct from management, and for the avoidance of confusion, the two concepts are clearly defined in their standard."



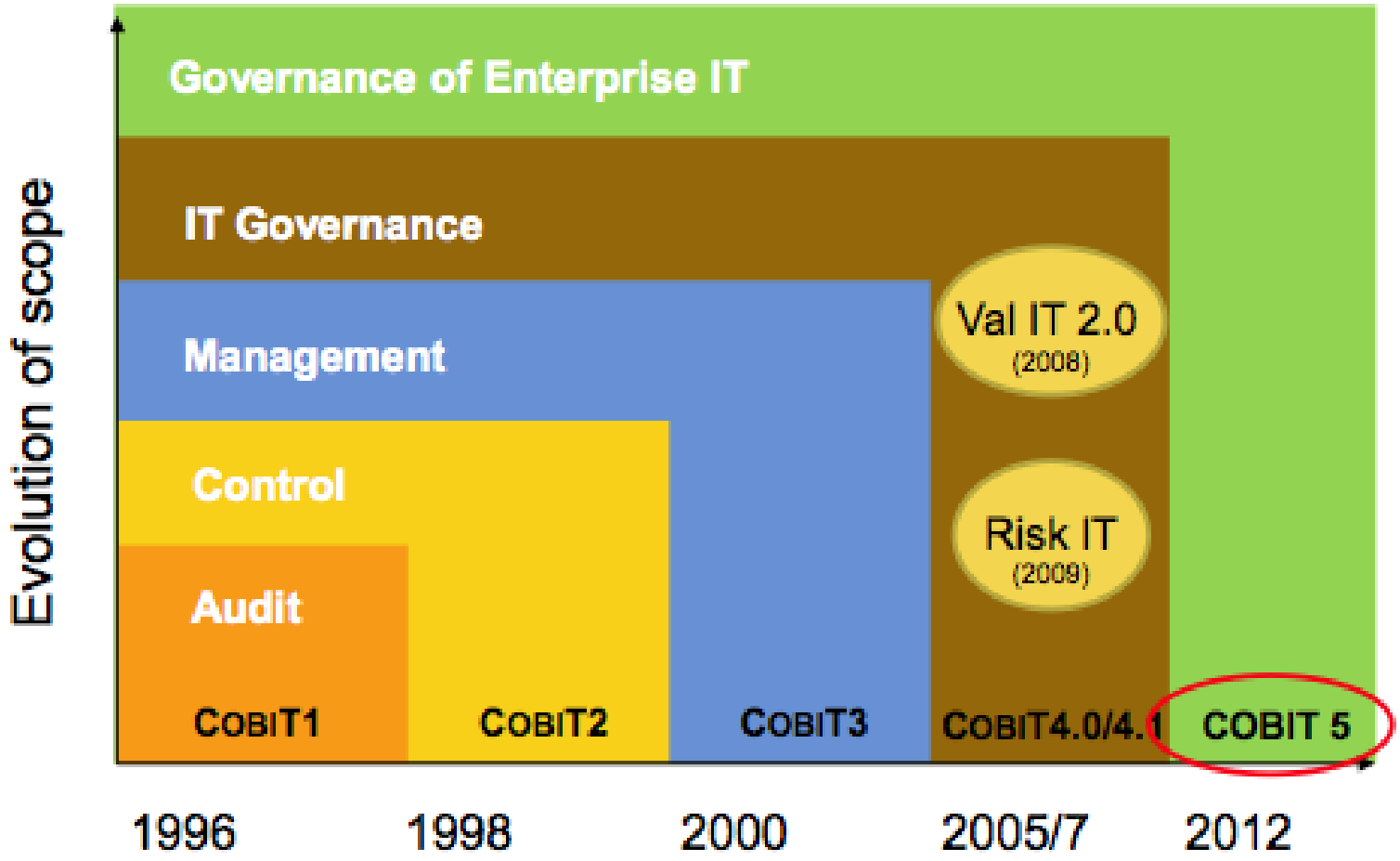
COBIT® 2012

~~Control Objectives for Information and Related Technology~~

What is COBIT®5?

- COBIT®5 is a foundational enterprise IT Governance framework, providing a basis to effectively integrate other complimentary frameworks, standards, and practices.
- As a single overarching framework it serves as a consistent and integrated source of guidance in a non-technical, technology-agnostic, common language.

The evolution of COBIT®



What is the scope of COBIT®5?

- COBIT®5 addresses the governance and management of information and related technology from an enterprise-wide, end-to-end perspective, including the activities and responsibilities of both the IT function and non-IT business functions.
- The end-to-end aspect is further supported by COBIT®5 coverage of all critical business elements, e.g. processes, organizational structures, principles & policies, culture, skills, information, service capabilities.

IT governance according to COBIT®

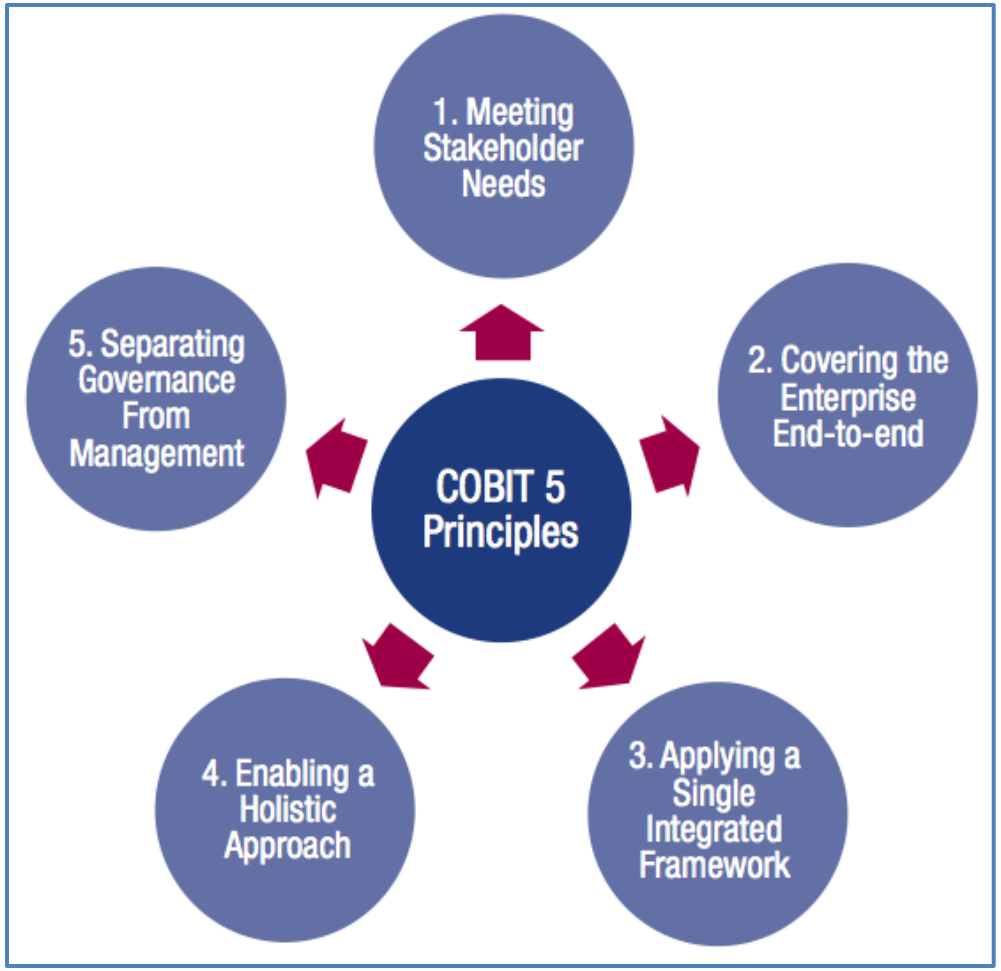
Governance

- Ensures that enterprise objectives are achieved by evaluating stakeholder needs, conditions, and options
- Sets direction through prioritization and decision making
- Monitors performance, compliance, and progress against the agreed upon direction and objectives

Management

- Plans, builds, runs, & monitors activities in alignment with the direction set by the governance body to achieve the enterprise objectives

