

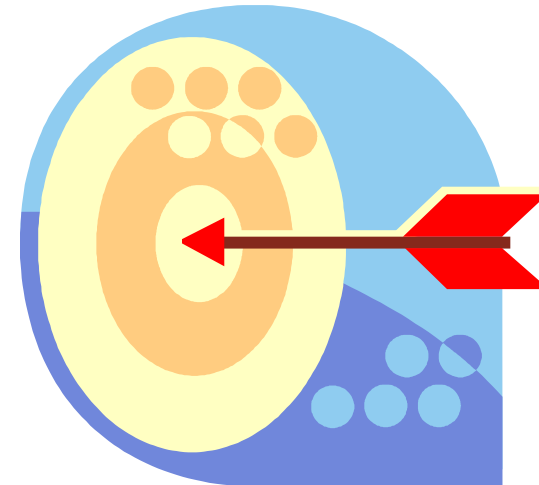


Governance, Risk & Compliance

TOPIC 3 : STRATEGIC
MANAGEMENT

Objectives

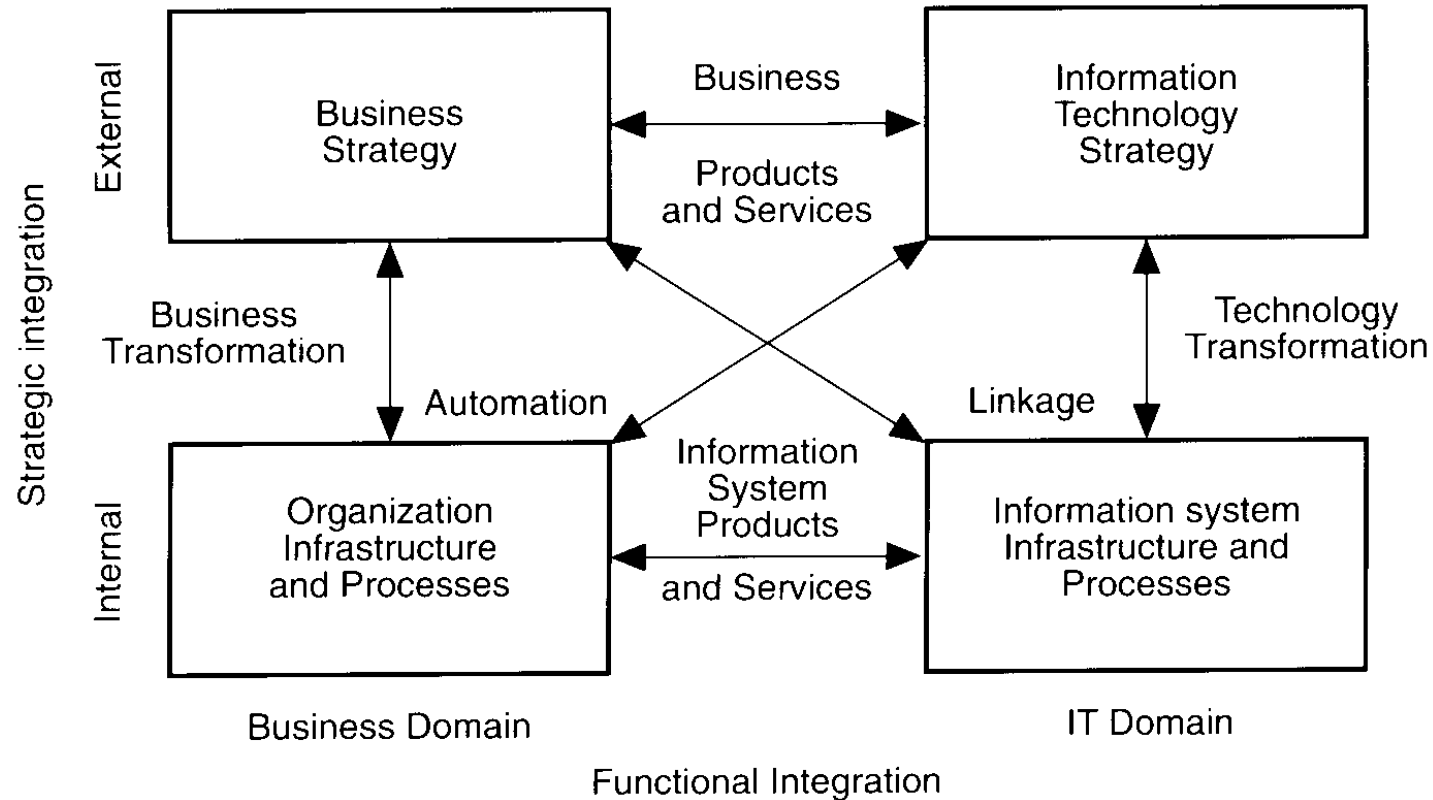
- Definition of Strategic Management
- Strategic Management Process
- Goals Cascade
- Agility
- Communication



