

IT Governance

(Worthwhile
Exercise?)

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Things we hear!

You are making it
much too complex.

It is an IT problem!

**We do not know
where to start!**

We do this already!

Business engagement/
accountability is lacking.

It is not easy.

IT Governance Benefits

Several quantitative and qualitative benefits will be obtained through the implementation of an EFFECTIVE IT Governance framework.

Quantitative Benefits...

1. Clear roles, responsibilities and accountabilities for allocating resources.
2. A basis for evaluating new proposals and projects relative to a portfolio of changes.
3. Improved quality of choices for investments in IT resulting in better, faster return on investments.
4. Reduction in the cost of IT.

Qualitative Benefits...

1. Improved management understanding of the role of IT in achieving business results.
2. A mechanism to surface and evaluate the impacts of changing technology.
3. IT's support of the business strategy delivers measurable results in obtaining the organizations goals.

Objectives

OBJECTIVES:

- Define Corporate Governance
- Define and Understand IT Governance
- Understand how to implement an effective IT Governance

Structure

- Identify Pitfalls to avoid during implementation
- Identify keys to maintaining a relevant IT Governance

Structure

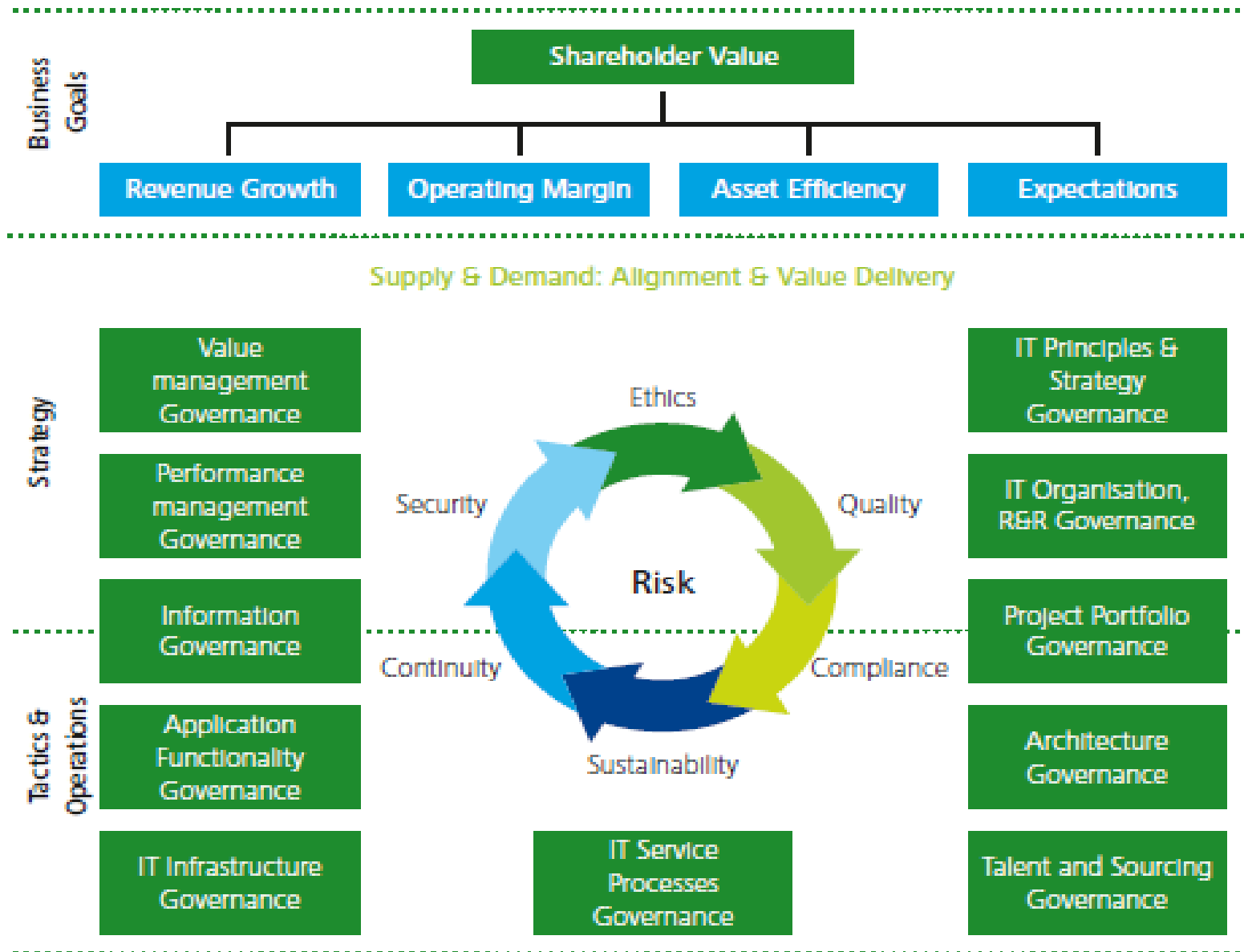
Definitions

Corporate Governance

DEFINITION

*The system by which companies are directed and controlled to achieve **goals** for which the corporation has defined.*