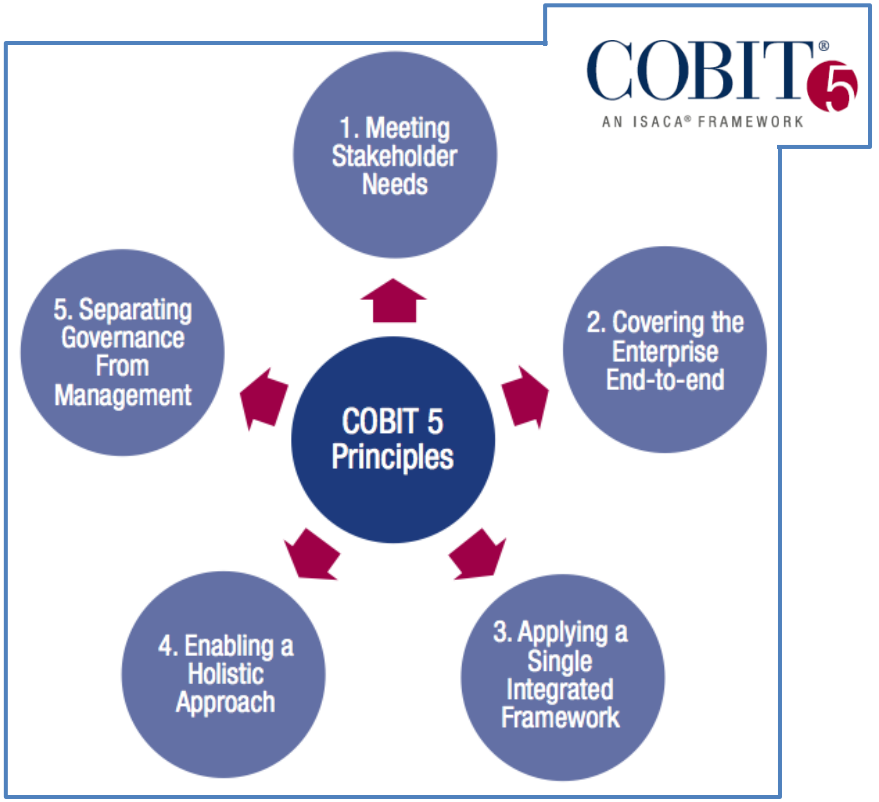
COBIT®5 (GEIT) principles



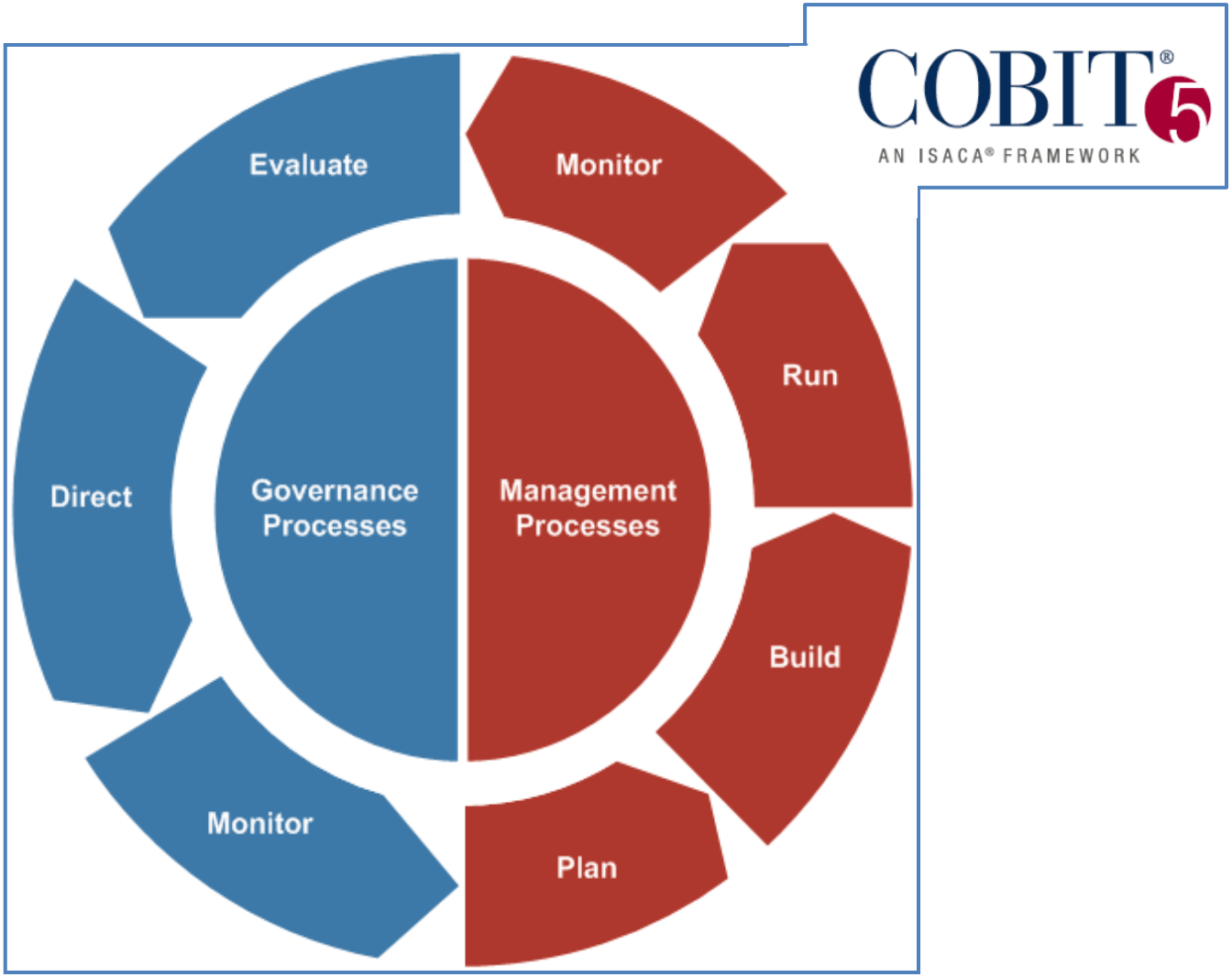
Dissimilar IT governance principles

ISO 38500

- Responsibility
- Strategy
- Acquisition
- Performance
- Conformance
- Human Behavior



Governance & management processes



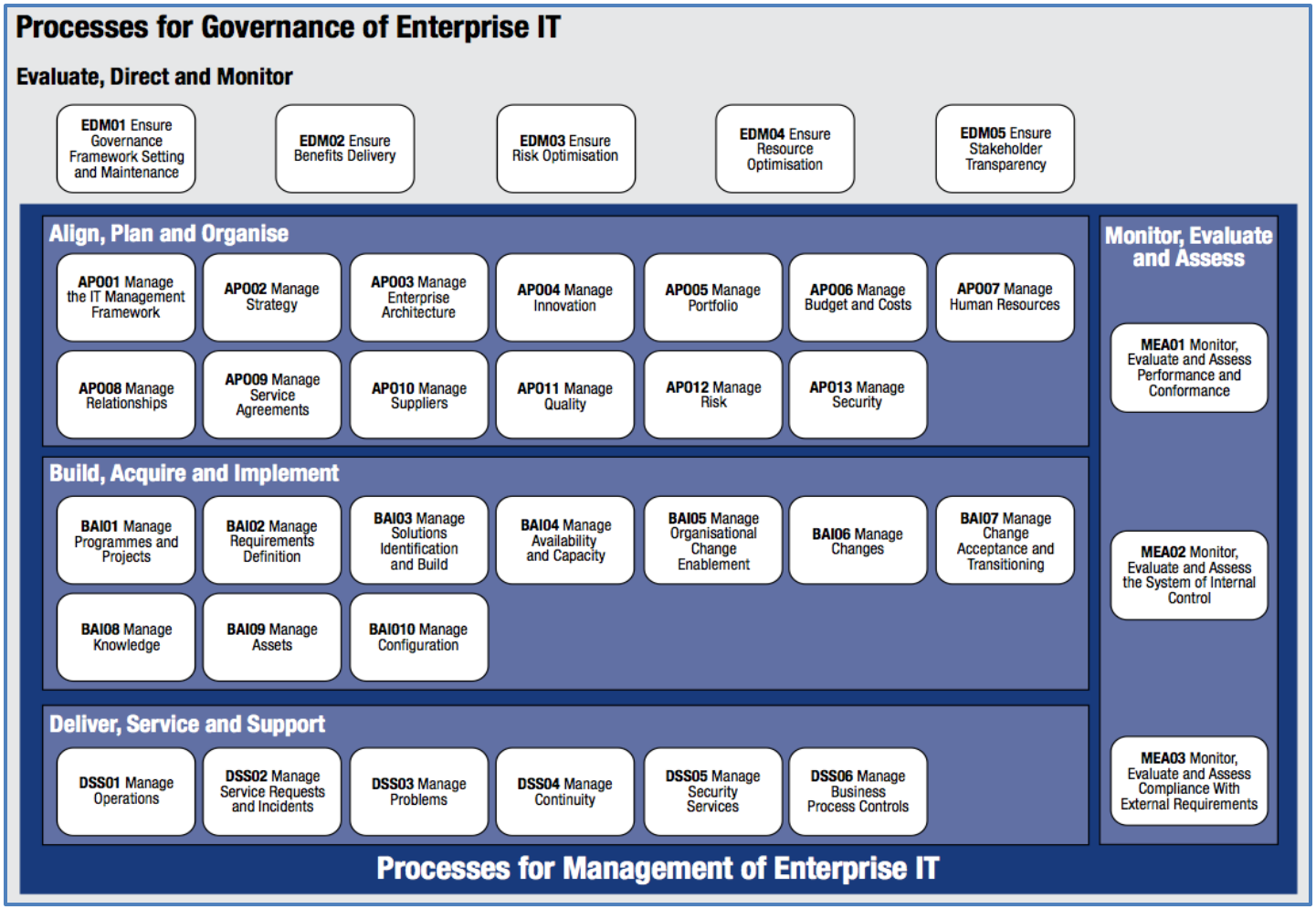
Principle 5: Separating governance & mgt.