What is Strategic Management?

- For an enterprise to achieve its aims effectively and efficiently, corporate and IT governance must be in place.
- Business and IT alignment must be achieved.
- Strategic management aims to achieve strategic alignment between business and IT.
- It involves 2 key questions
 - How is IT aligned with the business?
 - How is the business aligned with IT?

Strategic Alignment Model



Strategic Alignment Model

- SAM recognizes the need to consider both external and internal domain.
- External domain refers to issues such as IT strategy and business strategy – issues that deal with the external aspect of the enterprise.
- Internal domain refers to areas such as key business processes, policies, guidelines and procedures.
- Cross alignment between Business Strategy and IT Infra & Processes; and between IT Strategy and Organization Infra & Processes reflect how both the Business and IT domains interact with one another. That is Business Strategy can affect how IT processes are organized and IT Strategy can affect how the organizational processes are designed, and vice-versa.

Strategic Planning Process

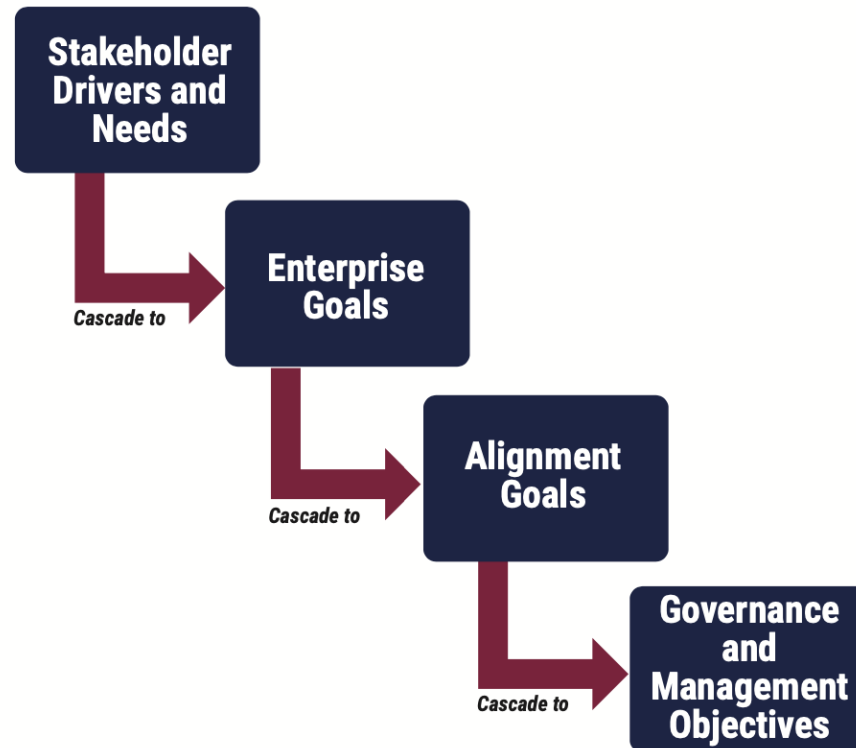
- Process by which business strategy is defined, from which IT strategy is developed.
- This process takes into account :
 - External factors such as market, industry, geopolitics.
 - Internal factors such as culture, organization, appetite.
- COBIT goals cascade helps in the translation of stakeholder needs into enterprise goals, alignment goals, Governance & Management Objectives and thereafter, into IT goals.