Corporate Governance Value Map



IT Governance

DEFINITION

*Providing businesses with the structure, processes and authorities to set IT direction and oversee key activities **in support of Business strategy**.*

Additionally, IT Governance helps organizations ensure that key IT decisions are made in alignment with the organization's overall business direction.

More pragmatically Governance breaks down into several components:

- Knowing who is responsible for making decisions;
- Knowing how decisions are made;
- Knowing who is responsible for ensuring that decisions get implemented;
- Ensuring that decisions are implemented (enabled and supported)

Assess and Design

IT Governance Management - Maturity Quick Assessment

The level of maturity of an IT organization in terms of IT Governance can be assessed with the following grid:

Nonexistent

Developed

Communicated

Integrated

Monitored

Strategy

IT Governance strategy does not exist or is limited.

IT Governance strategy is developed, but not formally communicated or updated.

IT Governance strategy is communicated and ratified in all areas of the organization.

Formalized IT Governance strategy is well understood and integrated into day-to-day activities.

Performance of IT projects is monitored, as are governing processes in order to optimize IT value and manage risk.

Processes

IT Governance processes are not defined or deployed.

Core IT Governance processes and goals are defined but no communication.

All IT Governance processes and goals are defined, documented, communicated and implemented.

IT Governance processes and goals are integrated and aligned with the rest of the enterprise.

IT Governance processes are continually improved to integrate best practices.

Roles

IT Governance structure, roles & responsibilities not defined.

Structure, roles & responsibilities defined.

Permanent staff accountable for IT Governance.

Dedicated IT Governance team. Succession and career planning in place.

Dedicated IT Governance team committed to revisiting and improving.

Tools & Technology

No tool or technology supporting IT Governance.

Basic non-standardized ad-hoc analysis triggered by an imminent business need.

Standard templates and analysis framework used for some processes.

Integrated enterprise-wide analysis toolkit aligned with enterprise strategy deliverables.

Business intelligence software in use. There is optimal use of technology.

IT Governance Domains

Domain	Description
IT Planning & Alignment	What is the overall purpose, direction, goals, plans & strategies for how IT is used? How can IT be an enabler of innovation?
IT Principles & Policies	What is the appropriate operating philosophy, policies and principles associated with IT planning, management, operations and control? How can these be aligned to enable greater agility in product development?
IT Architecture & Standards	What are the appropriate architectures & standards for enabling business processes (i.e., applications, data and infrastructure)?
IT/Business Alignment	What are the specific needs for business process and functional requirements, within each of the business units that drive IT investment? How does It communicate with the business and ensure transparency?
IT Infrastructure Strategies	What are the appropriate plans & strategies for establishing & managing IT's capabilities (e.g., servers, storage, network)?

IT Governance Domains (Continued)

Domain	Description
IT Prioritization & Investment	What funding (i.e., capex & opex) is available for investment; how should it be allocated? What process & criteria should be used to evaluate these decisions?
IT Org Planning & Staffing/Sourcing	What is the appropriate organizational structure and resource requirements for IT? What is the appropriate sourcing strategy?
IT Service Metrics	What performance metrics should be put in place to measure the performance of IT Services?
IT Service Monitoring & Reporting	How has IT performed based on their defined service delivery metrics and measurements?

IT Governance Management - Potential Models

There are many different roles that an IT Governance organization can play.

Governance Models	Business Monarchy	▪ Senior business executives make IT decisions affecting the entire enterprise
	IT Monarchy	▪ IT professionals make IT decisions
	Feudal	▪ Business units, regions or functions make IT decisions for their areas of responsibility
	Federal	▪ Coordinated decision making involving corporate and the business units through representation of all constituencies
	Duopoly	▪ Bilateral agreement between IT executives and one other group

Different governance models may be used for the different governance decisions to be made.

