

IT Governance

Overview

- Why IT governance - IT Challenges
- Governance Overview
 - Definition
 - Place in corporate governance
 - Perspective
 - Focus areas

Introduction

- For organizational investment in IT to deliver full value, it is recognized that IT has to be fully aligned to business strategies and direction
 - key risks have to be identified and controlled, and
 - legislative and regulatory compliance demonstrated.
- IT Governance covers this and more
- *IT Governance is a relatively new concept as a defined discipline and is still evolving*

The Place of IT Governance

- IT governance is
 - **a subset discipline of Corporate Governance** *(The system of rules, practices and processes by which a company is directed and controlled. Essentially involves balancing the interests of the many stakeholders in a company)*
 - **focused on IT systems** and their performance and risk management.

Governance Overview

Corporate Governance

- Corporate Governance is a set of responsibilities and practices exercised **by the board and the executive management.**
- Strategic direction to the organization
- Achieving objectives
- Managing **risks**
- Responsible use of **resources**
- Balancing **performance and conformance**

Governance Overview

IT Governance

- IT Governance is the responsibility of executives and the board of directors, and consists of the leadership, organizational structures and processes that **ensure that enterprise IT sustains the organization's strategies and objectives.**
- Integrate and **institutionalize** good practices
- Take full advantage of information
- **Satisfy quality, and security** requirements
- Optimize **resources**
- Balance **risk** versus **return**

IT Governance: why

- There is a general lack of accountability and not enough shared ownership and clarity of responsibilities for IT services and projects.
- There is a potentially widening gap between what IT departments think the business requires and what the business thinks the IT department is able to deliver.
- Organizations need to obtain a better understanding of the value delivered by IT. measures are required in business (the customer's) terms to achieve this end

IT Governance: why

- Top management wants to understand “*how is my organization doing with IT in comparison with other peer groups?*”
- Management needs to understand whether the infrastructure underpinning today’s and tomorrow’s IT (technology, people, processes) is capable of supporting expected business needs.

IT Governance: why

- Because organizations are relying more and more on IT, management needs to be more aware of critical IT risks and whether they are being managed.
 - Furthermore, if there is a lack of clarity and transparency when taking significant IT decisions, this can lead to reluctance to take risks and a failure to seize technology opportunities
- And finally, there is a realization that because IT is complex and has its own fast changing and unique conditions, the need to apply sound management disciplines and controls is even greater.

Governance Overview

Why IT Governance – data (empirical studies)

- Effective IT Governance is one of the most important predictor of the value an organization generates from IT
- Firms with focused strategies and above average IT Governance have higher profits than firms following the same strategies

Governance Overview

Why IT Governance – data (empirical studies)

- Majority of organizations demand business cases for change projects
- Few of approved projects have valid (realistic) benefit statements
- Very few organizations ensure benefits are realized post-project
- Even fewer organizations hold project stakeholders responsible for benefit attainment

Governance Overview

IT management vs governance

IT Governance	IT Management
Doing the right IT	Doing IT right
Needs CIO and executive sponsorship	Sponsored by IT

Stakeholders:

- Top level business leaders such as the Board, Executive, non-Execs, and especially heads of Finance, Operations and IT.
- Those that have a responsibility for investor and public relations.
- Internal and external auditors and regulators.
- Middle level business and IT management.
- Key business partners and suppliers.
- Shareholders.
- Customers

Stakeholders concerns typically include:

- Availability, security and continuity of IT services
- Costs and measurable returns on investments
- Quality and reliability of service – no embarrassments
- IT not appearing to respond to the real needs of the business
- Identification and management of IT related risks to the business
- Capability and skills of human resources
- Compliance to legal, regulatory and contractual requirements
- Responsiveness and agility to changing conditions

IT Challenges

Classic IT Challenges

1. Keeping IT Running
2. Costs
3. Value
4. Security
5. Mastering Complexity
6. Aligning IT with Business
7. Regulatory Compliance
8. Staffing (HR, Skills, Retention)
9. Resources

Classic IT Challenges

1. Keeping IT Running

Risks:

- Mission critical processes can be adversely impacted
- Productivity loss
- Lost business, customers, revenue, profits
- Reputational risk

Control Objective:

- **Assure Continuity and Quality of IT services**
- **Business continuity – (covered in previous class)**

IT Challenges – *Provision of User Services*

- Service Level monitoring
- User satisfaction surveys
- Training
- Documentation
- Help Desk
 - What/how do/should they do? - discussion