Strategic Planning Process

- In COBIT goals cascade, effective identification of IT goals from stakeholder needs enhances IT governance.
- IT goals also get linked to their source, which is stakeholder drivers and needs.
- This 2-way relationship helps ensure that IT goals are tightly linked to the organization's mission and objectives.

COBIT Goals Cascade Overview

Figure 4.16—COBIT Goals Cascade



COBIT Enterprise Goals

Figure 2.6—Enterprise Goals Design Factor

Reference	Balanced Scorecard (BSC) Dimension	Enterprise Goal
EG01	Financial	Portfolio of competitive products and services
EG02	Financial	Managed business risk
EG03	Financial	Compliance with external laws and regulations
EG04	Financial	Quality of financial information

Figure 2.6—Enterprise Goals Design Factor (cont.)

EG05	Customer	Customer-oriented service culture
EG06	Customer	Business service continuity and availability
EG07	Customer	Quality of management information
EG08	Internal	Optimization of internal business process functionality
EG09	Internal	Optimization of business process costs
EG10	Internal	Staff skills, motivation and productivity
EG11	Internal	Compliance with internal policies
EG12	Growth	Managed digital transformation programs
EG13	Growth	Product and business innovation

Mapping COBIT Enterprise Goals to Alignment Goals

		EG01	EG02	EG03	EG04	EG05	EG06	EG07	EG08	EG09	EG10	EG11	EG12	EG13
		Portfolio of competitive products and services	Managed business risk	Compliance with external laws and regulations	Quality of financial information	Customer-oriented service culture	Business service continuity and availability	Quality of management information	Optimization of internal business process functionality	Optimization of business process costs	Staff skills, motivation and productivity	Compliance with internal policies	Managed digital transformation programs	Product and business innovation
AG01	I&T compliance and support for business compliance with external laws and regulations		S	P								S		
AG02	Managed I&T-related risk		P				S							
AG03	Realized benefits from I&T-enabled investments and services portfolio	S				S			S	S			P	
AG04	Quality of technology-related financial information				P			P		P				
AG05	Delivery of I&T services in line with business requirements	P				S	S		S				S	
AG06	Agility to turn business requirements into operational solutions	P				S			S				S	S
AG07	Security of information, processing infrastructure and applications, and privacy		P				P							
AG08	Enabling and supporting business processes by integrating applications and technology	P				P			S		S		P	S
AG09	Delivering programs on time, on budget and meeting requirements and quality standards	P				S			S	S			P	S
AG10	Quality of I&T management information				P			P		S				
AG11	I&T compliance with internal policies		S	P								P		
AG12	Competent and motivated staff with mutual understanding of technology and business					S					P			
AG13	Knowledge, expertise and initiatives for business innovation	P		S									S	P