Process reference model: Divides governance and management processes into two primary domains:

- Governance (1 Domain, 5 Processes)
  - Within each process, evaluate, direct, and monitor practices are defined.
- Management (4 Domains, 32 Processes)
  - In line with responsibility areas of plan, build, run, and monitor, provide an end-to-end coverage of IT Management.

The processes cover the full spectrum of business and IT activities related to governance and management of enterprise IT thus making the process model truly enterprise-wide

COBIT® Process reference model

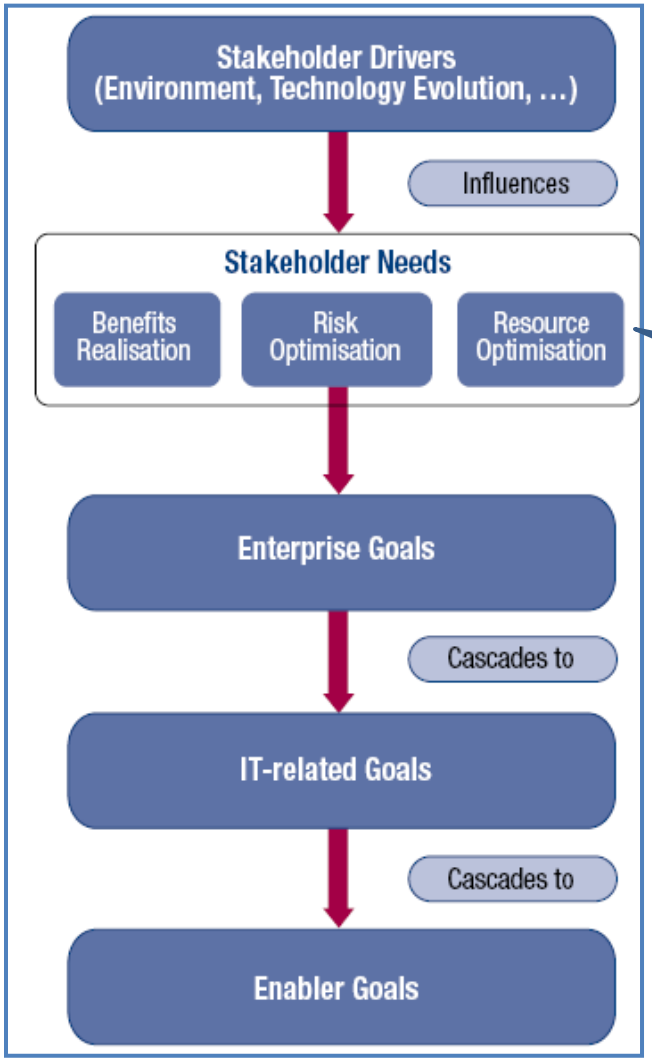


COBIT Governance Processes

Governance Domain – evaluate, direct, and monitor

1. EDM01: Ensure governance framework setting and maintenance
2. EDM02: Ensure benefits delivery
3. EDM03: Ensure risk optimization
4. EDM04: Ensure resource optimization
5. EDM05: Ensure stakeholder transparency

Goals Cascade (Principle 1: Meeting stakeholder needs)



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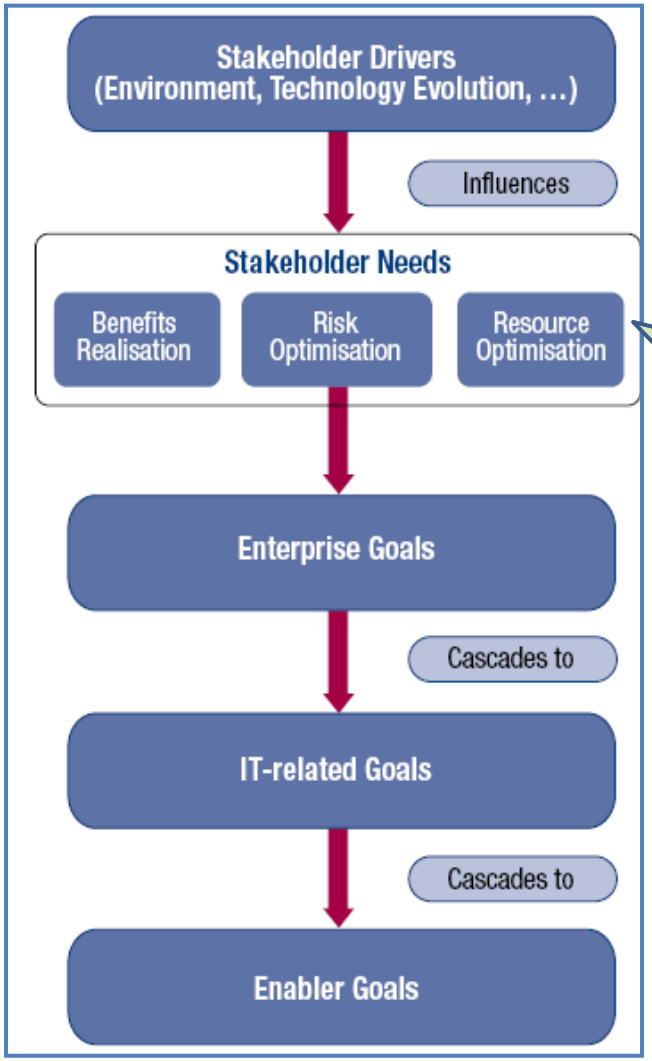

ISO 38500

- Responsibility
- Strategy
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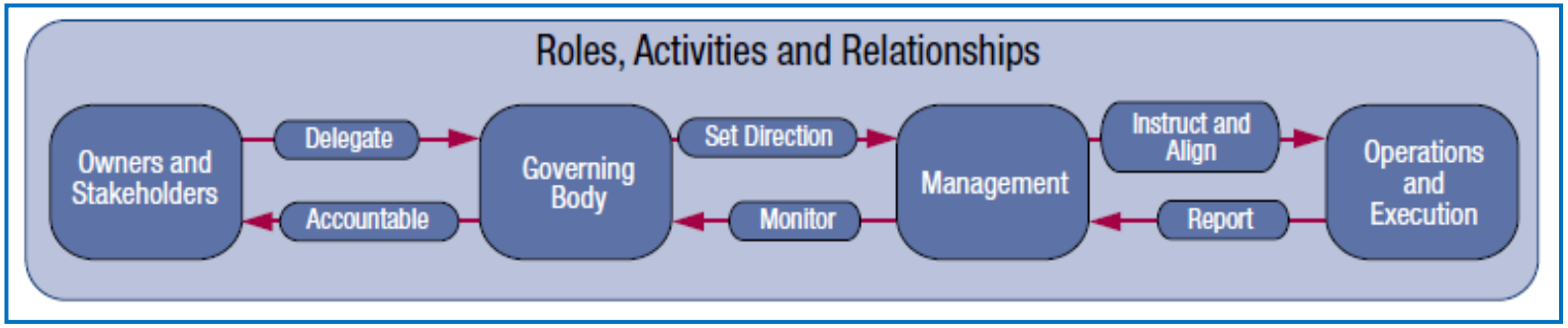
Principle 1: Meeting stakeholder needs