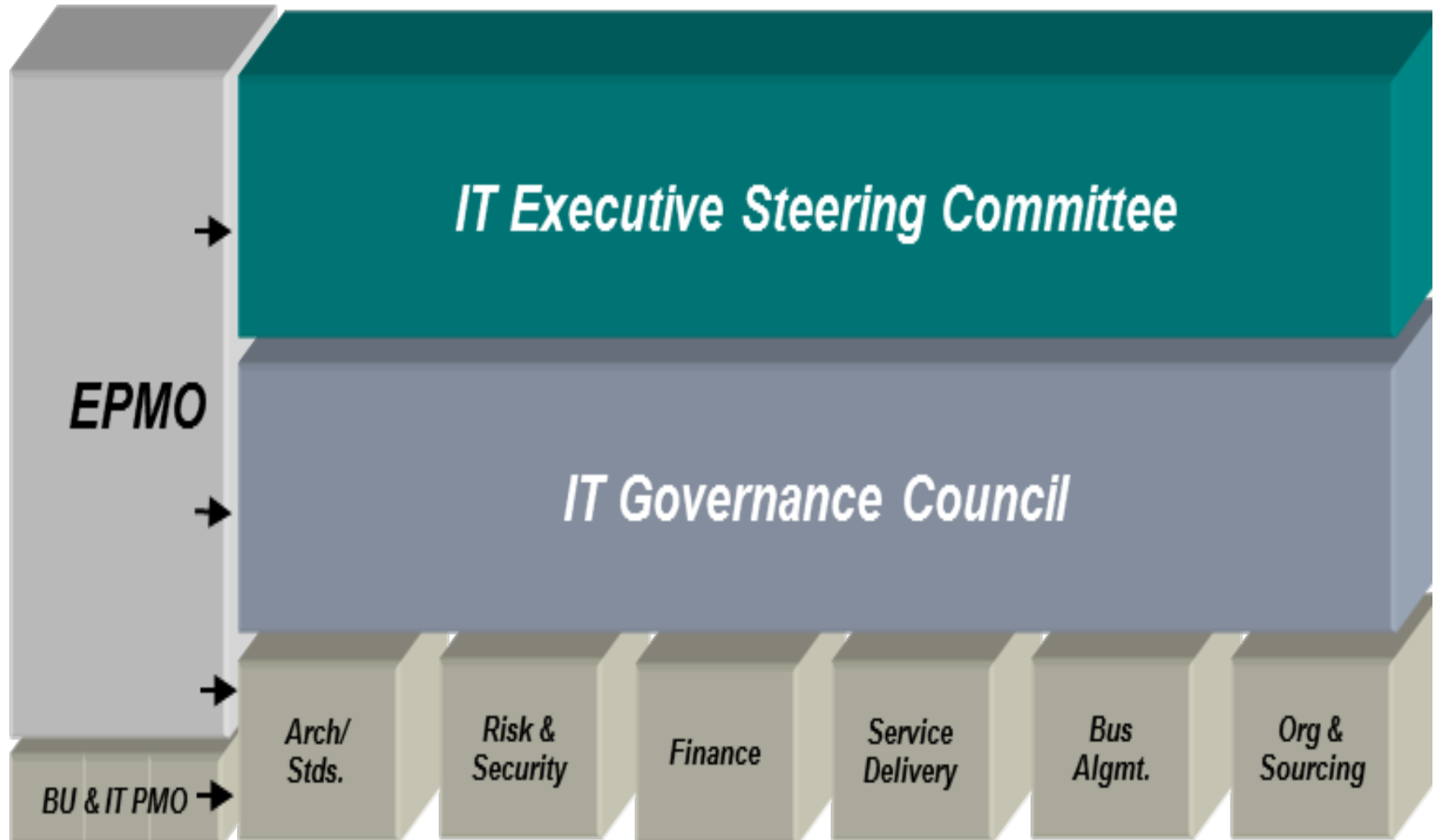
Governance Mechanisms	Executive / Senior Management Committee	▪ Define a holistic view of the business including IT
	Architecture Committee	▪ Identify strategic technologies and standards ▪ Establish methods of enforcement
	Capital Investment Budgets and Approval	▪ Consider IT as another business investment ▪ Alignment to business objectives ▪ Balance of risk and return
	Service Level Agreements	▪ Specify and measure IT service
	Chargeback	▪ Recoup IT costs from the business based on use or value
	Tracking IT Value	▪ Establish "balanced scorecard" to measure IT investments and business value

