What's Driving Adoption of IT Governance?

ISACA North Texas Chapter

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Learning Objectives

- Overview of the history of IT Governance

- The relationship to corporate governance

- The basic assumptions behind IT Governance

- The value of IT Governance

- The pitfalls of an IT Governance program implementation

Agenda

- History and Definition

- Drivers and Components

- IT Governance Value

- Do and Don't

HISTORY and DEFINITION

Corporate Governance History

- Corporate governance began 50+ years ago
  - Modern corporate governance stems from the 1992 UK "Cadbury" report
  - The most recent US "governance" incidents are; Enron, WorldCom, TYCO etc.
- Business scandals have had a major impact on corporate governance
- Corporate governance responses usually begin as an attempt to restore public confidence

IT Governance History

- IT Governance became recognized as a sub-set of corporate governance in the early 90's

- Recently, Basel II and SOX legislation provided focus on the importance of IT Governance

- IT Governance models/program development began seriously in 2000's
  - International standards; UK, AUS, ISO
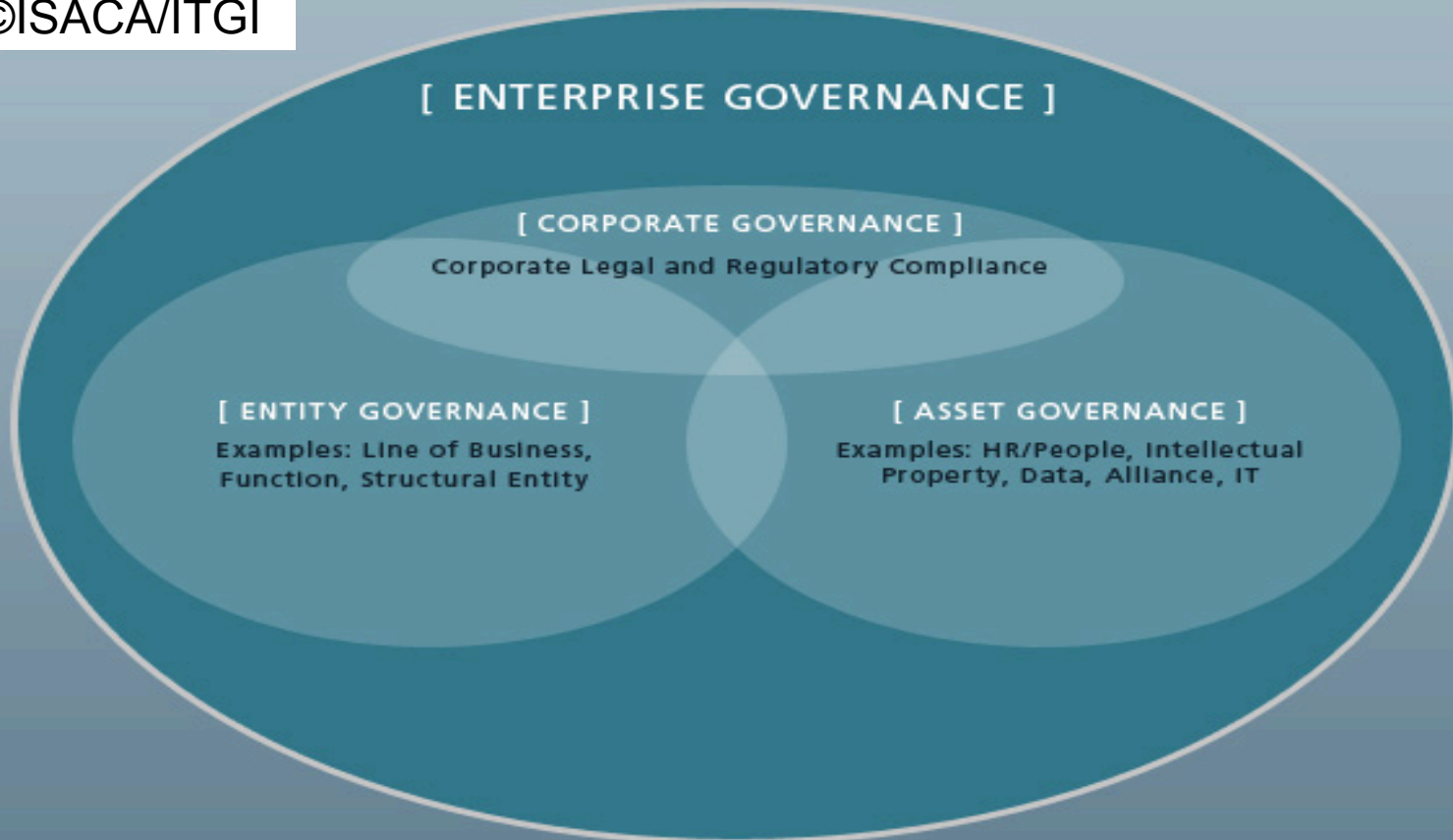 - ISACA/ITGI are major influencers