Internal Stakeholders	Internal Stakeholder Questions
• Board • CEO • Chief financial officer (CFO) • CIO • Chief risk officer (CRO) • Business executives • Business process owners • Business managers • Risk managers • Security managers • Service managers • Human resource (HR) managers • Internal audit • Privacy officers • IT users • IT managers • Etc.	• How do I get value from the use of IT? Are end users satisfied with the quality of the IT service? • How do I manage performance of IT? • How can I best exploit new technology for new strategic opportunities? • How do I best build and structure my IT department? • How dependent am I on external providers? How well are IT outsourcing agreements being managed? How do I obtain assurance over external providers? • What are the (control) requirements for information? • Did I address all IT-related risk? • Am I running an efficient and resilient IT operation? • How do I control the cost of IT? How do I use IT resources in the most effective and efficient manner? What are the most effective and efficient sourcing options? • Do I have enough people for IT? How do I develop and maintain their skills, and how do I manage their performance? • How do I get assurance over IT? • Is the information I am processing well secured? • How do I improve business agility through a more flexible IT environment? • Do IT projects fail to deliver what they promised—and if so, why? Is IT standing in the way of executing the business strategy? • How critical is IT to sustaining the enterprise? What do I do if IT is not available? • What concrete vital primary business processes are dependent on IT, and what are the requirements of business processes? • What has been the average overrun of the IT operational budgets? How often and how much do IT projects go over budget? • How much of the IT effort goes to fighting fires rather than to enabling business improvements? • Are sufficient IT resources and infrastructure available to meet required enterprise strategic objectives? • How long does it take to make major IT decisions? • Are the total IT effort and investments transparent? • Does IT support the enterprise in complying with regulations and service levels? How do I know whether I am compliant with all applicable regulations?
External Stakeholders	**External Stakeholder Questions**
• Business partners • Suppliers • Shareholders • Regulators/government • External users • Customers • Standardisation organisations • External auditors • Consultants • Etc.	• How do I know my business partner's operations are secure and reliable? • How do I know the enterprise is compliant with applicable rules and regulations? • How do I know the enterprise is maintaining an effective system of internal control? • Do business partners have the information chain between them under control?

Principle 2: Covering enterprise end-to-end

- Governance Enablers (Principle 4)
  - Frameworks, principles, structures, processes, practices
- Governance Scope - *definable*
  - Enterprise, entity, or tangible asset
- Roles, activities and relationships

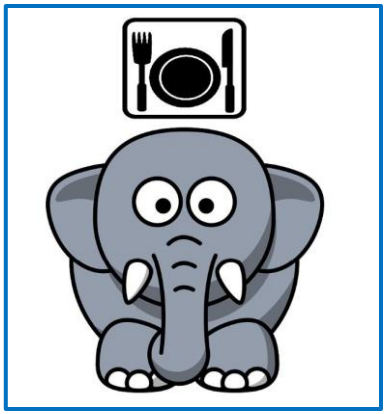


Making IT Governance Happen

Definitive ITG

Can these long-established ITG authorities…

…enable enterprises to overcome these challenges?



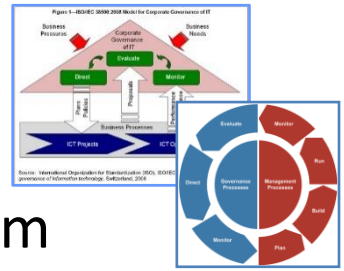
The state of IT governance

February 24, 2011
The State Of IT Governance, Q4 2010
by Craig Symons
with Sharyn Leaver, Mackenzie Cahill

- Firms with good IT governance outperform those without
- IT governance is an imperative
- IT governance is maturing, but slowly
- IT governance framework adoption has increased over the past five years; however, it is still not ubiquitous

How many boards are driving or even participating in the adoption and execution of IT governance frameworks?

Introduction to the Radical View



The governance to management "distinction"

- In ISO's and COBIT's view, governance is distinct from management, and for the avoidance of confusion, the two concepts are clearly defined in their standard/framework.

…but governance is not *separate* from management

- Managers govern - evaluate, plan, organize, staff, direct, monitor, and control
- And governors may have some managing to do...*when their monitoring exposes variances, gaps, deviations, and failures*

The governance “vs.” management barrier

Governance is “distinct” from management, but not separate

- Though necessary in understanding the terms, I argue distinguishing between governance and management is dangerous – potentially fostering “us and them”
- From the perspective of the ‘us’ manages, the governors are placed in the position of ‘them’ – and vice versa
- If governance is “distinct from management” then it is potentially viewed as an ‘add-on’ – an ‘extra step’ – a ‘roadblock’ – between “us and them”

Every decision is “governed”

Many organizations mistakenly believe, *“We don’t have governance.”*

- This view fails to recognize the omnipresence of governance – something is governing all decisions, it is simply a matter of whether those “governance mechanisms” are formally defined and managed
- Formal governance – laws, regulations, rules, boards, committees, policies, standards, processes, data (metrics), *“authorized intuition”*
- Informal governance – culture, beliefs, values, ethics, attitude, emotion, genetics, data (metrics), etc.

The IT Governance Spectrum

Every organization has governance

- The fact is, all managers (and all decisions) are ‘governed’ – even when there are no “governors”
- The purpose of governance is to enable and ensure reasoned and rational decision-making…
- …so formal governance mechanisms are only necessary when informal governance mechanisms don’t enable and ensure reasoned and rational decision-making

Integration of governance and management

- Distinction between Governance & Management often misunderstood
- Effective integration of these two elements is critical for successful IT governance in any enterprise or organization
- IT governance is NOT responsible for “rendering” IT infrastructure
- IT governance IS responsible for “oversight of the management processes” that render IT infrastructure

Governance defined

"Governance is the system by which organizations are directed and controlled. It is essentially about leadership and involves overseeing the preparation of plans, overseeing the delivery of business change, overseeing operations, and overseeing the realization of benefits."

Basil Wood, New Zealand @bazpractice

IT governance simplified

The processes and relationships that lead to reasoned decision-making in the use of information technology

3 Key Questions:

- What *decisions* need to be *formally* governed?
- Who will be assigned accountability for governing those *decisions*?
- How will those *decisions* be governed?
  - committees
  - policy / standard
  - process
  - *"authorized intuition"*

An alternative approach to IT Governance

Based on long established conventions

- Principles
- Decisions
- Processes

IT Governance Principles

The principles of ITG – according to ITGI, 1998

- Ensure IT is aligned with the business – focus on aligning with the business and collaborative solutions
- Ensure IT delivers value to the business – concentrating on optimizing expenses and proving the value of IT
- Ensure IT risk is managed – addressing the safeguard of IT assets, disaster recovery and continuity of operations
- Ensure IT resources are managed – realizing the optimal investment in, and proper management of, critical IT resources
- Ensure IT performance is managed – tracking and monitoring strategy implementation, project success, resource usage, process performance and service delivery

Past Principle Definitions from ITGI

- **Strategic alignment** — Achieving the goals and strategies of an enterprise through the coherent undertaking of activities by the different governance structures or management levels within an enterprise. A culture of business and IT partnership should be developed, supported by IT's interest in and understanding of the business, and sharing of technology-related issues and opportunities.
- **Value delivery** — Creating new value for the enterprise through IT, maintaining and increasing value derived from existing IT investments, and eliminating IT initiatives and assets that are not creating sufficient value for the enterprise. The basic principles of IT value are delivery of fit-for-purpose services and solutions on time and within budget, and generating the financial and non-financial benefits that were intended.
- **Risk management** — IT risk is the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise. IT risk consists of IT-related events that could potentially impact the business. While value delivery focuses on the creation of value, risk management focuses on the preservation of value.
- **Resource management** — Ensuring that the right capabilities are in place to execute the strategic plan and sufficient, appropriate and effective resources are provided. Resource management ensures that an integrated, economical IT infrastructure is provided, new technology is introduced as required by the business, and obsolete systems are updated or replaced. It recognizes the importance of people, in addition to hardware and software, and, therefore, focuses on providing training, promoting retention and ensuring competence of key IT personnel.
- **Performance measurement** — Tracking the achievement of the objectives of the enterprise's IT-related services and solutions and compliance with specific external requirements. Without establishing and monitoring performance measures, it is unlikely that the previous focus areas will achieve their desired outcomes. It provides a link back to the other focus areas by monitoring that the required direction is being followed and creates the opportunity to take timely corrective measures, if needed.