Implement

Implementation Steps

- 1. Define IT Governance Structure**
- 2. Define Functional IT Governance Boards**
- 3. Define IT Governance Processes**

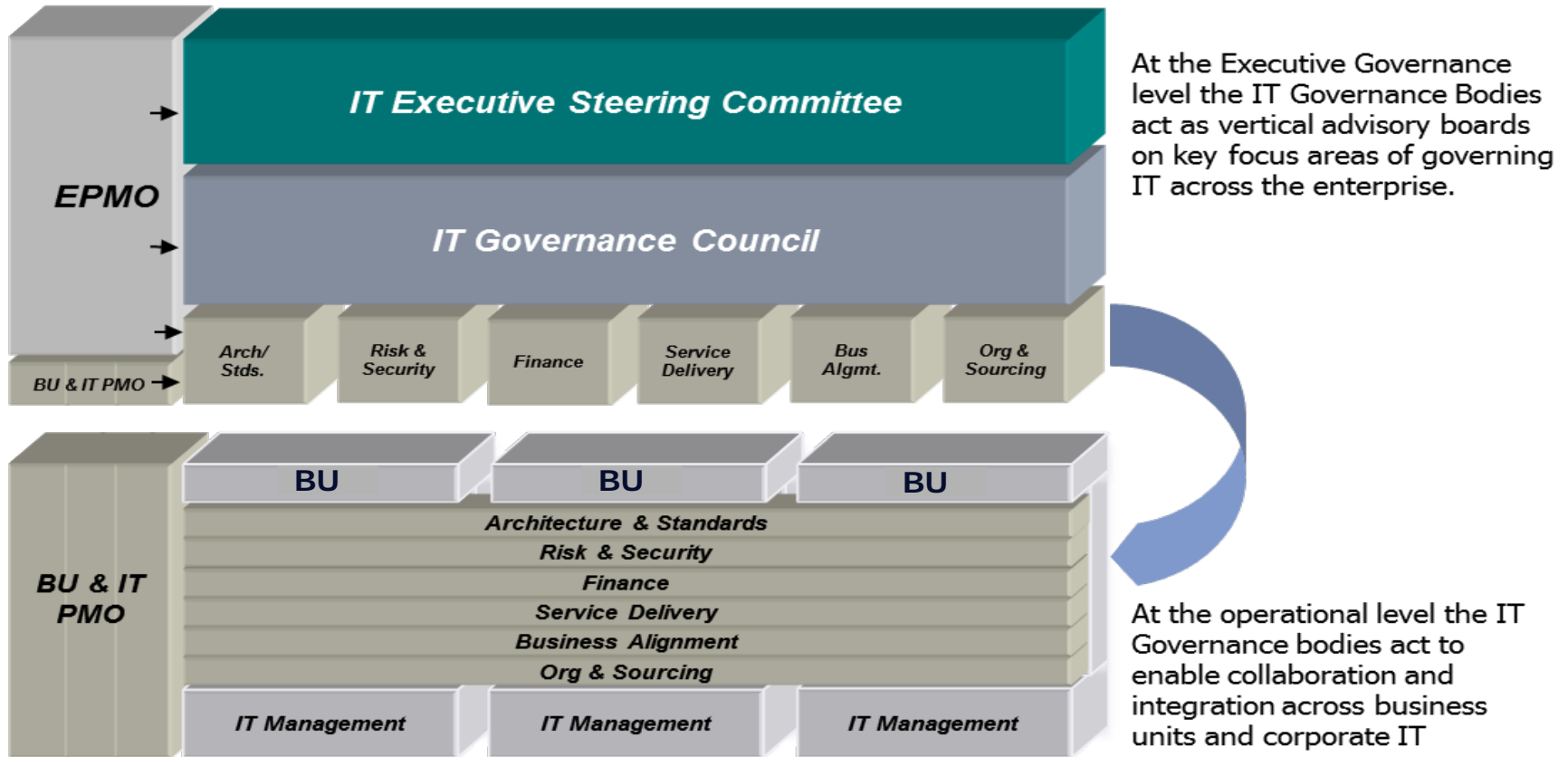
IT Governance Structure



IT Governance Structure – Common Pitfalls

- **Lack of executive management buy-in**
- Unclear objectives
- Lack of ownership and accountability (Remember that implementation requires cultural change and transformation)
- Inability to effectively market the value proposition
- Ineffective management of culture change and transformation

