

**Corporate Governance & Information Technology**

# Taming the Information Technology Beast – IT Governance made relevant

Presented by:  
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# Agenda

- Introduction
- Leading Approaches in IT Management
- Role of the Board: Plan, Build, Run, Manage
- IT Governance Mechanisms
- Business IT Planning Process
- IT Governance Calendar
- Project Governance
- Question & Answer



## About the Speaker



- Micheal Axelsen is Director of Information Systems Consulting with BDO Kendalls' Consulting Division.
- BDO Kendalls is the Brisbane member of the international BDO Chartered Accounting association.
- Micheal holds a B Comm (Hons), an MInfSys, and is a CPA
- Micheal is Chair of the CPA Australia Information Technology & Management Centre of Excellence
- Micheal is BDO Kendalls' technical expert in the area of IT Governance, as well as IS Strategy Development and Corporate IS Evaluation

## Leading approaches

- Increasingly, we are seeing IT as a set of outputs rather than of the gizmos and bits we use to put it together.
- “Good IT” is the residue of “Good IT Governance”
- “IT Governance is about who is entitled to make the major IT decisions, who has input and who is accountable for implementing those decisions”  
*Weill and Ross*
- IT Governance is an integral part of Corporate Governance - it is how a Board structures IT management for business outcomes

## Why is it important?

- High profile corporate failures
- Percentage of money spent on IT grows
- Compliance, Regulation, Reporting, SOX
- Privacy legislation and information security compliance
- IT risk pile continues to grow, not shrink

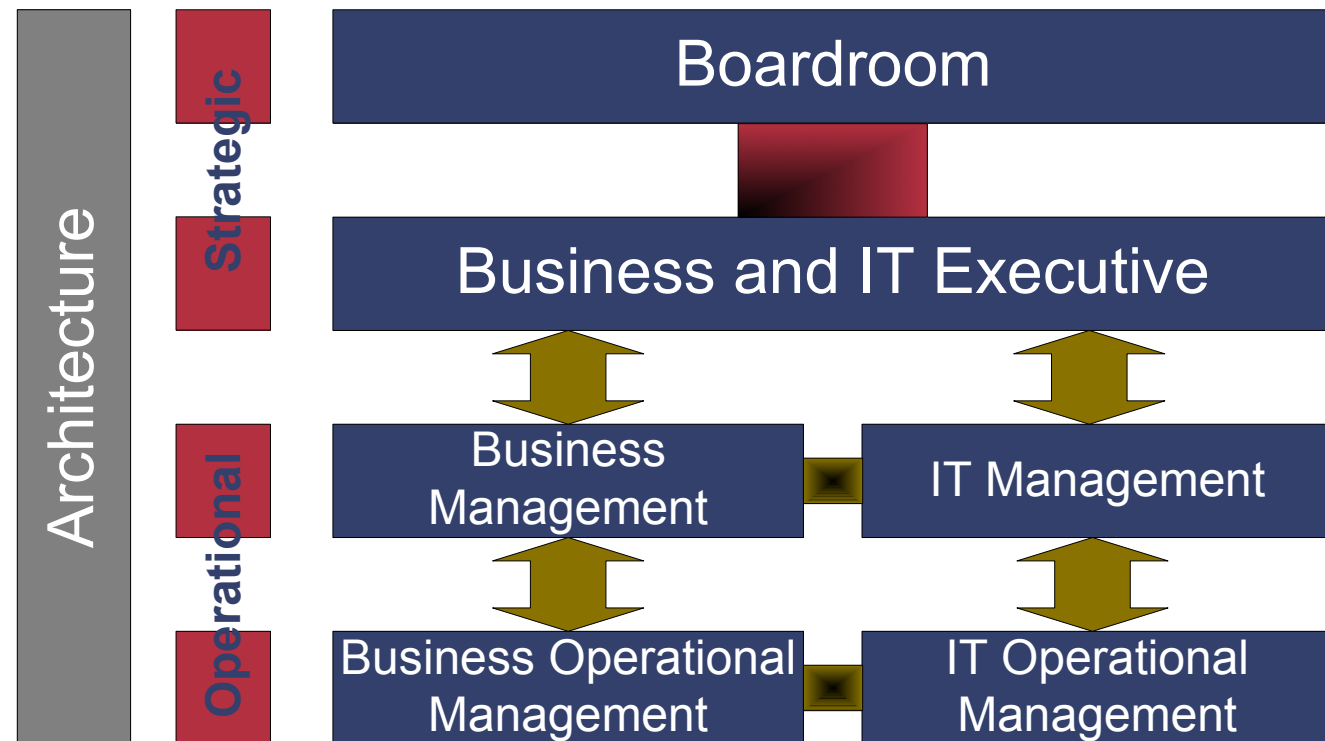
*IT Governance should now be on the agendas of Boards,  
Business Management and Accounting Professionals*