Definition

"IT Governance is the <u>responsibility of the board of directors and executive management.</u> It is an <u>integral part of enterprise governance</u> and consists of the leadership and organisational structures and processes that <u>ensure the organizations IT sustains and extends the organisation's strategies and objectives"</u>

<u>emphasis added</u>

Board Briefing on IT Governance ©ISACA

Where IT Governance Fits

©ISACA/ITGI

[ENTERPRISE GOVERNANCE]

[CORPORATE GOVERNANCE]
Corporate Legal and Regulatory Compliance

[ENTITY GOVERNANCE]
Examples: Line of Business, Function, Structural Entity

[ASSET GOVERNANCE]
Examples: HR/People, Intellectual Property, Data, Alliance, IT

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DRIVERS and COMPONENTS

Increased IT Significance

- Value creation from IT is critical
- IT service levels MUST meet business needs
- IT and Business strategy MUST align
- Effective IT oversight enables business change
- IT is increasingly the critical component in regulatory/policy compliance

Global Status Report On The Governance Of Enterprise IT (GEIT)—2011 ©ISACA

IT Governance Adoption Drivers

- Avoiding negative incidents

- Managing costs

- Ensuring business/IT alignment

- Improving business agility/effectiveness

- Improving risk/reward balance

- Meeting new compliance requirements

Gartner Weighs In

'IT Governance needs to be designed and implemented as a cohesive, integrated process linked to the principles of corporate governance. CIOs need to understand how to accomplish this by using the resources available to them and by ensuring business involvement. "

IT Governance Must Be Driven by Corporate Governance Gartner, 2009, Short & Gerrard