Mapping Alignment Goals to G & M Objectives

Figure A.3—Mapping Alignment Goals to Governance and Management Objectives

		AG01	AG02	AG03	AG04	AG05	AG06	AG07	AG08	AG09	AG10	AG11	AG12	AG13
		I&T compliance and support for business compliance with external laws and regulations	Managed I&T-related risk	Realized benefits from I&T-enabled investments and services portfolio	Quality of technology-related financial information	Delivery of I&T services in line with business requirements	Agility to turn business requirements into operational solutions	Security of information, processing infrastructure and applications, and privacy	Enabling and supporting business processes by integrating applications and technology	Delivering programs on time, on budget and meeting requirements and quality standards	Quality of I&T management information	I&T compliance with internal policies	Competent and motivated staff with mutual understanding of technology and business	Knowledge, expertise and initiatives for business innovation
EDM01	Ensured governance framework setting and maintenance	P	S	P					S			S		
EDM02	Ensured benefits delivery			P		S	S		S					S
EDM03	Ensured risk optimization	S	P					P				S		
EDM04	Ensured resource optimization			S		S	S		S	P			S	
EDM05	Ensured stakeholder engagement				S						P	S		
AP001	Managed I&T management framework	S	S	P		S		S	S	S	S	P		
AP002	Managed strategy			S		S	S		P				S	S
AP003	Managed enterprise architecture			S		S	P	S	P					
AP004	Managed innovation			S			P		S				S	P
AP005	Managed portfolio			P		P	S		S	S				
AP006	Managed budget and costs		S		P					P	S			
AP007	Managed human resources			S		S				S			P	P
AP008	Managed relationships			S		P	P		S	S			P	P
AP009	Managed service agreements					P			S					
AP010	Managed vendors					P	S			S				
AP011	Managed quality			S	S	S				P	P			
AP012	Managed risk		P					P						
AP013	Managed security	S	S					P						
AP014	Managed data	S	S		S			S			P			
BAI01	Managed programs			P			S		S	P				
BAI02	Managed requirements definition			S		P	P		S	P			S	
BAI03	Managed solutions identification and build			S		P	P		S	P				
BAI04	Managed availability and capacity					P		S		S				
BAI05	Managed organizational changes			P		S	S		P	P			S	
BAI06	Managed IT changes		S			S	P		S					
BAI07	Managed IT change acceptance and transitioning		S				P			S				
BAI08	Managed knowledge			S			S		S	S			P	P
BAI09	Managed assets				P						S			
BAI10	Managed configuration					S		P						
BAI11	Managed projects			P		S	P			P				
DSS01	Managed operations					P			S					
DSS02	Managed service requests and incidents		S			P		S						
DSS03	Managed problems		S			P		S						
DSS04	Managed continuity		S			P		P						
DSS05	Managed security services	S	P			S		P				S		
DSS06	Managed business process controls		S			S		S	P				S	
MEA01	Managed performance and conformance monitoring	S		S		P				S	P	S		
MEA02	Managed system of internal control	S	S		S	S		S		S	S	P		
MEA03	Managed compliance with external requirements	P										S		
MEA04	Managed assurance	S	S		S	S		S			S	P		

COBIT Goals Cascade

- Step 1 : Stakeholder drivers influence stakeholder needs
 - Stakeholder needs are influenced by drivers, e.g., strategy changes, changing business and regulatory environment, new technologies.
- Step 2 : Stakeholder needs cascade to enterprise goals
 - Stakeholder needs can be related to a set of generic enterprise goals.

COBIT Goals Cascade

- Step 3 : Enterprise goals cascade to Alignment goals
 - From the identified enterprise goals, COBIT 5 defines various alignment goals to each of the enterprise goals.
- Step 4 : Alignment goals to Governance & Management Objectives
 - Specific goals are defined in governance & management objectives

Value of Goals Cascade

- Goals cascade allows the definition of enterprise IT governance based on the objectives of the enterprise and related risk.
- This is an essential step in strategic management.
- In particular, it :
 - Defines relevant and tangible goals and objectives at various levels of responsibility.
 - Filters knowledge in COBIT to provide relevant guidance for projects.
 - Clearly identifies and communicates how governance & management objectives are important to achieve enterprise goals.

Changes in Business Strategy

- The dynamic nature of business means that there will be constant revisions to business strategy.
- IT needs to continually readjust to align with business.
- Failure to do that will lead to mis-alignment of IT with business objectives, resulting in systemic failures in governance.
- On the other hand, in today's digital world, IT may offer new opportunities which can have an impact on business strategy. Hence, it is a 2-way relationship.

Agility

- Refers to the enterprise's ability to adapt quickly to changes in the environment.
- Requires enterprises to constantly assess strategic business changes and their impact on their IT environment.
- Agility is an on-going process, not a one-time effort with a begin and end stage.
- Agility loops represent the principles required for the IT organization to be agile.