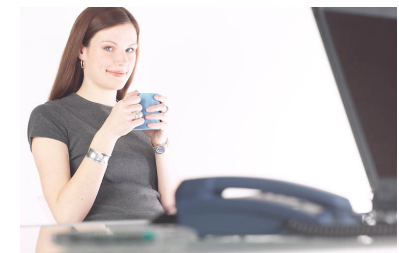
## Leading approaches

- IT Governance is about frameworks and structures, accountabilities and reporting, a routine way of thinking in a non-routine way
- There is no formula and no-one to tell you how to do it in your own set of circumstances. Instead, it is for each Board, each manager to divine the best, safest, most workable framework for its own situation.

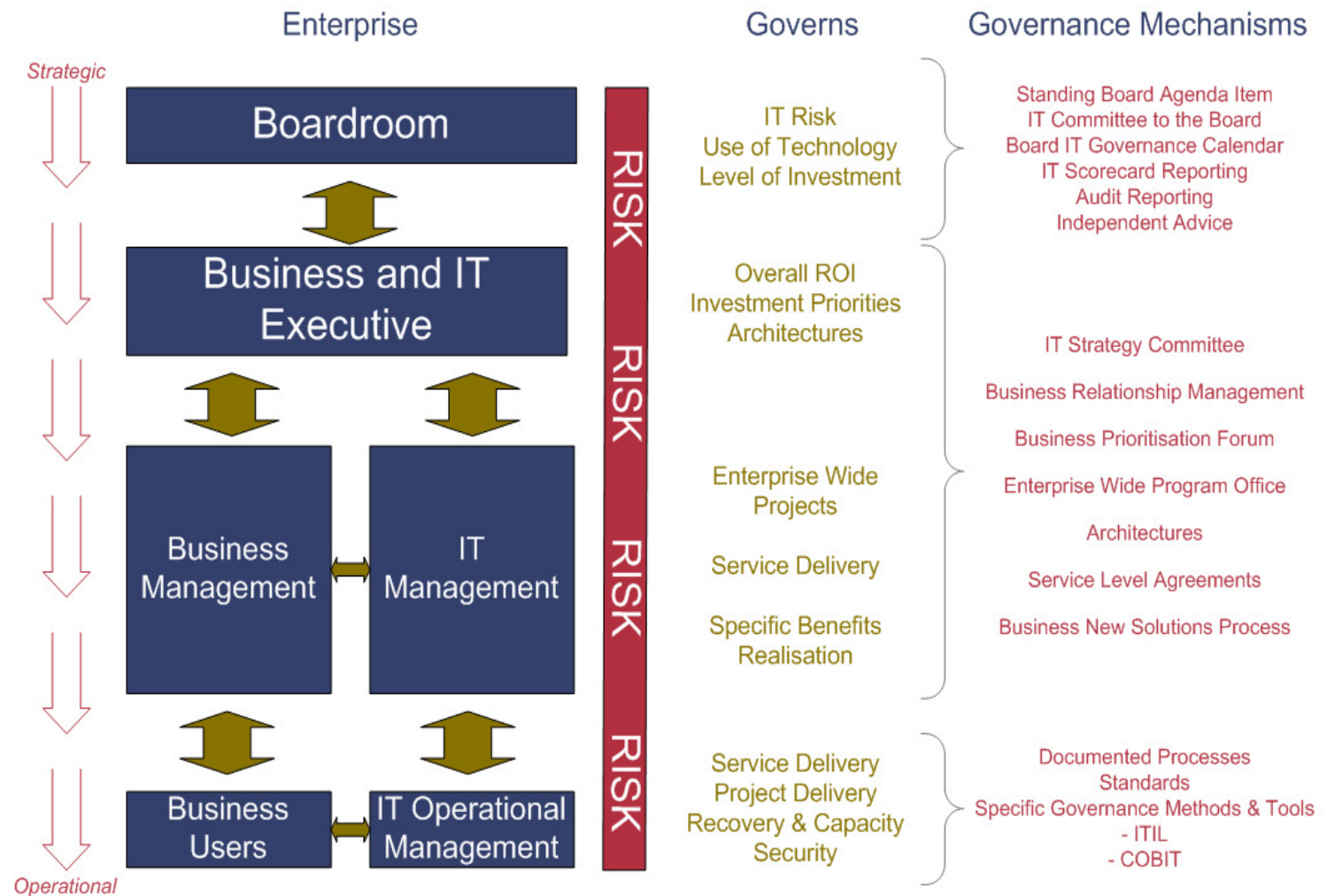
# The role of the board



- Equal attention from business and IT from the strategic through to the operational
- Leadership from the Boardroom and Executive Team



