Unlocking IT Value - Transforming IT Enabled Investments into Business Value

Enterprise Governance of IT

Public Service Commission IT Steering Committee

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Figure 1. Implementing Information Technology Governance

Boards of directors still don’t understand the role IT can play in driving business innovation. It is the CIO’s job to change that.

The information technology governance driver has to be a member of the board or executive management. The member must be well versed with both the business and information technology. Thus the appropriately represented board has to understand the business strategy and objectives and craft from a business perspective how information technology will contribute in the achieving of the business strategy to formulate an IT strategy.

Directors rely on what they read from newspapers to formulate their IT strategy.

Board level Technology Committee

Vastly more common are boards that confine IT to the audit committee, where the outlook is not proactive or innovative, but risk-averse: Protect against security threats, comply with regulations and manage the risks of big projects and technology spending.

A board that holds a narrow, defensive view of IT leaves the company vulnerable to competition.

The prime duty of a board is to oversee what the executives are doing on behalf of the stockholders

Directors don't want to compare Amazon's cloud to Google's. They want to know whether--and maybe a little bit of how--to use cloud computing to create a more valuable company.

The board should have constant engagement with the CIO
Structures for Effective Enterprise Governance of IT

1. The Board/Executive Management
2. IT Strategy Committee
3. IT Steering Committee
4. IT Investment Committee
5. Chief Information Officer (Chief Innovation Officer)

‘ Enterprise Governance of IT is not about just keeping the lights on (Fire Fighting). IT is not about the CIO presenting around the mahogany table once in every year. It is not about the Board learning new IT enabled business models through the press. It is about the Board engaging in IT enabled business models to drive, sustain and extend enterprise strategy. ’
Structures for Effective Enterprise Governance of IT – The Board

1. Proactive involvement of the board and executive management.
2. The chief executive officer (CEO) and the board have a significant role to play in the business governance of IT. IT governance is the ultimate responsibility of the CEO and the board. The board should be fully engaged with and support the business governance of IT.
3. IT has to be a regular agenda item at the board.
4. The board must be equipped to understand the opportunities of IT and its business implications.
5. The key responsibilities of the board and the CEO in IT governance are approval of significant IT-related business investments, approval of the business strategy, ensuring that the IT function has the appropriate resources and the capability to deliver and maintain the IT elements of the business strategy and gaining assurance that value is obtained from the investments in IT.
Structures for Effective Enterprise Governance of IT – IT Strategy Committee

The IT strategy committee is the main think tank on the business governance of IT. It does not assume the board’s governance accountability nor make final decisions. Its prime role is to assist and advise the board on the formulation of the IT Strategy.

- It advises the board on matters such as:
  - The relevance of latest developments in IT from a business view.
  - The alignment of IT with overall business direction.
  - The achievement of IT strategic objectives.
  - Availability of suitable IT resources, skills and infrastructure to meet the business objectives.
  - Optimisation of IT costs, risk, return and competitive aspects of IT investments.
  - Progress on major IT enabled business change projects.
  - The contribution of IT to the business and to shareholders return.
  - The management of IT related risks including regulatory compliance.

1. It comprises primarily main board directors including non executives with the chief information officer (CIO) acting as full or an ex officio member. All significant lines of business should be represented. Ideally the chief executive officer (CEO) or at least a very senior director should chair the committee with IT being represented by the CIO or at the very least the chief technology officer (CTO).
2. The strategy committee should be at the same level with the audit or remuneration committee.
3. The IT Strategy committee should report directly to the board or the CEO.
4. IT strategy committee should meet at least on a quarterly basis.
Structures for Effective Enterprise Governance of IT – IT Steering Committee

- The IT Steering Committee (ITSC) assists the executive management in the delivery (implementation) of the IT strategy.
- ITSC consists of at least one board member sitting as the chair, heads of operational and support departments who are able to understand and defend the fundamental importance of IT in their line of business, the CIO and the CTO and other contributors such as legal, audit and finance.
- The ITSC also serves as IT governance awareness vehicles to the lower levels of the enterprise.
- The is instrumental in achieving modification of behaviour towards a culture more conducive to IT Governance. The members of the ITSC should be fully engaged and embrace IT governance if ever IT governance is to be achieved.
- The ITSC should meet on a bimonthly basis.
- Discussions in the ITSC will be more detailed than of the IT strategy committee.
Structures for Effective Enterprise Governance of IT – IT Steering Committee

The ITSC should deliberate on:

- Annual level of IT spending.
- Alignment of the enterprise’s IT architecture with business goals and objectives.
- Portfolio management including approval of projects plans for significant IT related business investments.
- Monitoring project plans and ensuring that internal and external changes are properly factored into the updated plans.
- Acquisition and divestment of IT related resources.
- Monitoring conflicts for IT resources based upon clearly articulated business priorities.
- Communicating strategic goals to project teams through the ITSC representation of the operating and support departments.
- Formulating plans for, and overseeing the results from, the IT dashboard or other key metrics.
- IT governance awareness to all stakeholders.
The IT investment committee (ITIC) is a complimentary or alternative approach to the ITSC, it is delegated to consider, approve and continuously monitor major IT related business change projects. The ITIC is usually chaired by an independent executive director and represented at the top level by all major operating and supporting departments. It should not be relegated to lower level departmental staff. Its prime objective is to ensure a consistent and robust approach to preparation and submission of business cases in particular that each of them fully addresses the alignment issues and a mechanism for measuring benefits realisation and proper accountability over the life cycle of the IT project.
Agenda items for the ITIC include but are not confined to:

- Review the current state of the IT investment portfolio to identify progress against plan of all significant investments to recommend action on potentially underperforming or under sourced projects.
- Discuss and agree upon the effect of changing business or external environmental factors on the portfolio.
- Ensure that appropriate learning points are obtained and communicated from ex post reviews of computed projects.
- Review and check if appropriate, provide approval to proceed for **business cases** consider and resolve potential conflicts for IT and business resources.
- Ensure unambiguous and communicated accountability for project delivery and the attainment of stated benefits.
The role of the chief information officer (CIO) is fast evolving from technology steward to that of business leadership.

Crucial to the attainment of effective IT governance is the role and responsibilities of the CIO in the business enterprise.

The CIO is the most senior link between the highest levels of the business management (executive board) and the IT function; He is the driver of IT Governance.

There will be a big disconnect in IT Governance if IT is not represented at the top (executive or board level). The “buck stops” when the CIO reports to the chief financial officer (CFO). The CFO is not “IT sensitive”, in most cases he is only concerned with costs.
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