ITG principles comparisons

The principles of ITG

- Ensure IT is aligned with the business
- Ensure IT delivers value to the business
- Ensure IT risk is managed
- Ensure IT resources are managed
- Ensure IT performance is managed

ISO 38500

- Responsibility
- Strategy
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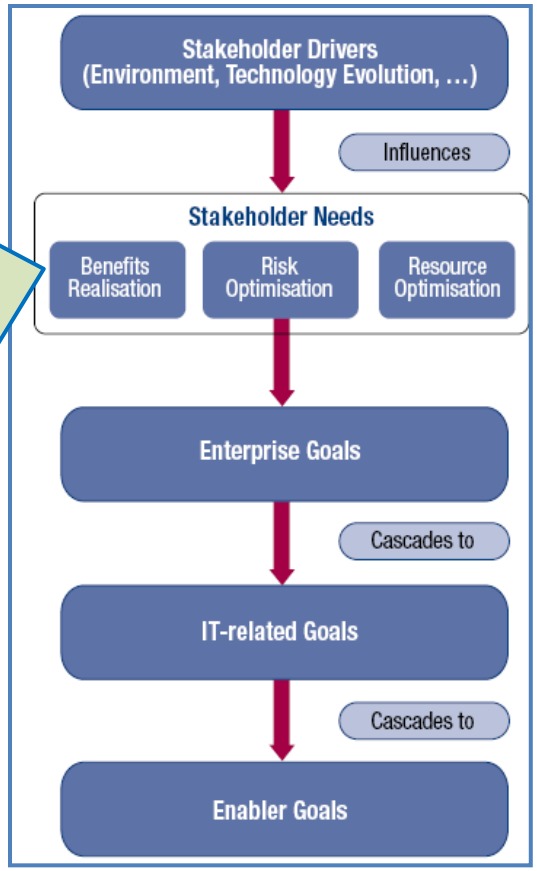


Every organization addresses five key IT governance decisions

IT Principles for Digitization Decisions
Clarifying the Role for IT

Enterprise Architecture Decisions

IT Infrastructure Decisions

Business Application Decisions

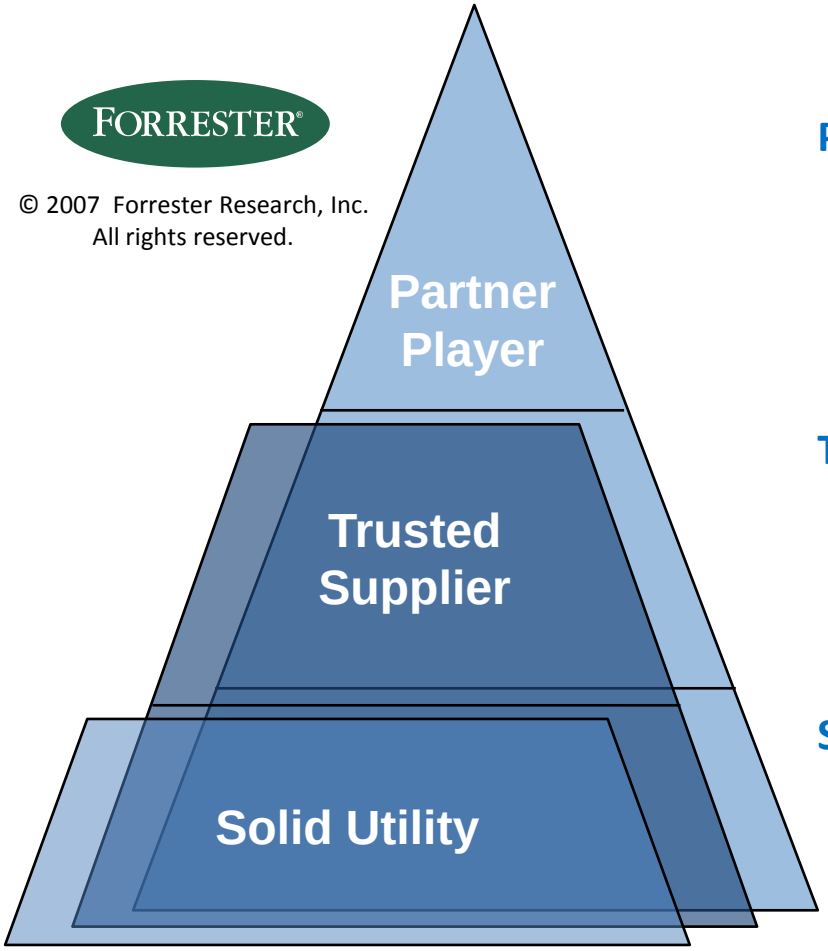
IT Investment and Prioritization Decisions

IT governance decisions

IT Principles for Digitization - clarifying the role of IT in the business – *basis for defining IT Archetype*

- Based on the Business Principles of the enterprise – *business drives IT*
- Driven by Business' expectations and industry sector constraints
- Developed by IT and business leadership
- A related set of high-level statements about how IT is used in the business
- IT Principles provide clarity and focus for the IT enterprise, establishing the direction for all other decisions

IT archetypes



Partner Player

IT organizations expected to create unique and competitive solutions with customers, suppliers, and internal users — plus, being a Trusted Supplier.

Trusted Supplier

IT organizations expected to deliver app projects on time and on budget, based on operating units' requirements and priorities — plus, being a Solid Utility.

Solid Utility

IT organizations expected to provide cost-effective, dial-tone reliability with transparent, constantly declining costs.

Approximately one-third of companies are in each of the archetypes according to the Forrester State Of IT Governance In North American And European Enterprises Report © 2008, Forrester Research, Inc. All rights reserved.

IT governance decisions

Enterprise Architecture – the organizing logic for business process and IT infrastructure

- Reflects the integration and standardization requirements of a company's operating model
- Provides long-term view of processes, systems and technologies – *used to build capabilities*
- Captured in policies, relationships and technical choices
- Provides technical and data standardization and defines where shared infrastructure ends and applications begin
- Supports current and future application needs – fostering innovation

IT governance decisions

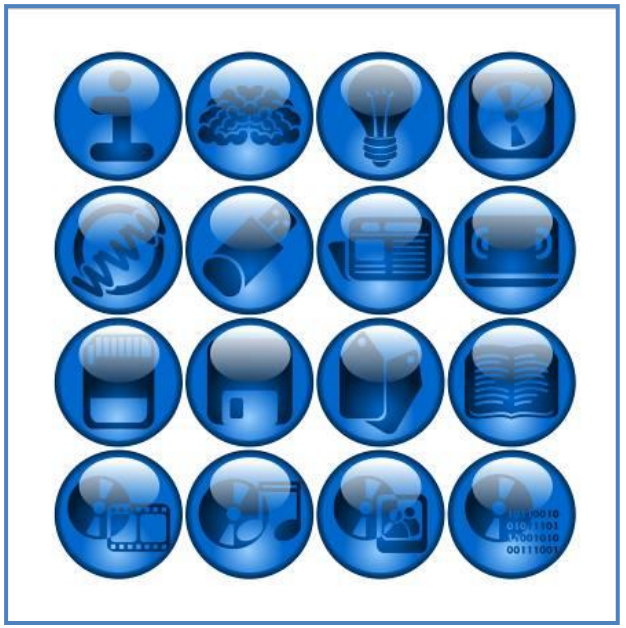
IT Infrastructure Strategies - determining shared and enabling services

- Foundation of planned IT capability
- Shared and reliable services used by multiple applications
- Includes infrastructure applications
- All communications pass through a security and risk capability
- Enables rapid implementation of future business initiatives

IT governance decisions

Fulfilling business needs - Determining shared and enabling services

- Fundamentally improve business processes
- Enables operating efficiency
- Balance of creativity and discipline
- Willingness to sacrifice functionality for architectural integrity
- Contributes to strategic value



IT governance decisions

IT Investment and Prioritization - Choosing which initiatives to fund and determining how much to spend

- How much do we spend?
- What do we spend it on?
- How do we reconcile the needs of different constituencies?
- Requires business-led and IT-enabled Portfolio Management
- Ensures IT spending reflects strategic priorities

Governance accountability – *roles*

Examples of Decision-making Bodies

"Directors" according to ISO, and half of Peter Weill's and Jeanne Ross' IT governance mechanisms