# IT governance mechanisms



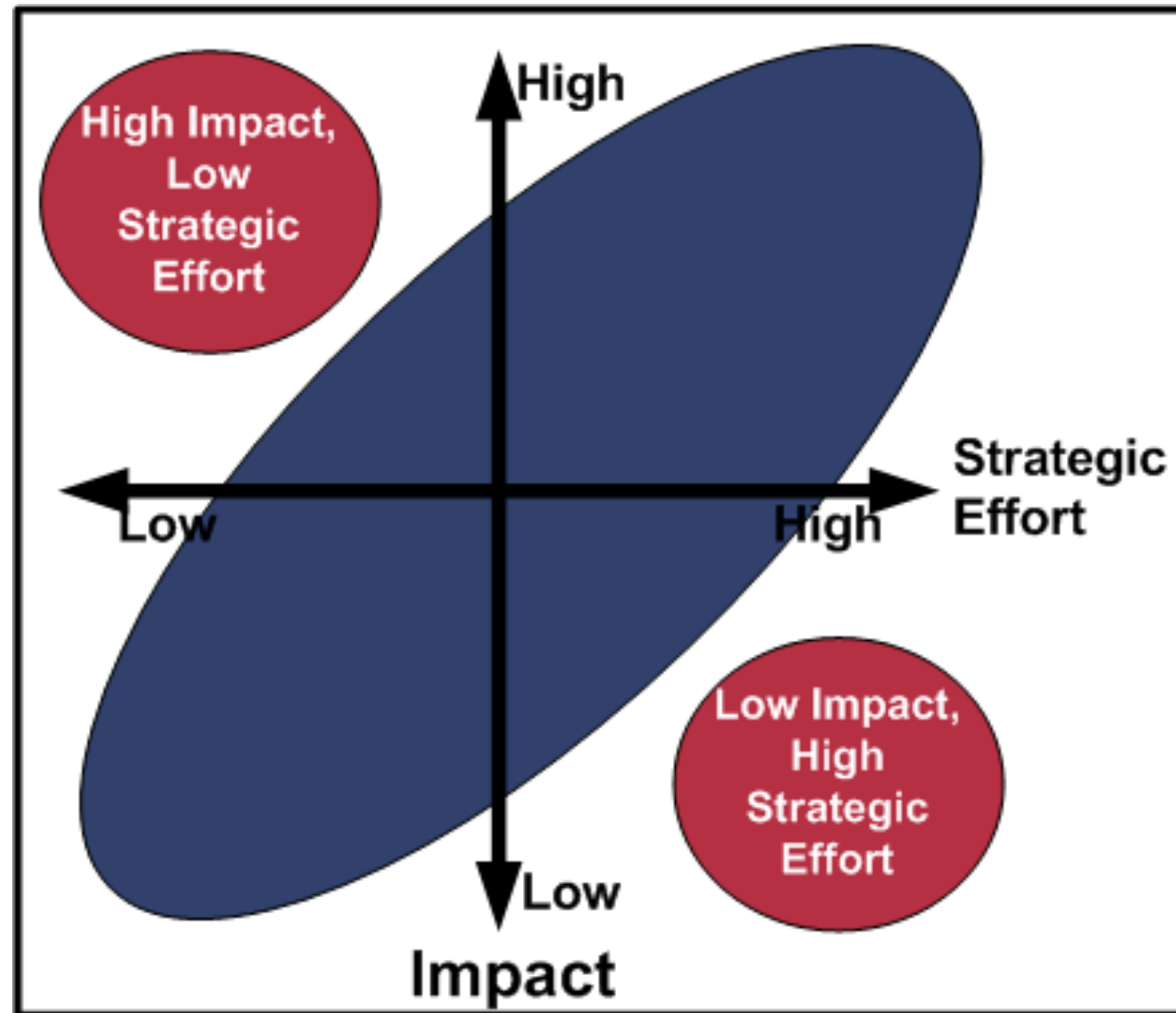


## Business IT planning

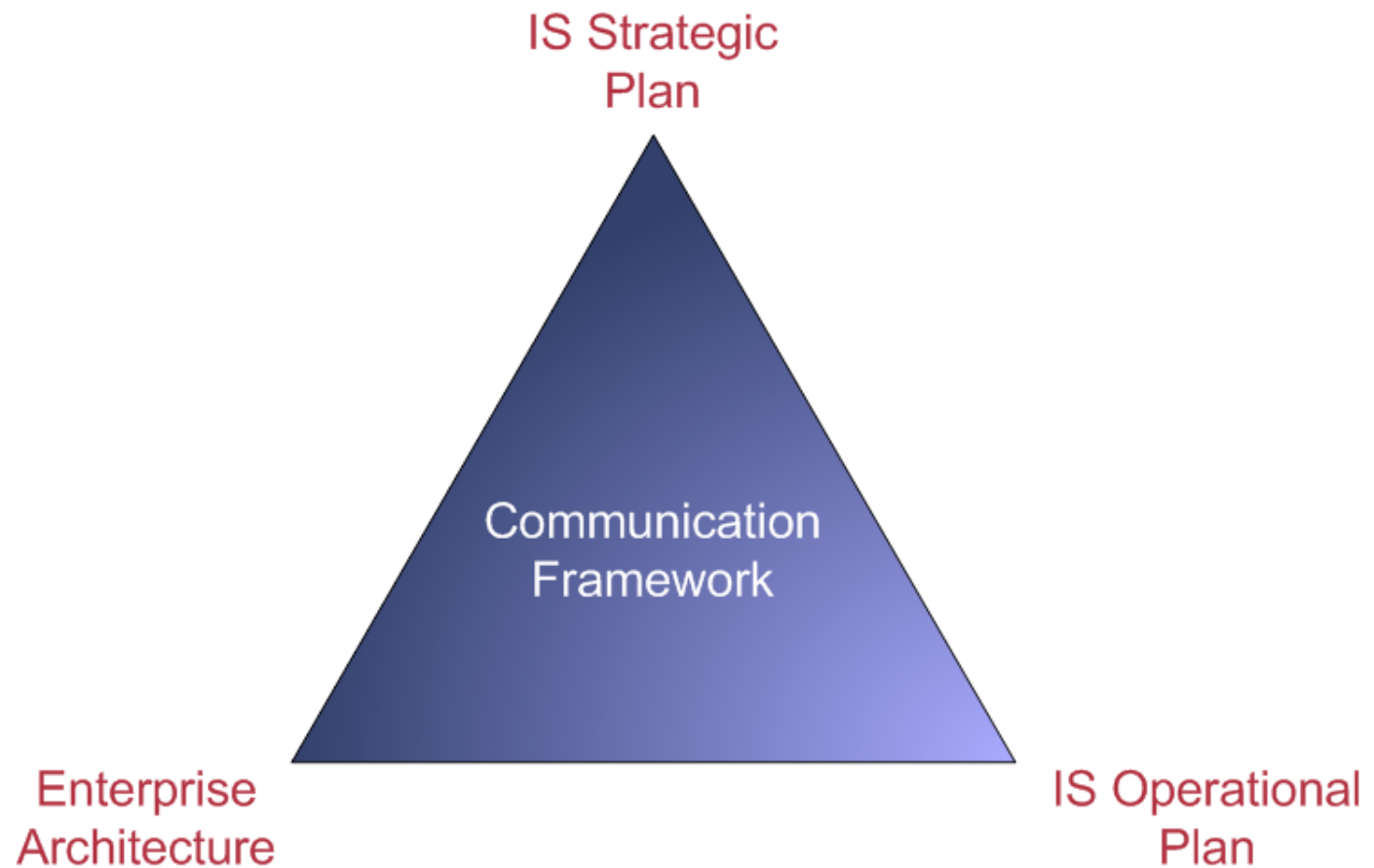
- Matching your IT Strategic Plan to the Overall Business Plan
  - Ensuring that your IT investment adds value
  - That it contributes to business objectives
  - That IT is not an end in itself
  - It is an investment, rather than a cost centre
- The Board must own it. If not, go home now!
- Board develops and endorses Business Plan
- Business Plan should refer to tools and mechanisms to achieve objectives
- Significant tools should include IT
- Critical decisions must be made and owned by Board