IT Governance Components
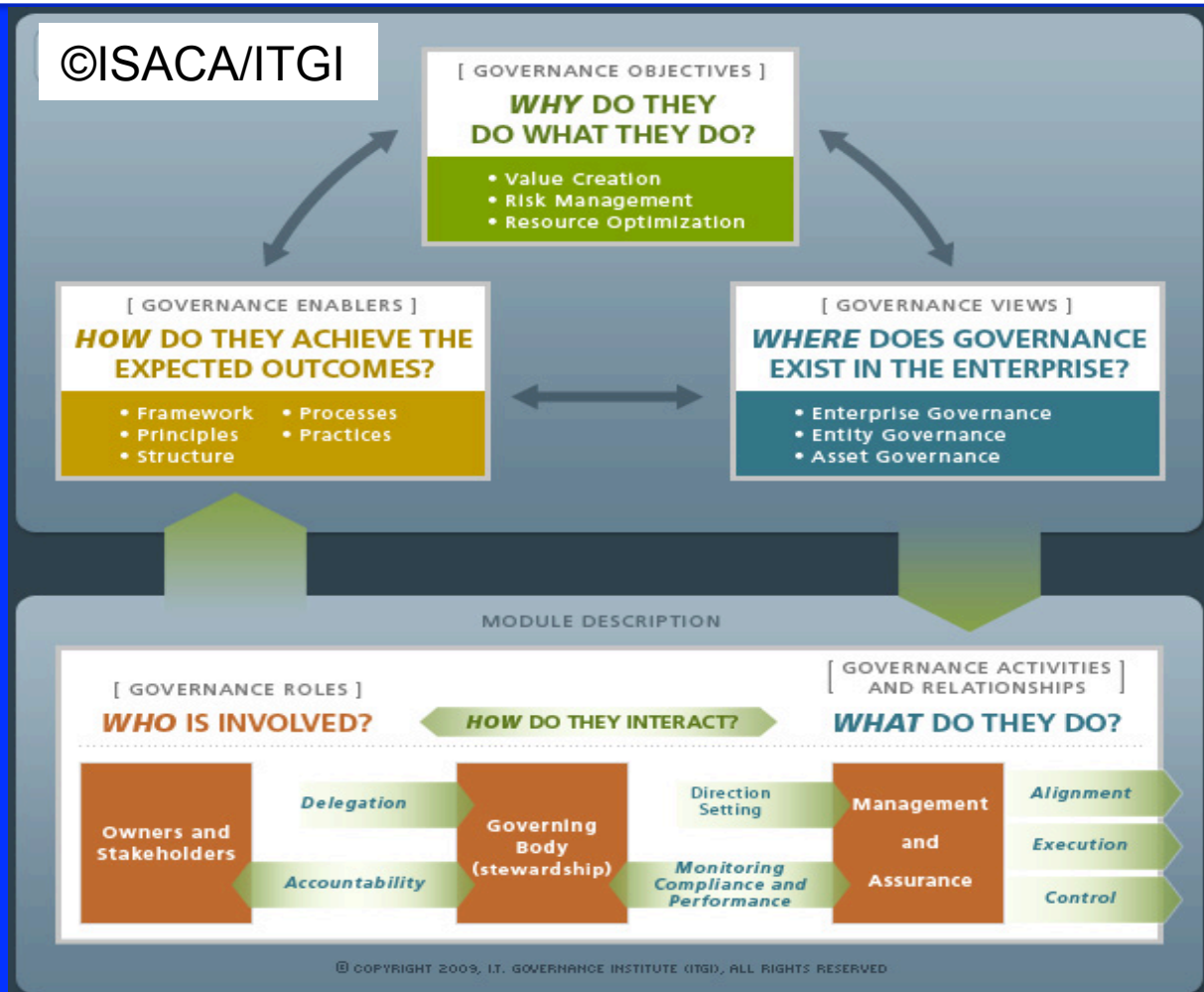
IT Governance Elements

- Strategic Alignment

- Risk Management

- Value Delivery

- Resource Optimization

- Performance Measurement

IT Governance Program Characteristics

- IT Governance Framework

- Program Value and Portfolio Management

- IT Polices, Practices and Standards

- Defined and Managed IT Processes

- IT Performance Monitoring/Metrics

- Organizational Structures
  - Clear roles and responsibilities

IT Governance Influences

- Culture of the organization
  - Board engagement, Sr. Management awareness
- Regulatory environment
  - Specific performance requirements
- Business strategy dependency on IT
  - Increasing demand for return on IT investment
  - Increased requirement for business agility
- Industry/market standards
  - Shifts driven by 'transformational' technology

IT GOVERNANCE VALUE

Peter Weill weighs in
(Chairman, MIT Sloan Center for Information Systems Research)

- *"…Companies with effective IT Governance enjoy a 20% higher profitability than similar companies[1]"*

- *"..senior management awareness of IT Governance processes proved to be the single best indicator of governance effectiveness with top performing firms having 60, 70 or 80% of senior executives aware of how IT is governed.."*

- *"…effective IT Governance doesn't happen by accident. Top performing enterprises carefully design governance."*

- *"Taking the time at senior management levels to design, implement, and communicate IT Governance processes is worth the trouble—it pays off."*

Weill, P. and Ross, J. *How Top Performers Manage IT Decision Rights for Superior Results*, Harvard Business School Press, 2004
IT Governance on One Page, Peter Weill Jeanne W. Ross, *November 2004, MIT Sloan Center for Information Systems Research*

IT Governance "Value" Overview

- Historically 'value' was responsive/reactive
  - Regulatory requirement, compliance order
- "Reactive" approach is very limited in appeal
- Simple "ROI" calculations are nearly impossible
  - Complexity, long term commitments
- Business cases are replacing 'avoidance'