IT Challenges –*Service Level Management*

- Service level agreements
- Performance monitoring/measuring and reporting
- External service providers
 - New practice: outsourcing

Classic IT Challenges

2. Costs

Risks:

- Excessive spend on IT
- Lack of understanding of IT costs
- Increasing complexity of IT assets
- Mismatch of IT spending by IT & business
- Resource skills lacking or non-aligned

Control Objective:

- Manage costs and vendors as carefully as possible



IT Challenges – *Cost Management*

- The cost of service provision
- Cost reporting—who reports/when/how?
- Cost justification
- Procurement
- Third party service providers

Classic IT Challenges

3. Value

Risks:

- Cost of IT investments outweigh the benefits
- Expected outcomes of IT investments
- Users expectations not met
 - How do you manage users expectations?
- Impaired business performance



Control Objective:

- **Identify “right” IT investments, execute with excellence**

Classic IT Challenges

4. Security

Risks:

- Exposure/corruption of information
- Take down of systems and applications
- Loss of business intelligence
- Abuse/misuse of information
- Ability to do business affected...



Control Objective:

- Ensure IT security is sufficient to **reduce risk to an acceptable level**

IT Challenges – *Service Availability and Security*

- Computer/network operations
- Capacity planning and management
- Software/hardware availability and maintenance
- Risk management and disaster recovery planning
- Other aspects of security (...)

Purpose of IT security: Confidentiality, Integrity, Availability

Classic IT Challenges

5. Mastering Complexity

Risks:

- Not maintaining technical competencies
- Integration of new systems
- Lack of standardization
- Not adaptable to change
- Not taking advantage of technology improvements

Control Objective:

- Organize & manage IT to be adaptable & flexible



Classic IT Challenges

6. Aligning IT With Business

Risks:

- Poorly defined business requirements and/or business drivers
- Prioritization mismatch between IT & business
- Lack of Business Unit sponsorship
- Communication gaps between business & IT

Control Objective:

- Ensure IT links with the business to deliver value



An IS Project Gone Astray



How the customer explained it



How the project leader understood it



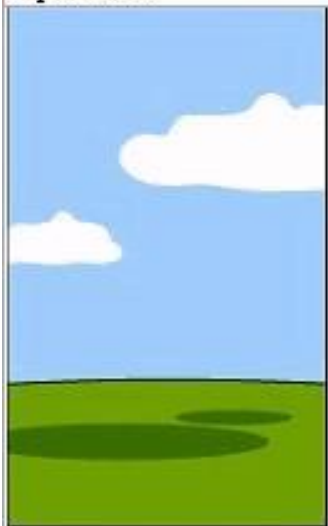
How the analyst designed it



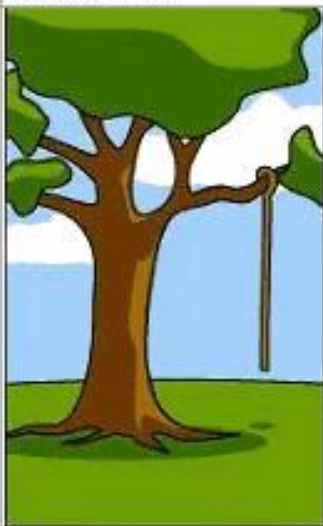
How the programmer wrote it



How the sales executive described it



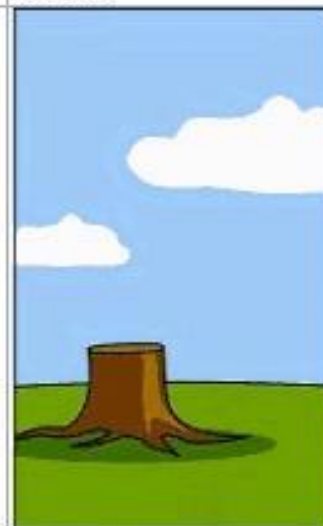
How the project was documented



What operations installed



How the customer was billed



How the helpdesk supported it



What the customer really needed

IT Challenges

Strategy and Planning

- Management commitment
- IS Strategic Plan
- Audit and review
- International standards
- Reporting procedures

Classic IT Challenges

7. Regulatory Compliance

Risks:

- Ability to do business
- Penalty Costs
- Reputational risk

Control Objective:

- Ensure compliance with all relevant regulations and contracts



Classic IT Challenges

8. Staffing



Risks:

- Insufficient coverage can lead to poor performance in all other areas
- Not adaptable to change
- Attracting and maintaining required skills
- Skills not adequate to grow new business demands

Control Objective:

- Ensure IT staffing is skilled and adequate in coverage

Classic IT Challenges

9. Resources

Risks:

- Adverse performance in all previous challenges
- Ability to do business

Control Objective:

- Ensure IT resources are sufficient



IT Challenges

Systems Development and Acquisitions

- The project approach to systems development or acquisitions
- Audit requirements and security
- Cost justification
- Quality and standards

IT Challenges

Testing and Implementation

- Testing
- Implementation
- Documentation
- Training
- User acceptance and sign off
- Post implementation review

IT Challenges

Project Management

- Project ownership
- Project scope
- Project planning
- Project monitoring, control and reporting
- User involvement

IT Challenges

Problem Management

- Problem management procedures
 - How can organizations manage problems?
- Help Desk

IT Challenges

Change Management

- Coordination
- Priority and urgency

IT Challenges

Summary and inference

- Challenges are multi-facet, multi-functional, critical →
 - **Company-wide** attention needed
 - **Company-wide** coordination needed
 - **Company-wide** institutional mechanism needed
 - **Board-level** awareness, vision, and guidance needed
 - Need to establish **accountability**



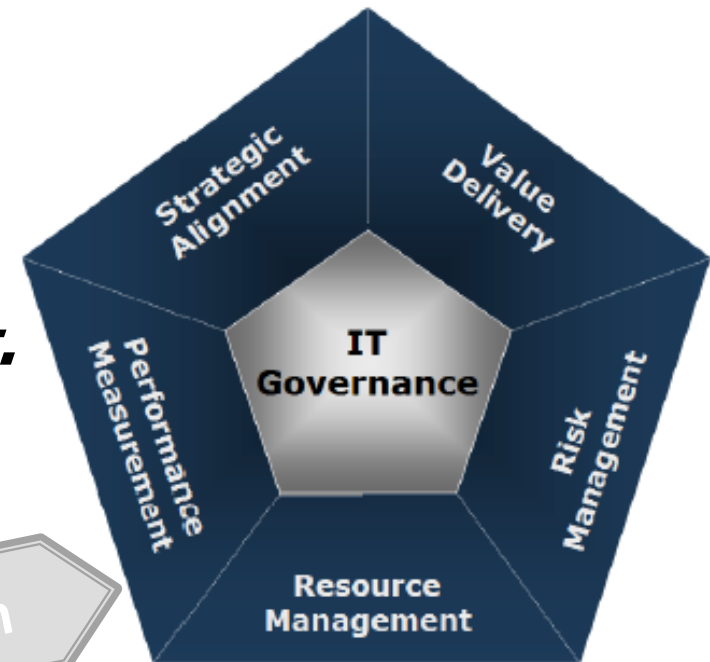
IT Governance perspective: enterprise-wide

- The traditional involvement of board-level executives in IT issues was to defer all key decisions to the company's IT professionals.
- IT governance implies a system in which ALL stakeholders (who are they?) have clear accountability for their respective responsibilities in the decision making process affecting/related to IT

IT Governance Focus Areas

● ***IT Governance are grouped into the following **five focus areas**:***

- ***Strategic Alignment,***
- ***Value Delivery,***
- ***Risk Management,***
- ***Resource Management,***
- ***Performance Measurement.***



IT Governance Pentagon

IT Governance Focus Areas

- **Alignment:** Provide for strategic direction of IT and the alignment of IT and the business with respect to services and projects
- **Value Delivery:** Confirm that the IT/Business organization is designed to drive maximum business value from IT. Oversee the delivery of value by IT to the business, and assess ROI
- **Risk Management:** Ascertain that processes are in place to ensure that risks have been adequately managed. Include assessment of the risk aspects of IT investments

IT Governance Focus Areas

- **Resource Management:** Provide high-level direction for sourcing and use of IT resources. Oversee the aggregate funding of IT at enterprise level. Ensure there is an adequate IT capability and infrastructure to support current and expected future business requirements
- **Performance Measurement:** Verify strategic compliance, i.e. achievement of strategic IT objectives. Review the measurement of IT performance and the contribution of IT to the business (i.e. delivery of promised business value).

Summary

- IT Governance is not a one-time exercise or something achieved by a mandate or setting of rules. It requires a commitment from the top of the organization to instil a better way of dealing with the management and control of IT.
- IT Governance is an ongoing activity that requires a continuous improvement mentality and responsiveness to the fast changing IT environment.
- IT Governance can be integrated within a wider Enterprise Governance approach, and support the increasing legal and regulatory requirements of Corporate Governance