# Business IT planning



# Business IT planning



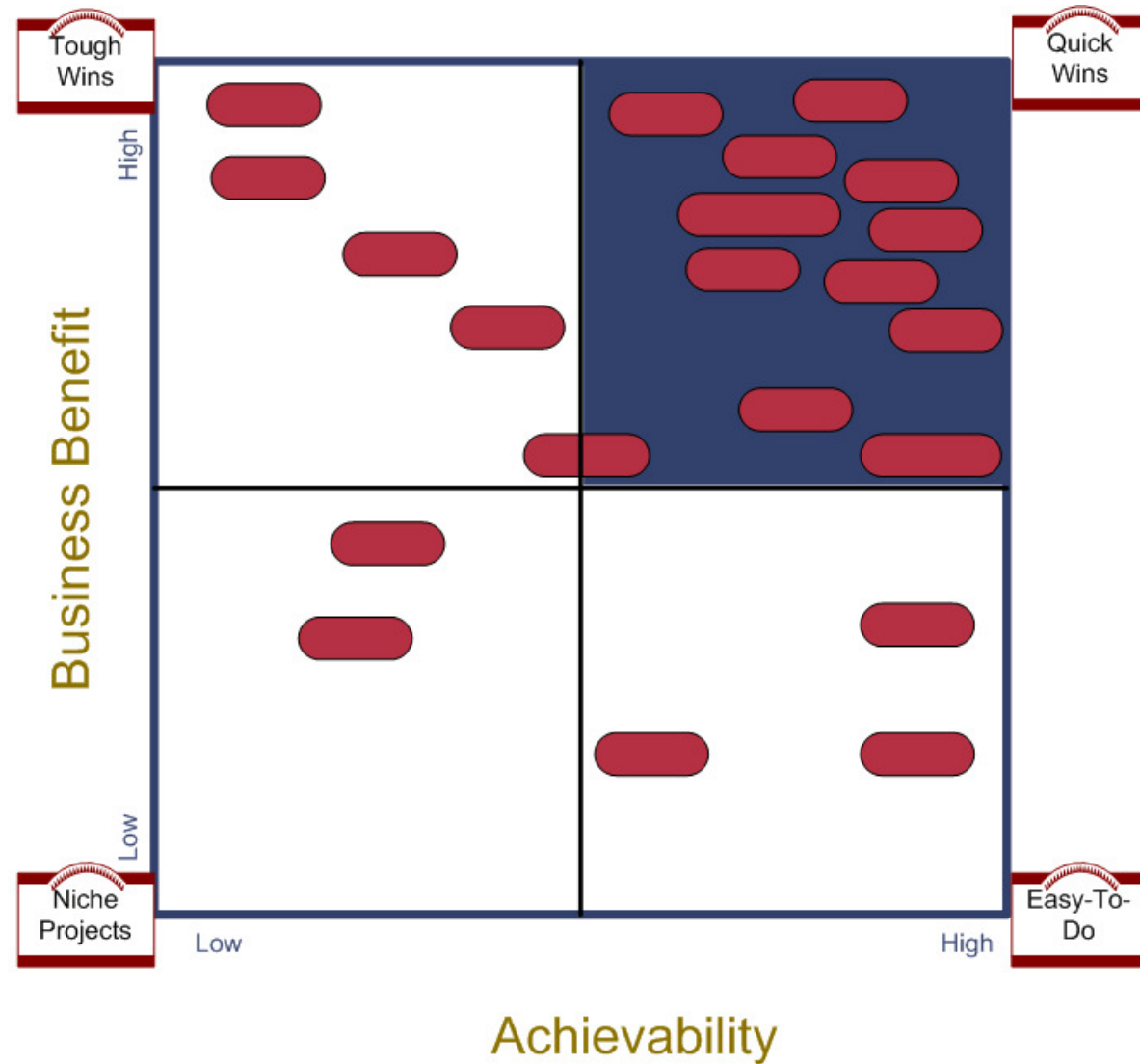
## Business IT planning

- Identify business objectives
- Link IS initiatives to the business objective
- Build a small, agile IT plan that can be followed – keep it simple silly – if you do not currently have one, don't go straight to the top-level strategic plan, it may not be appropriate.
- A 3-5-page strategic plan that is adopted and followed is better than a 50-page one that is never finished
- Identify an enterprise architecture to outline the core things that are done.

# Business IT planning

- Format of an agile IT plan:
  - **Vision**  
(Firm's Vision – What do we want to look like?)
  - **Mission**  
(A single measurable business goal relating to IT)
  - **Objectives**  
(identify five key objectives)
  - **Business Assumptions**  
(identify the "givens")
  - **Business Project Outcomes**  
(Identify program outcomes, and link to identified projects and link to five key objectives it supports)
  - **Quick Wins**  
(group projects according to a business benefit and achievability quadrant – "Tough Wins", "Quick Wins", "Easy To Do", "Niche Projects")
  - **Timeline**  
(Identify a five-year work program by project; identify projects below this)

# Business IT planning



## Business IT planning

- Enterprise Architecture (Lite)
  - Organisational Structure
  - Organisation Charts
  - Process Flows
  - Technology Suppliers
  - Application and Software Inventory
  - Application Interfaces and Data Exchange Flows
  - Databases and Supporting Data Models
  - Hardware Platforms and Hosting
  - LAN/WAN/Internet Connectivity Diagrams

## Business IT planning

- What is a good plan?
  - Not here to tell you what is right for you
  - One size does not fit all
  - Must be developed to suit your organisation, its marketplace, industry sector, firm size, internal structure, IT investment, culture
- Key messages are:
  - Your IT Strategy must be owned by the Board and the Board must be prepared to be held to account for its adoption, implementation and performance
  - The IT Plan must support and contribute value to the business, supporting and integrating with the Business Plan in all respects



# What can go wrong?

## Scenario - Planning

- An NFP whose former CEO did not believe in computers went from three PCs to 80 in about three years.
- Business plan called for “closer online relationships with members” and “leveraging knowledge to create value” – but didn’t define any parameters around these requirements.
- Senior management considered it an “IT problem”, and told the IT Manager to “go buy it”. IT chose a \$200K “monster” - phase 1 of a larger solution to a problem no-one else thought important.
- Left in a vacuum, IT had made a decision that was never going to be possible at a senior level, and significant time and resources were used pursuing an unworkable solution.