Functional IT Governance Boards



Functional IT Governance Boards - Pitfalls

- Ineffective management of expectations of all constituents – **IT Governance takes time and represents a series of continuous improvement processes**
- Lack of ownership and accountability
- Ineffective governance design (based on organizational structure) - In large multi-business unit enterprises it is necessary to consider IT governance at several levels
- Trying to implement the program too quickly
- Inability to set expectations on timetables and deliverables

IT Governance Processes

Process	Description
Develop IT Strategy & Vision:	Assess the business strategy, the technological environment, and current capabilities to develop an IT Strategy & Vision for the year
IT & Business Alignment Planning:	A process for business leaders to prioritize and articulate their programs/projects for IT and IT to prioritize and articulate their operational improvement needs
Annual IT Budget & Resource Planning:	A process to allocate funds to IT to be used as budget baselines, review mid-year progress against allocations, and to review organizational structure and staffing needs
Project Planning & Initiation:	The process to take project ideas from conceptualization through validation and approval
Portfolio Management:	The process to prioritize and manage the IT Portfolio of programs and projects including cost, benefit realization and forecasting
Active Project Status Review:	A periodic process by which project costs, status, and issues are tracked and reported back to stakeholders and sponsors
Standard Definition & Maintenance:	A process to define, periodically review, and maintain IT corporate standards e.g. Architecture, Infrastructure, SDLC Methodology...
Standard Escalation & Modification:	A process for IT Programs/Projects or Managers to request modifications or exceptions to the existing standards

IT Governance Processes (Continued)

Process	Description
Service Delivery Management:	A process to define and manage the services provided by IT
Vendor Management:	A process to manage vendor SLAs and services provided
IT Risk & Compliance Management:	An on-going process to develop risk management policies, monitor enterprise-wide risks and ensure internal & external compliance
IT Operations Financial Management:	A process to review the costs and consumption of budget allocations by IT in delivering IT Services
Operations Monitoring & Reporting:	A process to collect metrics across IT operations and generate regular reports to business partners and senior management on IT operational performance and alignment with standards
IT Business Alignment Review:	A process to develop a comprehensive assessment of IT success in meeting the business goals of the organization

IT Governance Processes - Pitfalls

- Lack of ownership and accountability
- **Partial Implementation**
- Ineffective development of a monitoring process
- Trying to tackle them all at the same time
- Overcommitting and under delivering

IT Governance Framework

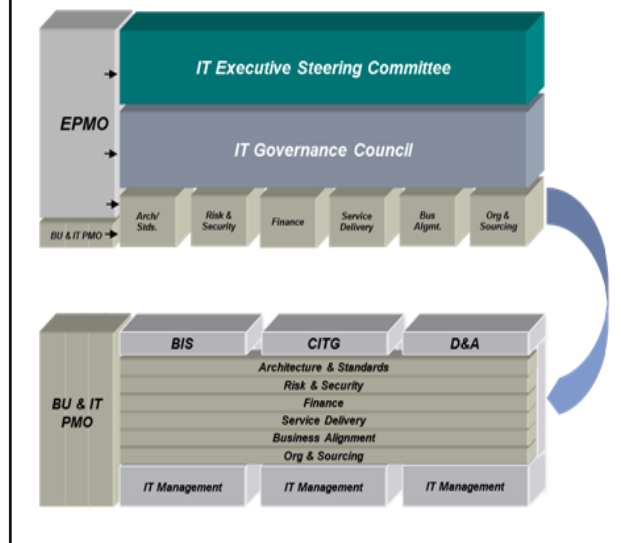
The IT Governance Domains, Bodies, and Processes together make up the IT Governance Framework. Through their integration you will be able to answer the key question of what is IT Governance.

IT Governance Domains

IT Governance Domains
IT Planning & Alignment
IT Principles & Policies
IT Architecture & Standards
IT / Business Alignment
IT Infrastructure Strategies
IT Prioritization & Investment
IT Org Planning & Staffing/Sourcing
IT Service Metrics
IT Service Monitoring & Reporting

The domains articulate **what** types of decisions need to be made

IT Governance Bodies



The bodies define **who** makes the decisions and **who** is responsible for implementing, supporting, and monitoring

IT Governance Processes

Focus Area	Process
All IT	Develop IT Strategy & Vision
	IT & Business Alignment Planning
	Annual IT Budget & Resource Planning *
IT Programs/Projects	Project Planning & Initiation
	Portfolio Management
	Active Project Status Review
IT Operations	Standard Definition & Maintenance
	Standard Escalation & Modification
	Service Delivery Management
	Vendor Management **
	IT Risk Management
	IT Operations Financial Management
All IT	Operations Monitoring & Reporting
	IT Business Alignment Review