- Executive or Senior Management Committee
- IT Leadership Committee comprising IT Executives
- IT Project and Portfolio Management Committee
- IT Policies & Standards Committee
- Architecture Committee
- Process Teams and Owners
- Business IT Relationship Managers
- IT Council comprising Business and IT Executives
- External service management committee

Integration of governance and management

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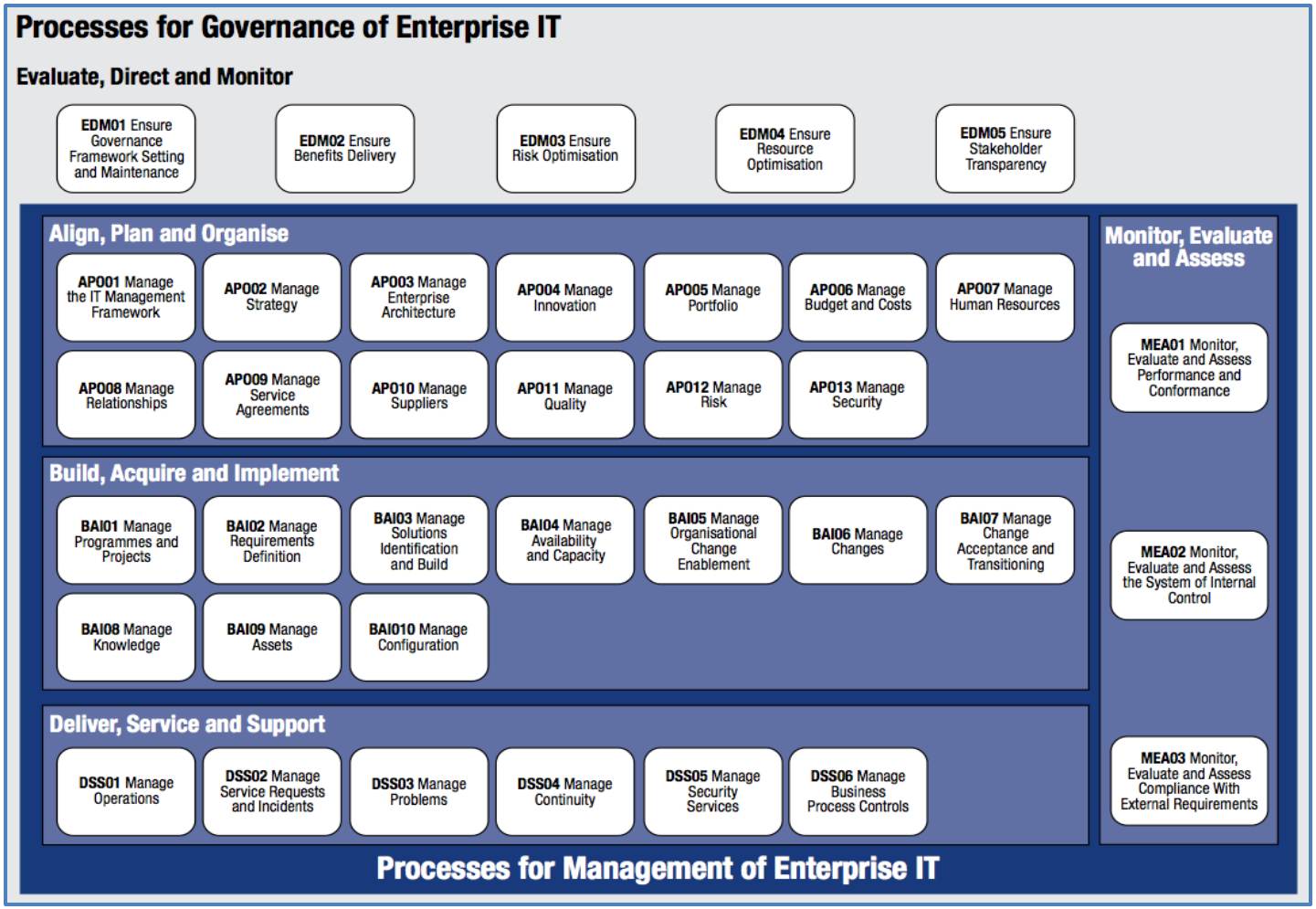
- Effective integration of these two elements is critical for successful IT governance in any enterprise or organization
- IT governance is NOT responsible for “rendering” IT infrastructure
- IT governance IS responsible for *“oversight of the management processes”* that render IT infrastructure

COBIT® Process reference model



ITG decisions are enabled by ITG processes

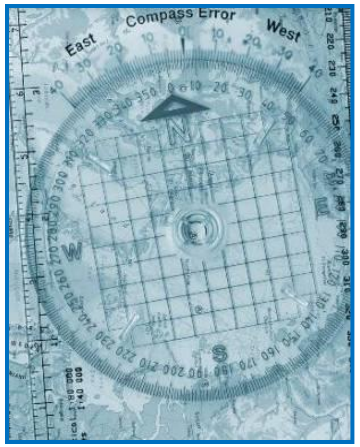
- Integrated Business & IT Planning
- Architecture Management - Standards & Review
- IT Investment Assessment, Prioritization, Funding & Benefits Realization Accountability (PPM)
- IT Financial & Resource Allocation
- Project Execution & Decision-making
- Emerging Technology Evaluation & Adoption
- Client Relationship Management
- Building & Maintaining Applications & Infrastructure
- Provisioning of IT Services
- Strategic Sourcing Services
- Audit & Risk Management

The other half of the Weill and Ross IT governance mechanisms

IT governance processes

Integrated Business and IT Planning

- IT Strategy “embedded” in business strategy
- IT Strategic Plan based on Business Strategic Plan
- IT Tactical Plans based on IT Strategic Plan
- IT Operational Plans based on IT Tactical Plan



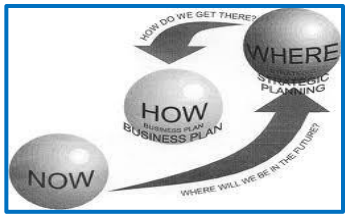
IT governance processes

Architecture Management

- Architecture Committee
- Defined architecture
- Policies, standards, relationships and technical choices
- Enabling future capability – fostering innovation

IT governance processes

IT Investment Assessment, Prioritization, Funding & Benefits Realization Accountability (PPM)



- Demand Management
- Portfolio Management
  - Project, Demand, Resource, Asset, Application, Service
- Governance or Steering Committee
- PMO Supported

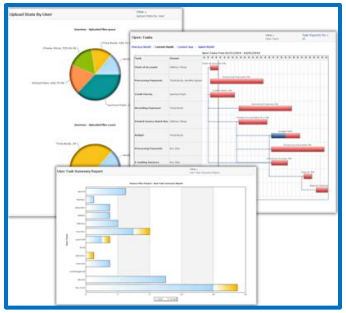
IT governance processes

IT Financial and Resource Allocation

- Financial Services for IT
- Financial plans
- Budgets and forecasts
- Cost accounting
- Cost modeling and benchmarking
- Chargeback
- Resource management

IT governance processes

Project Execution and Decision-making



- Project Management
- Fact-based decision-making
- Scenarios and what-if analysis
- Monitoring, speeding, slowing, stopping, trade-offs and killing projects
- Empowered PMO - Project management best practices and center of excellence

IT governance processes

Emerging Technology Evaluation and Adoption

- Enable enterprise innovation
- Research and development
- Market side – not just supply side
- Linked to business strategy
- Hand-in-hand with enterprise architecture

*Almost half of business respondents report their enterprises have implemented or are planning initiatives to promote IT innovation.**

*According to the ITGI Global Status Report of Governance of Enterprise IT 2011 Survey of 834 Business Executives and heads of IT

IT governance processes

Client Relationship Management

- Advocate for business and IT
- Acute understanding of business needs
- Acute understanding of IT capability
- Facilitate communication and collaboration
- Speed and improve decisions
- Improve requirements processes
- Ensure value and performance

IT governance processes

- Building & Maintaining Applications &Infrastructure
- Provisioning
  - SDLC – CMMI – Testing – Q&A
  - ITIL Service Lifecycle
  - Provisioning of IT Services

Strategy to Operation

Service Strategy
- Demand Mgt.
- Service Portfolio Mgt.

Service Operation
- Event Mgt.
- Incident Mgt.
- Problem Mgt.
- Request Fulfilment

Service Design
- SLM
- Service Catalogue
- Capacity Mgt.

