COMMENTARY

Cheers (and fears) for governance

Allan E. Alter

I'm getting nervous about IT governance. I'm convinced that IT governance — working out and implementing a lasting agreement between IS and line management that divides information technology responsibilities between the two parties — is necessary to manage IT today.

Others agree. Gartner Group and Forrester Research consultants yak up IT governance. A quick Web search turned up evidence that Coopers & Lybrand, Nolan Norton Institute and other consultancies are advising corporations on IT governance, and that the Kaiser Permanente health chain, the states of Pennsylvania and Wisconsin and several universities are implementing IT governance.

Which is why I'm feeling nervous. When a great idea starts to spread in the IS world, the trouble has just begun. Hurrah, hurrah, watch out, I say.

Hurrah once, because governance forces line managers to take long-term responsibility. Line managers need to get involved in IT decisions (see "The word from the top," page 74), but they need to get involved in the right way. We don't want the *deus ex machina* types who appear, claim to straighten out the messes made by mere IS mortals, then disappear. Nor do we need the occasional champions who back IS projects only when convenient. IS needs line managers who stick with it day in and day out.

Hurrah twice, because governance helps make centralization politically correct. Everyone knows we've got to cut IT spending, align IS and business, manage vendors better and share data. All of that requires a more centralized IS function. If we're going to centralize without repeating the mistakes of the past, we need line management support, understanding and involvement. That requires IT governance.

So why am I suspicious of something that's so necessary?

Governance smacks of that engineering mind-set that gets IS people in trouble. Create a rational procedure, the theory goes, and rational people will make rational decisions. Baloney. That won't fly in the decidedly nonrational real world, where decision-making processes fall apart like boiled chicken off the bone. Personal relationships, trust in individuals, power and lobbying skill always trump procedures at decision-making time.

If governance makes IT business decisions sluggish and unresponsive, then what good does it do? Governance is incomplete unless it makes room for leadership, and it won't work if it ossifies into a formula. It stays alive only if leaders infuse it with values and ideas that make their company a winner: responsiveness to the market, speed, innovation, customer service, product excellence.

Don't bother with governance if the CEO can't do three things: hammer out a clear business goal and strategy, work through an IT strategy even a simpleton can understand and talk them up until the whole company is buzzing.

If that's been done, you can go to work. Do it fast: Give yourself weeks, not months. And keep it simple. Make sure it won't trip up IT leaders: Does your governance scheme further or hinder the company's goals and values? Can you make yes/no decisions quickly? Can you respond to sudden change pronto? Does it help keep excitement about IT alive?

Achieving great things with IT requires the sort of values, ideals and emotion that create passion; not a mission statement, but a feeling of mission. Only leaders, not governance committees, can do that. IT without governance is ineffective. But governance without leadership is dull, gray and doomed. □

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Who will the bankers bank on?

David Moschella

Even if you're not in the banking industry, you would be wise to keep an eye on the current battle to control the nation's Internet payment mechanisms. The cooperation and competition going on in the financial services world will soon be coming to an industry near you.

In recent weeks, Hewlett-Packard and its newly acquired VeriFone, along with EDS, introduced their Internet-based retail credit-card processing service. Microsoft announced the first bank customers of its new home bill-paying service, being co-developed with transaction processing giant First Data. And more than a year ago, IBM and 15 of the nation's largest banks announced Integrion, positioned as a complete electronic-commerce infrastructure.

What's going on? One thing's for sure: This isn't about computer companies becoming banks. Even Microsoft won't be handing out loans any time soon. It is about what sorts of electronic services banks will provide, and how. For banks, the stakes are sky high. In theory, there is almost nothing that a bank does that couldn't be run over a network and managed by software.

More specifically, banks have always controlled the nation's payment systems. They dole out cash, clear checks, transfer funds and run both automated teller machine and credit-card systems. Despite the illusion of fierce competition, MasterCard and Visa are both basically owned and operated by the same group of large banks. Not surprisingly, those same banks see Internet-based payment systems as just the next stage of the game. The Integrion business model was derived directly from that logic.

In contrast, while the HP/EDS efforts are clearly a response to IBM's move, those companies' approach is much more specialized. They are essentially offering a turnkey retail service. That is a typical HP approach, in sharp contrast to IBM's penchant for grander infrastructures and architectures. Like IBM, HP and EDS are trying to shape broad financial transaction standards, but through a separate, more open forum.

Then there's Microsoft, which once again emerges as both friend and foe. It rightly believes that home bill paying could become a compelling online service. For a small piece of the action, Microsoft and First Data are willing to provide that capability to banks. But they might also offer it to the bill senders, bypassing the need for any direct involvement by the banks.

All of this puts banks in an interesting strategic dilemma. In an area they believe to be of the highest strategic priority, do they stick to their traditions and go with the Integrion-type approach?

Wisely, IBM has made it clear that it has no intention of competing with its customers. But then again, much of the Integrion software is under IBM's control. Bankers know as well as anyone about IBM's checkered software history.

On the other hand, though Microsoft pays lip service to the idea of not competing with banks, its track record is also clear. Whether in travel, entertainment, classified ads, news, stocks or other services, Microsoft is perfectly willing to compete with any customer, if the opportunity appears sufficient. Then again, as banks become increasingly wedded to Windows NT, it's easy for them to see bill paying as just another application.

Many banks are hedging their bets and showing interest in working with all three companies. That will be fine until major deployments begin. As technology becomes ever more deeply embedded in virtually every business, other industries will soon face similar choices. □

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