The processes define **how** the decisions are made and **how** they are implemented and supported

Maintenance

IT Governance Maintenance

*The IT Governance discipline contains the foundation for the "IT Strategic Plan", prioritizing and approving IT projects, establishing ownership for project success, monitoring performance, and resetting direction as necessary. It addresses development of **continuous planning (responding to market/geographic/political changes and company performance) to optimize IT Value and manage Risk.***

PROCESSES

- Develop/enhance governance structure and processes
- Define performance measures and goals
- Monitor progress and results

KEY OUTCOMES

- Improved decision making and control
- Appropriate business and IT alignment
- Cost-effective use of IT
- Effective use of IT for asset utilization
- Effective use of IT for growth
- Effective use of IT for business agility
- Regulatory compliance

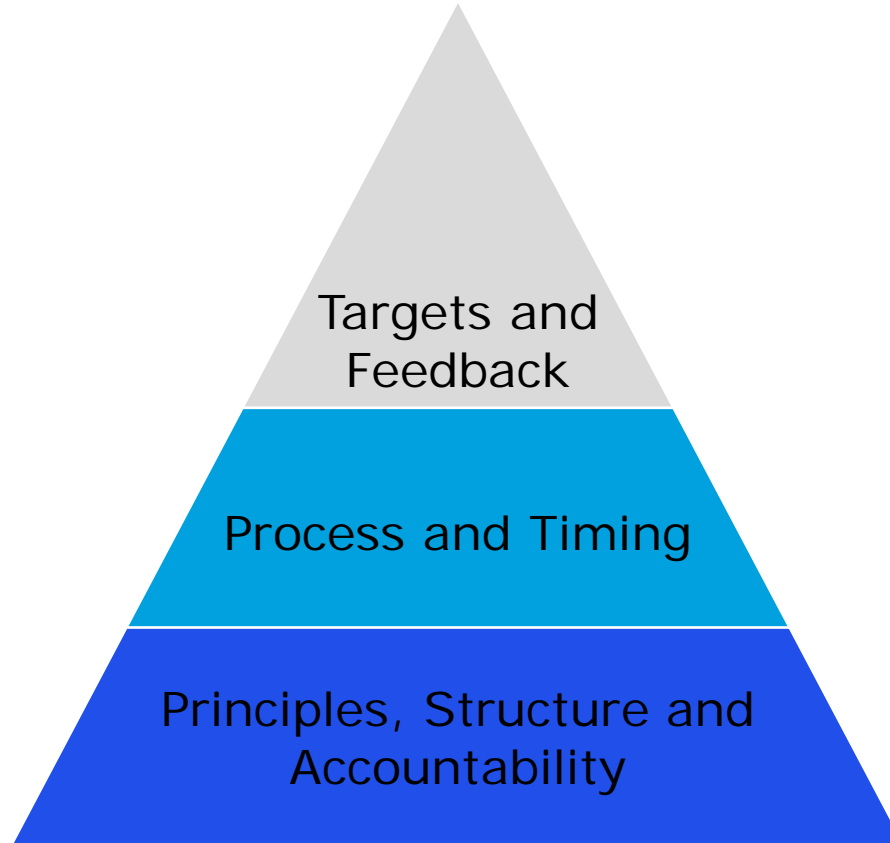
PERFORMANCE MEASURES

- Percent of managers who can accurately describe governance
- Attendance of primary members in formal governance committees
- Alignment of IT expenditures with business strategies
- Achievement of business operations improvement goals where IT has a contribution
- Percent of compliance to approved governance procedures
- Average number of changes to governance per year

Conclusion

IT Governance Framework

Governance provides the principles, process, and targets to set business direction and oversee key activities in full support of business strategy



The governance framework illustrates that the foundation of governance is applied by setting the appropriate structure, accountability and principles, through which processes are executed with targeted performance measures and feedback.

References

COBIT Framework

- <http://www.isaca.org/Knowledge-Center/cobit>

VAL IT Framework

- <http://www.isaca.org/Knowledge-Center/Val-IT-IT-Value-Delivery-/Pages/Val-IT1.aspx>

Implementing and Continually Improving IT Governance

- <http://www.isaca.org/Knowledge-Center/Research/ResearchDeliverables/Pages/Implementing-and-Continually-Improving-IT-Governance1.aspx>

“IT Governance” by Peter Weill

QUESTIONS?