## IT Governance Practices

- Strong linkages between business and IT, and business ownership of the project rather than treating the issues as an “IT problem”, would have resulted in better business outcomes for the organisation and its members.

# IT governance calendar

<b>Financial Year</b>	<b>Business planning &amp; management cycle</b>	<b>Board IT Committee reviews</b>
Quarter 1	<ul style="list-style-type: none"> <li>• Implement budgeted operational strategies and plans</li> </ul>	<ul style="list-style-type: none"> <li>• Security Capability</li> <li>• Review of three year IT investment plan</li> <li>• IT Audit findings</li> </ul>

# IT governance calendar

<b>Financial Year</b>	<b>Business planning &amp; management cycle</b>	<b>Board IT Committee reviews</b>
Quarter 2	<ul style="list-style-type: none"> <li>• Monitor operational plans and budgets</li> </ul>	<ul style="list-style-type: none"> <li>• Service level delivery</li> <li>• Sourcing arrangements</li> <li>• IT Service continuity</li> </ul>

# IT governance calendar

<b>Financial Year</b>	<b>Business planning &amp; management cycle</b>	<b>Board IT Committee reviews</b>
Quarter 3	<ul style="list-style-type: none"> <li>• Monitor operational plans and budgets</li> <li>• Review long term business strategy</li> <li>• Develop annual business strategy and plans</li> </ul>	<ul style="list-style-type: none"> <li>• IT people, skills mix, succession planning</li> <li>• Capacity planning</li> <li>• IT risk review</li> <li>• IT asset review</li> <li>• Review IT Governance practices</li> </ul>

# IT governance calendar

<b>Financial Year</b>	<b>Business planning &amp; management cycle</b>	<b>Board IT Committee reviews</b>
Quarter 4	<ul style="list-style-type: none"> <li>• Prepare operational plans and budgets to deliver annual business plans and strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Review business IT strategy alignment</li> <li>• Review of 3-5 year IT investment plan</li> <li>• Review annual supply-demand equation</li> <li>• Review IT productivity</li> </ul>

## IT governance calendar

- Standing Agenda Items for the IT governance scorecard:
  - Strategic projects
  - Project pipeline status
  - Benefits realisation tracking
  - Supply/demand equation
  - Production quality
  - Actual against operational and CAPEX budgets
  - IT customer satisfaction
  - Productivity measures
  - Resource (permanent - contractor) mix

# What can go wrong?

## Scenario - Managing

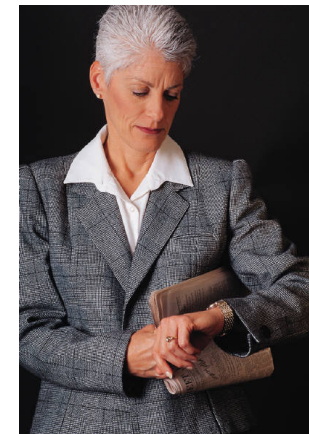
- A manufacturing organisation had completely computerised its production floor in order to compete overseas - tripled workforce, quintupled production
- Highly dependent upon the customised manufacturing software and hardware put in place by the IT Manager.
- In-house developed software, documentation non-existent, only two people in IT support. No DR Plan (or backups)
- IT Manager working long hours and under stress.
- Board completely unaware of the business risk – a heartbeat away from disaster.

## IT Governance Practices

- Implementing standard management methodologies (Prince2/PMBOK, ITIL/COBIT) would reduce business risk.
- Understanding the required level of IT Support, and separating the roles of IT management, software development, and operations would reduce business risk.