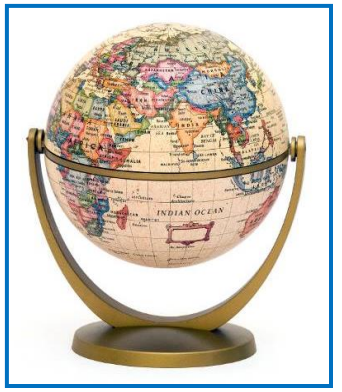
Service Transition
- Change Mgt.
- Service Asset Mgt.
- Configuration Mgt.

Continual Service Improvement
- Improve quality of service

IT governance processes

Strategic Sourcing Services

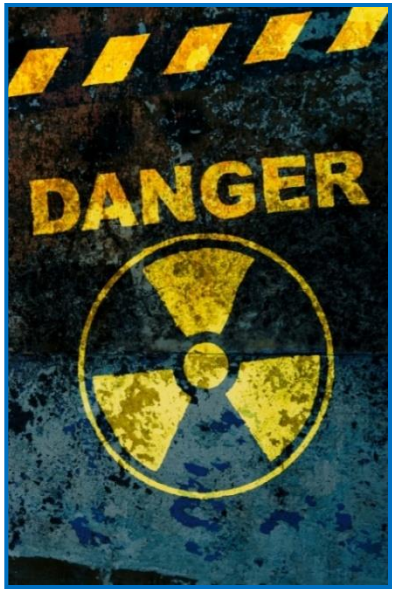
- Facilitates decision that services are better provided externally
- Ensures architectural fit
- Fact-based price comparisons
- Vendor and contract management
- Mitigate risks and prevent ‘value-leakage’
- Sets clear expectations for provider performance/service levels
- Ensure compliance with corporate and regulatory requirements



IT governance processes

Audit and Risk Management

- Risk modeling and assessment
- Partner with IT Audit – COBIT
- Security
- Compliance
- Policies & Standards
- Service continuity and disaster recovery



Assuring and Sustaining IT Governance

Benefits of sustainable IT governance

IT Functions as a Business Partner Enabling Competitive Advantage

- Executive leadership freed from day-to-day execution
- IT freed from proving value
- Exploring avenues to leverage IT for competitive advantage
- Focused on the future vision
- Driving business innovation

Obstacles to IT-driven business innovation

- IT's contribution to efficiency is deemed more important than its innovative value.

  According to the ITGI 2009 Survey of 255 Non-IT Executives

- 42% of IT orgs said that they reported to the CFO, and 53% of CFOs said that they would like to move to this reporting arrangement.

  According to the 2010 Gartner/FERF Technology Study

- Only 25% of respondents said the CIO's primary role in innovation is to drive new business value. Only 55% viewed the lead IT executive as both a business and IT leader.

  According to the Diamond Consulting 2010 Survey of 724 senior business executive and IT Executives

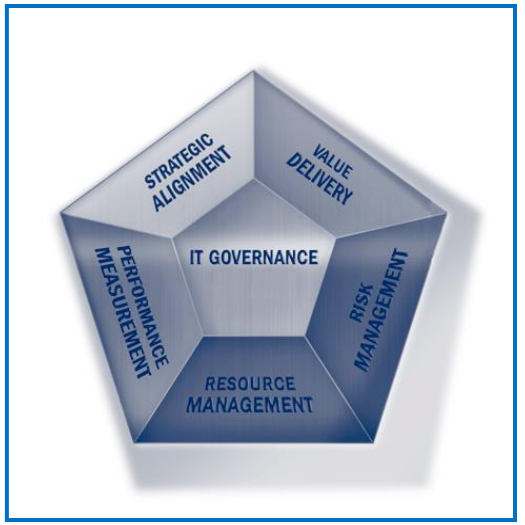
Obstacles to IT Governance

- Not business-sponsored or driven
- Widely misunderstood
- Negative connotation and pervasive negative opinion
- Past IT governance failures
- Lack of process and process management proficiency (resulting in bureaucracy, increased cycle-time and costs, over-process vs. optimized process)
- Philosophically and intellectually vs. business-case driven
- Managers don’t like to be governed

The drivers of ITG initiatives

Increased IT Governance Awareness

- Audit Influence
  - ISACA/IT Governance Institute
  - Audit Issues
- Risk and Compliance
  - Regulatory Requirements
  - Legal Requirements
  - Security Requirements
- Investment Decision-making - PPM
  - IT-Business Alignment
  - IT Accountability to the Business



ITG is a function of the board of directors

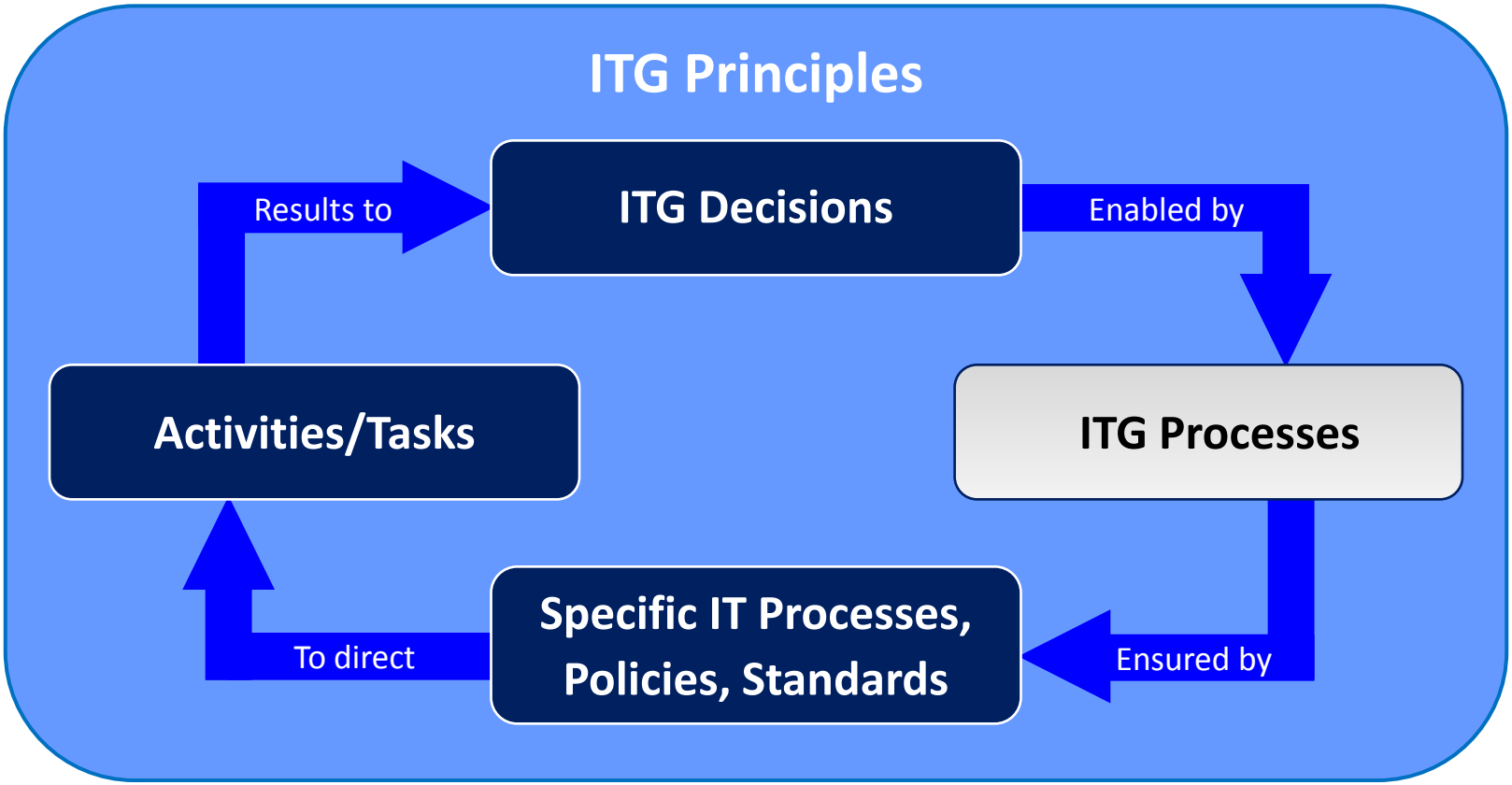
The Board is responsible for ensuring…

- IT is aligned with business strategy
- IT brings value to the business
- IT manages risk
- IT manages resources
- IT manages performance

How many boards are driving or even participating in the adoption and execution of IT governance frameworks?