Business Case Approach

- Business cases are a common business tool
  - Narrative description incorporating financials, organizational, and technical elements
- Current thinking leans towards targeted value
  - Protection/stewardship of IT assets
  - Optimization of IT asset investment
  - Leveraging/accelerating business strategy
- ISACA's Business Case model provides a guideline for business case development

Value Outcomes

- Cost optimization
  - Strategic/Tactical
  - Value driven performance and return metrics
- Business and Organizational efficiency
  - Strategy alignment
  - Program/project alignment
  - Executional improvements
- Risk management
  - Asset valuation/protections

DO and DON'T

One Size Does Not Fit All

- Understand the environment
  - Existing governance attributes
  - Culture and appetite for change
  - Leadership engagement/awareness
  - Skills and resources
- Define the scope of an IT Governance program
  - Critical elements, key external drivers
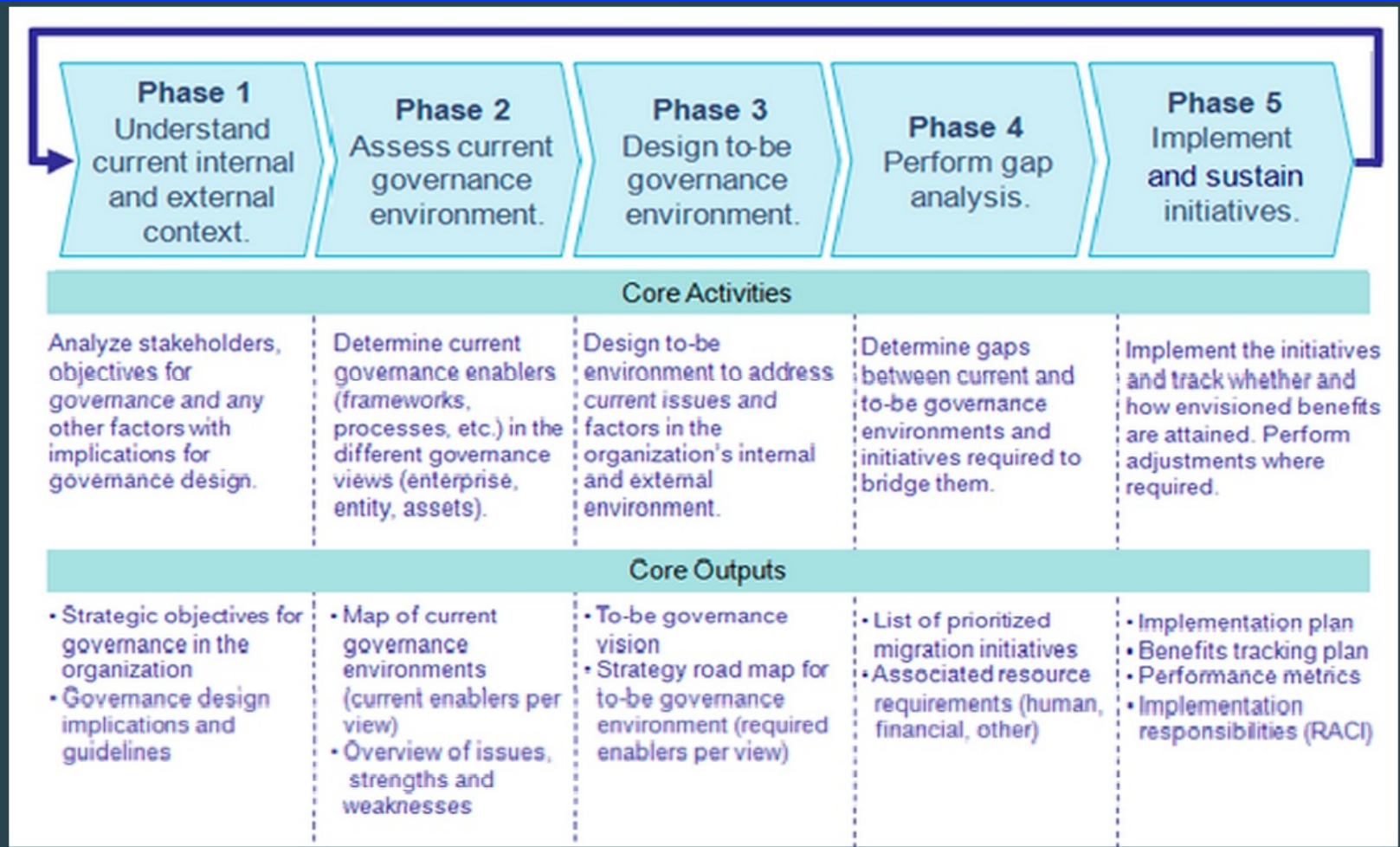- Build the business case