## Balanced scorecard

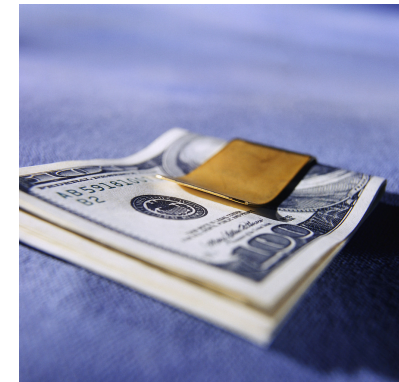
- “Operational” measures are used to manage day-to-day IT operations – these measures are not necessarily what you would provide to the Board, although they may be provided to committees of the Board.
- Balanced Scorecard Approach is often adopted (per the IT Governance Institute, developers of COBIT):
  - User Orientation
  - Corporate Contribution
  - Operational Excellence
  - Future Orientation
- For this measurement perspective, it is suggested that COBIT provides a good basis for operational measures





## Balanced scorecard

- IT “Manage” Measures
  - Climate Survey – User Satisfaction Levels
  - SLM Educational Budget as Percentage of Total IT Budget
  - Percentage of IT Staff and end users with completed SLM Training
  - Percentage of IT Budget spent on SLM Research
  - Actual vs Budgeted Expenses
- IT “Build” Measures
  - Number of projects completed on time and in accordance with a methodology
  - Percentage of stakeholder participation in Projects
  - Number of Project Management Training Days per Project Team Member
  - Number of Project Milestones and Budget Reviews
  - Percentage of Projects with positive project reviews
  - Average # of Years of Experience of Project Managers
  - Number of Late Implementations



## Balanced scorecard

- IT “Run” Measures
  - Time lag of resolution of a service level change request
  - Frequency of customer satisfaction surveys
  - Time lag to resolve a service level issue
  - Number of times that root cause analysis of service level procedure and subsequent resolution is completed within required period
  - Significance of amount of additional funding needed to deliver the defined service level



# Balanced scorecard

## User Orientation

Percentage of Applications and Operation  
Services Meeting SLAs

Score on User Satisfaction Survey

## Corporate Contribution

Actual vs Budgeted Expenses

Percentage of Processes relying  
on IT Covered by SLA's

## Operational Excellence

SLM Maturity Level

# of failures to attend account meetings

# of failures to provide outages reports in 'x'  
hours

# of failures to provide performance reports as  
agreed

# of late implementations

## Future Orientation

SLM Educational Budget as Percentage  
of Total IT Budget

Percentage of IT Staff and end users  
with completed SLM Training

Percentage of IT Budget spent  
on SLM Research

# What can go wrong?

## Scenario - Running

- A credit union with 105 staff, and 7 IT support staff. Only one on help desk, but three network administrators and 18 file servers.
- IT Support had a “bunker” mentality and constantly defensive of the time taken to resolve issues.
- IT Support working long hours, yet users stayed unhappy
- No performance reviews had been carried out with staff for more than two years – a culture of conflict-avoidance.
- Ratio of support staff to users was high by industry standards, but the staff mix was wrong (too network focussed, not enough user-focussed).

## IT Governance Practices

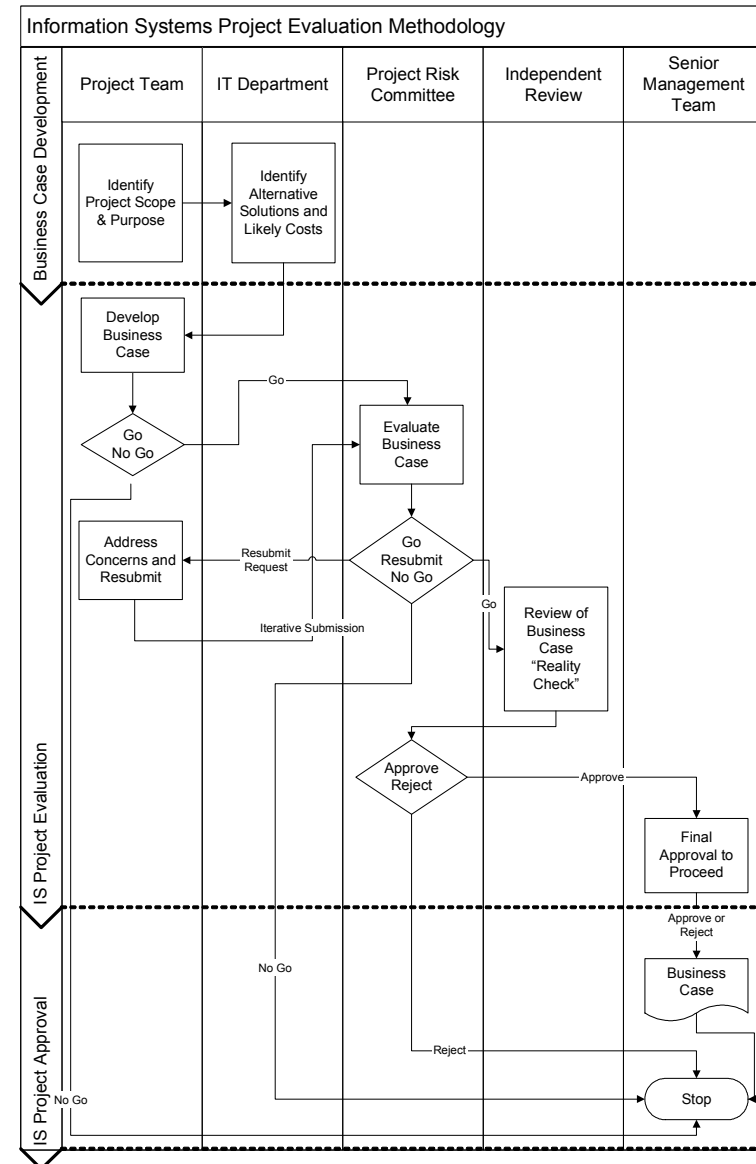
- A balanced scorecard of the IT business function & adoption of standard business practices would have highlighted to the Board the difficulties being faced