Can you imagine the board using ISO38500? COBIT®5?

Why ITG? *To enable IT to support business strategy*

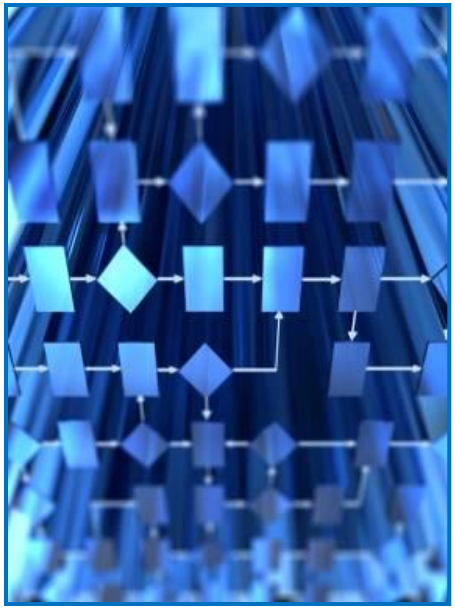


Connection between business strategy and personnel action to realize the principles of IT Governance

ITG processes require process management

Changing from a function-centric to a process-centric Organization

- Process design
- Process implementation
- Process management lifecycle
- Process governance
- Institutionalize processes



IT governance principle metrics

Strategic Alignment

- Show how IT supports the Enterprise Strategy
- Show how IT Operations are aligned with current Enterprise Operations

Value Delivery

- Show how IT delivers appropriate quality on-time and within budget
- Show how actual cost and ROI is managed

Risk Management

- Risk Controls
- Transferring risk
- Risk acceptance

Resource Management

- Show how IT optimizes the infrastructure
- Show how IT optimizes human resources

Performance Management

- Show how IT measures performance (balanced scorecard, KPIs, etc.)
- Use of automated systems providing performance data and information

Strategic alignment

Focus on aligning with the business and collaborative solutions

- Show how IT supports the Enterprise Strategy
- Show how IT Operations are aligned with current Enterprise Operations

Show how IT:

- Delivers against the strategy
- Adds value to products and services
- Improves customer satisfaction and customer retention
- Assists in competitive positioning
- Balances investments between systems that support the enterprise as is, and transforms the enterprise to create an infrastructure that enables the business to grow
- Contains costs and improves administrative efficiency
- Increases managerial effectiveness

Value delivery

Optimizing expenses and proving the value of IT

- Show how IT delivers appropriate quality on-time and within budget
- Show how actual cost and ROI is managed

Show how IT:

- Is fit for purpose, meeting business requirements
- Flexible to adopt to future requirements
- Provides required throughput and response times
- Enables ease of use, resiliency and security
- Provides integrity, accuracy and currency of information

Risk Management

Addressing the safeguard of IT assets, disaster recovery and continuity of operations

- Risk Controls
- Transferring risk
- Risk Acceptance

Show how IT:

- Mitigates risk by implementing controls (e.g. Risk Management Systems, Audit controls, acquiring and deploying security technology to protect the infrastructure, Business Continuity Planning, Disaster Recovery, etc.)
- Transfers risk by sharing risk with partners or transfers risk to insurance coverage
- Accepts risk by formally acknowledging that the risk exists and it is being monitored

Resource management

Optimizing knowledge and IT infrastructure

- Show how IT optimizes the infrastructure
- Show how IT optimizes human resources

Show how IT:

- Manages system procurement
- Benefits from service procurement
- Manages the lifecycle of hardware, software licenses and services contracts
- Applies appropriate methods and adequate skills to manage and support IT Projects and Systems
- Improves workforce planning, recruiting and workforce retention
- Provides IT education and development

Performance management

Tracking project delivery and monitoring IT services

- Show how IT measures performance (balanced scorecard, KPIs, etc.)
- Use of automated systems providing performance data and information

Show how IT:

- Establishes and measures financial objectives
- Maps financial objectives to customer requirements and needs
- Measures process performance, effectiveness, efficiency and criticality to the business
- Addresses innovation requirements and future needs
- Determines how business executives and users view the IT department

Symptoms of poor IT Governance

- Senior executives can't describe your IT Governance
- Decisions take too long
- There is little accountability for decisions
- Senior management less than happy (IT Governance performance self-assessment is poor or varies widely by respondent)
- There is ineffective IT Portfolio Management – duplication, too many applications, low percentage spend on new initiatives
- IT Governance seen as overhead and "red-tape"

Assess your IT Governance resilience

For each of the following assess your IT Governance on a score of 1 (strongly disagree) to 5 (strongly agree) – X 2 = Total

1. Our senior executives could accurately describe our ITG
2. Our ITG was actively designed – not a series of uncoordinated mechanisms
3. Our ITG is stable with few changes in recent years.
4. Managers who ignore the ITG are counseled to follow the guidelines
5. There are a small number of key business objectives driving our ITG design
6. We have a well defined and fast exceptions process that requires political capital to escalate
7. The ITG has a clear owner(s) and measures of success
8. The pay, incentives, and the ITG are well aligned
9. We have effective ITG at both firm wide and BU levels which are linked
10. Our CIO could leave for two months and our ITG would work well

Maturing IT Governance requires…

- Acknowledging that governance is both decision-making and accountability (should be empowering, not bureaucratic)
- Linking the firm's other key assets and incentives to governance
- Recognizing the link to financial performance (firms with superior IT Governance also had more than 20% higher profits)
- Determining what should be shared at enterprise, sector and BU levels and govern at that level

Maturing IT Governance requires…

- Relying on a few IT governance mechanisms (utilizing non-IT governance mechanisms e.g., exec committee, CapEx process, etc.)
- Focusing on how each project and service contributes to a reusable digitized platform
- Centralizing for cost focus – decentralizing for innovation and growth and blended governance to achieve both
- Simplification, removing bureaucracy and fostering more communication

Advice when addressing IT governance

- Ensure IT Governance is driven by business problems and opportunities – not Governance for its own sake
- Transparency is the most critical aspect of IT Governance
- Design deliberately at enterprise and BU levels
- No one-size-fits all – find the right flavor

Advice when addressing IT governance

- Redesign and constantly strike the balance – not too much, not too little
- Governance processes can be sophisticated and complex, or incredibly simple and should quickly address and respond to exceptions
- Assign ownerships that continually educates, engages, incentivizes, and proves the value of IT Governance – The three M's: metrics, measures and marketing

IT governance critical success factors

- Absolutely requires Executive sponsorship and leadership – vision and enablement
- Absolutely requires Business participation – IT facilitates but the business must be a partner, if not the leader in the effort
- Business process initiative – This requires skills in process management, design, implementation – and organizational change
- Decisions require fact-based information – This requires a systematic approach to collect, integrate, analyze and provide meaningful data

The “state of IT governance”

September 12, 2012
The Future Of Business Technology Governance
By Alexander Peters, Ph.D. with Khalid Kark, Craig Symons, Holger Kisker, Andrew Smith

The most recent Forrester study

- The More Technology Changes, The More Organizations Will Need Good IT Governance

~~IT~~ BT Governance

"Good" technology governance is business technology (BT) governance — a conscious effort by senior executives to establish strategies, structures, processes, and measurements for the management of technology to boost business results.

In the past, technology governance focused on the IT department, which played the role of the organization's main technology supplier. But this traditional role model is changing as organizations increasingly use new technologies — such as mobile, social, cloud, analytics, and business process management (BPM) — that are often managed by stakeholders outside IT's direct control. Given this reality, senior executives need to revisit the traditional approach to technology governance, understand the directions of change, and identify the most appropriate practices for making BT governance more sustainable.

IT Governance, *and…*

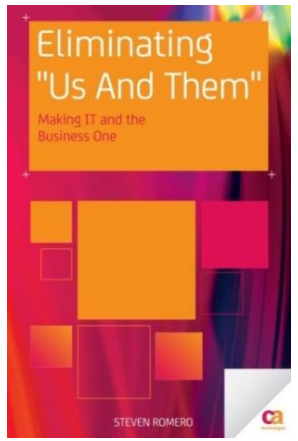
Romero Consulting

June 2011
Eliminating 'Us and Them' –
Making IT and the Business One
By Steve Romero

A Book about IT Governance, Process, and Culture

- The more technology ~~changes~~ *does anything*, the more organizations will need good IT governance
- *"You don't govern departments. You govern decisions."*

http://www.amazon.com/Eliminating-Us-Them-Making-Business/dp/1430236442



Thank you

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