What Questions to Ask

IT Principles	How do the business principles translate to IT principles to guide IT decisions making?
	What is the role of IT in the business?
	What are IT desirable behaviors?
	How will IT be funded?
IT Architecture	What are the core business processes of the enterprise? How are they related?
	What information drives these core processes? How must this data be integrated?
	What technical capabilities should be standardized enterprise-wide to support IT efficiencies and facilitate process standardization and integration?
	What activities must be standardized enterprise-wide to support data integration?
	What technology choices will guide the enterprise's approach to IT initiatives?
IT Infrastructure	What infrastructure services are most critical to achieving the enterprise's strategic objectives?
	What infrastructure services should be implemented enterprise-wide and what are the service-level requirements of those services?
	How should infrastructure services be priced?
	What is the plan for keeping underlying technologies up-to-date?
	What infrastructure services should be outsourced?
Business Application Needs	What are the market and business process opportunities for new business applications?
	How are strategic experiments designed to assess success?
	How can business needs be addressed within architectural standards? When does a business need justify an exception to standard?
	Who will own the outcomes of each project and institute organizational changes to ensure the value?
IT Investment and Prioritization	What process changes or enhancements are strategically most important to the enterprise?
	What is the distribution in the current IT portfolio? Is this portfolio consistent with the enterprise's strategic objectives?
	What is the relative importance of enterprise-wide versus business unit investments? Do actual investment practices reflect their relative importance?
	What is the right balance between top down and bottom projects to balance standardization and innovation?

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IT Governance on One Page, Peter Weill Jeanne W. Ross, November 2004

Implementation Guide

Phase 1 Understand current internal and external context.	Phase 2 Assess current governance environment.	Phase 3 Design to-be governance environment.	Phase 4 Perform gap analysis.	Phase 5 Implement and sustain initiatives.
Core Activities				
Analyze stakeholders, objectives for governance and any other factors with implications for governance design.	Determine current governance enablers (frameworks, processes, etc.) in the different governance views (enterprise, entity, assets).	Design to-be environment to address current issues and factors in the organization's internal and external environment.	Determine gaps between current and to-be governance environments and initiatives required to bridge them.	Implement the initiatives and track whether and how envisioned benefits are attained. Perform adjustments where required.
Core Outputs				
• Strategic objectives for governance in the organization • Governance design implications and guidelines	• Map of current governance environments (current enablers per view) • Overview of issues, strengths and weaknesses	• To-be governance vision • Strategy road map for to-be governance environment (required enablers per view)	• List of prioritized migration initiatives • Associated resource requirements (human, financial, other)	• Implementation plan • Benefits tracking plan • Performance metrics • Implementation responsibilities (RACI)

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Tactics

- Sell and refine the business case upwards
- Identify tools and resources
  - Frameworks
  - Consultants/automation tools
  - Benchmarking and Best Practices
- Organization
  - Leadership from the top and supporting structure
- Establish a phased approach with deliverables

Ongoing Challenges

- Lack of senior management support
- Limited appetite for organizational change
- Maintaining continuous communication
- Maintain the momentum
- Difficult to demonstrate value
- Too much, too fast

REFERENCES

IT Governance Frameworks

- ITIL or ISO 20000
- ISO 17799, ISO 27000
- Six Sigma
- COBIT (ISACA)
- PMI/PMBOK or PRINCE2
- RISK IT (ISACA)
- CMM or CMMI
- ISO 38500
- BMIS (Business Model for Information Security) ISACA
- VAL IT (ISACA)
- TOGAF
- COSO ERM

Global Status Report On The Governance Of Enterprise IT (GEIT)—2011

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Questions?

Thank You

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