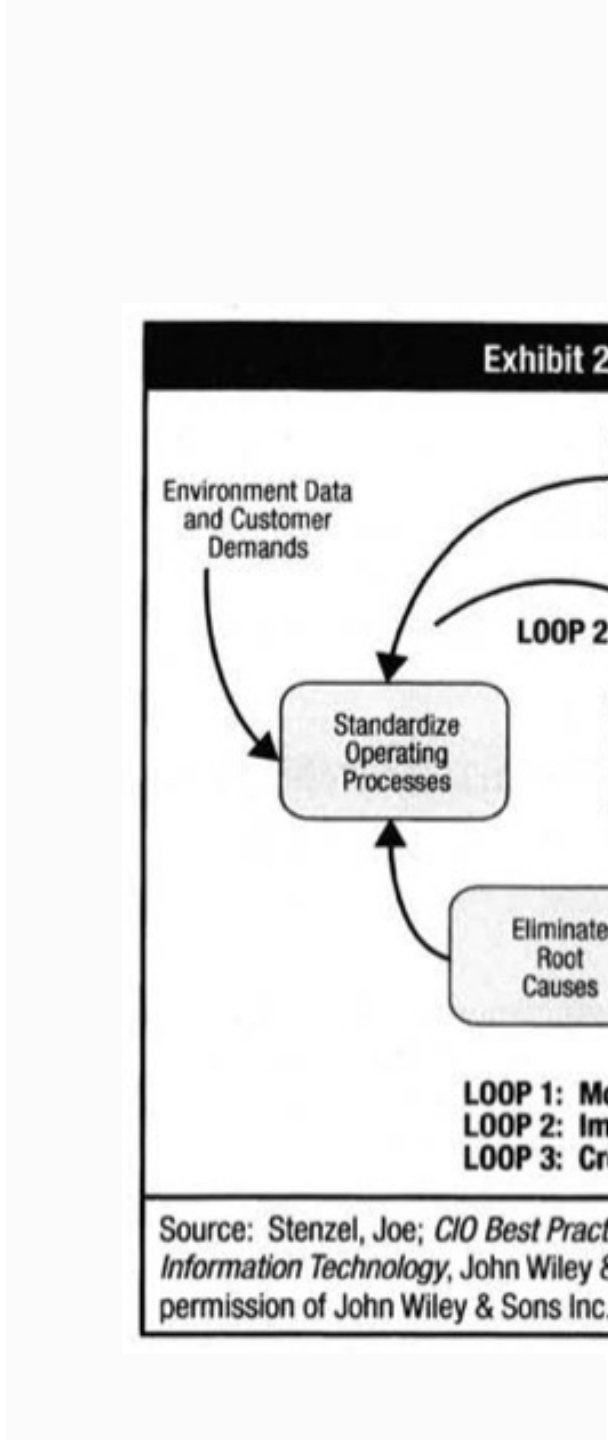
Agility Loops

- Agility loops involve 3 loops :
 - Loop 1: Monitoring and deciding
 - Encompasses environmental monitoring and responsive decision making. Often, the most profitable opportunities for better alignment of IT and business often arise from agile responses to new or unexpected events.
 - Loop 2: Improving existing processes
 - Focus on improving existing operations, often through automation and enhancement of reliability. In some instances, improving existing processes is insufficient and new processes need to be created (loop 3).

Agility Loops

- Loop 3: Creating new processes
 - Focus on creating new operations to deliver effectiveness. Through this process, the IT organization sense changes and respond efficiently and effectively through creation of new processes and retiring old obsolete ones.
- Inputs to loops 2 and 3 usually involve non-standard inputs (information).
- It could be resulting from errors in the input data or system operations.
- Alternatively, input data is correct but represent a new trend or event.

100%



Barriers to Strategic Alignment

- Studies have been done on the difficulties of achieving strategic alignment.
- 3 barriers have been identified.
 - Expression barriers
 - Specification barriers
 - Implementation barriers
- Expression barriers
 - Inability by senior management in communicating business strategy to operational management.

Barriers to Strategic Alignment

- Specification barriers
 - Lack of IT involvement in strategy development, resulting in IT and business having 2 different strategies.
- Implementation barriers
 - Difficulties in implementing the strategy due to current IT portfolio. E.g., legacy systems.

Policies and Procedures

- Policies and procedures are necessary in supporting business and IT alignment.
- Policies and procedures reflect management guidance, and so doing business and IT strategies.
- Policies and procedures are tools with which strategic management uses to provide guidance and direction.

Communication

- In order not to lose sight of business strategy, it is important to ensure continuous communication to IT personnel business and IT objectives.
- The CIO's role is central to this key activity.
- The CIO needs to explain the IT strategy to the IT personnel and make them supporters of the strategy.
- When business goals change, CIO needs to ensure the new IT strategy is evolved as well.

Conclusion



Strategic management aims to achieve alignment between enterprise goals with business goals.



For IT governance, IT operations need to be aligned with business goals.



COBIT provide goals cascade to help achieve alignment between enterprise goals, business goals and IT-related goals.