## Project governance

- Project backlog is a large problem for many IT areas
- Need to know what is currently being worked on – and what the benefits of projects are
- Need a defined process for authorisation of projects to proceed
- In particular, take account of risk-adjusted cost-benefit

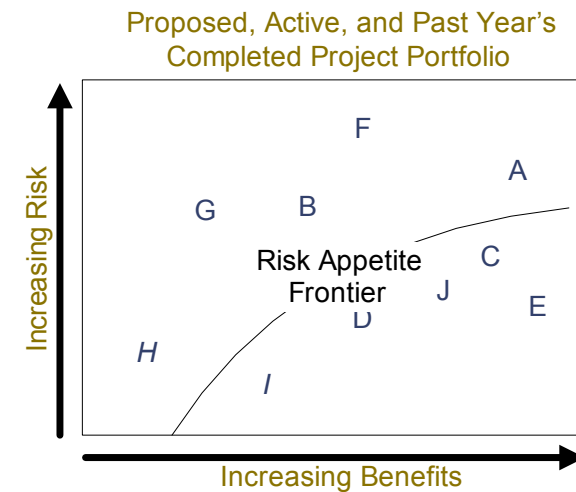
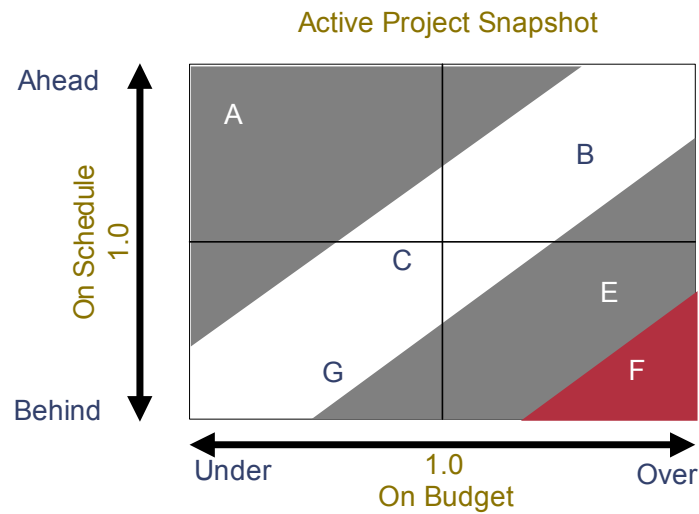
# Project governance

- Clear process
- Clear steps
- Clear criteria for evaluation
- Identify and manage the portfolio of projects and work



# Project governance

## For the Board:



### Project Proposal Pipeline

	Count	Projected Costs	Actual Costs	Projected Benefits	Actual Benefits
Past Year's Completed Projects					
Active Projects					
Proposed Projects					
Potential Projects					
Total					

# What can go wrong?

## Scenario - Building

- Department created its own “software development unit” in 1990 and since then had heavily customised 94% of its major business applications – 42 of 46 systems.
- Costs of maintenance and development now significant and time-consuming, and not addressing business needs.
- Didn’t really consider buying off-the-shelf, and there were few business analysts in the software development unit.
- The cost of developing their own software was never robustly examined from a portfolio perspective
- No accountability for project costs and business benefits

## IT Governance Practices

- An understanding of business case development and use of project management methodologies would help.
- Ensuring that business managers that propose IT projects are responsible and accountable for achieving the business benefits would highlight cost of development



## Questions & answer

- COBIT: IT Governance Institute at [www.itgi.org](http://www.itgi.org)
- ITIL (Information Technology Infrastructure Library): Office of Government Commerce at [www.itil.org](http://www.itil.org)
- This presentation will be posted at: [www.michealaxelsen.com](http://www.michealaxelsen.com)
- Other Questions?

