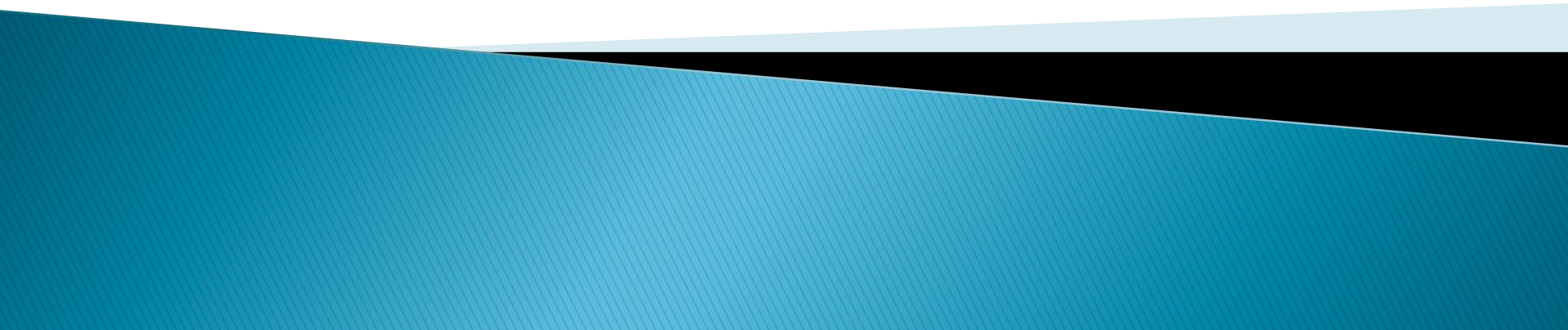
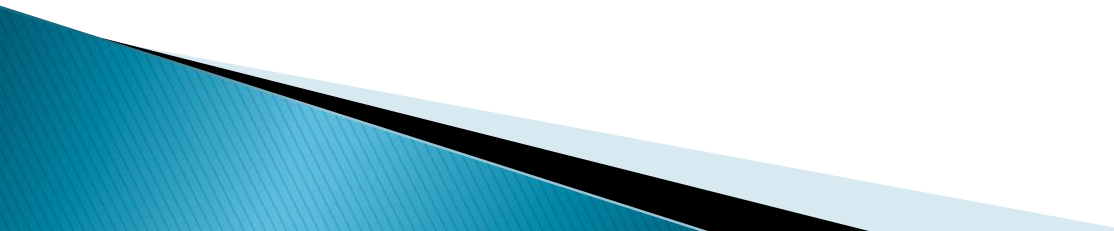


IT Governance: Beyond Compliance

A practitioner's perspective



Agenda

- ▶ 2012 CIO Focus and Predictions
 - ▶ What constitutes IT Governance?
 - ▶ Governance ownership and execution.
 - ▶ Aligning business and IT goals and objectives--Is IT leading or following?
 - ▶ Measuring and communicating IT's value to the business--Developing meaningful KPI's.
 - ▶ Performing and understanding risk assessments.
 - ▶ Assessing IT governance maturity and effectiveness.
- 

Gartner 2011 IT Symposium Notes for 2012

- ▶ 2011:
 - Top-4 priorities were:
 - Increasing enterprise growth,
 - Attracting and retaining customers,
 - Reducing costs,
 - Improving business processes.
 - It used to be about: Scope, On-time, on budget.
- ▶ 2012:
 - Top-4 priorities are:
 - Increasing enterprise growth,
 - Attracting and retaining customers,
 - Creating new products or services (innovation),
 - Improve operational performance.
 - Now it's about: Choice, Speed and Scale
- ▶ Too much of what's being worked on is simply not significant to the business.
- ▶ Focus on:
 - Cycle time, productivity, and throughput.
 - How quickly can you respond to requests from the business?

Gartner 2011 IT Symposium Note for 2012

- ▶ **Delivering a new value proposition requires recasting IT resources and skills. At the top of the list from the perspective of effectiveness and frequency is:**
 - Use of contractors
 - Skills outsourcing
 - Internal training
- ▶ **2012 Global CIO Technology Priorities according to a worldwide Gartner survey:**
 - BI
 - Cloud computing
 - Collaboration Technologies
 - Legacy Modernization
 - IT Management
 - CRM
 - ERP Apps
 - Security
 - BPM
 - Mobile Technologies
 - Virtualization

2012 CIO Focus

- ▶ **Four Forces of Industry Transformation –**
 - Cloud, Mobile, Social, and Big Data to transform business and create value
- ▶ **Path to the Cloud**
 - Business agility (in this case born of Cloud Services) will depend greatly on the state of Enterprise Architectures, which are slow to change
- ▶ **Business Engagement**
 - Successful CIOs are leading the adoption of Four Forces solutions that move the needle on business performance
- ▶ **Role of IT and the CIO**
 - CIOs live at the intersection of business and technology (admittedly to wildly varying degrees)
 - “The reports of the CIO’s death have been greatly exaggerated.”
 - CIOs will focus more on the business and less on technology.

Business agenda: Sustainable, profitable growth

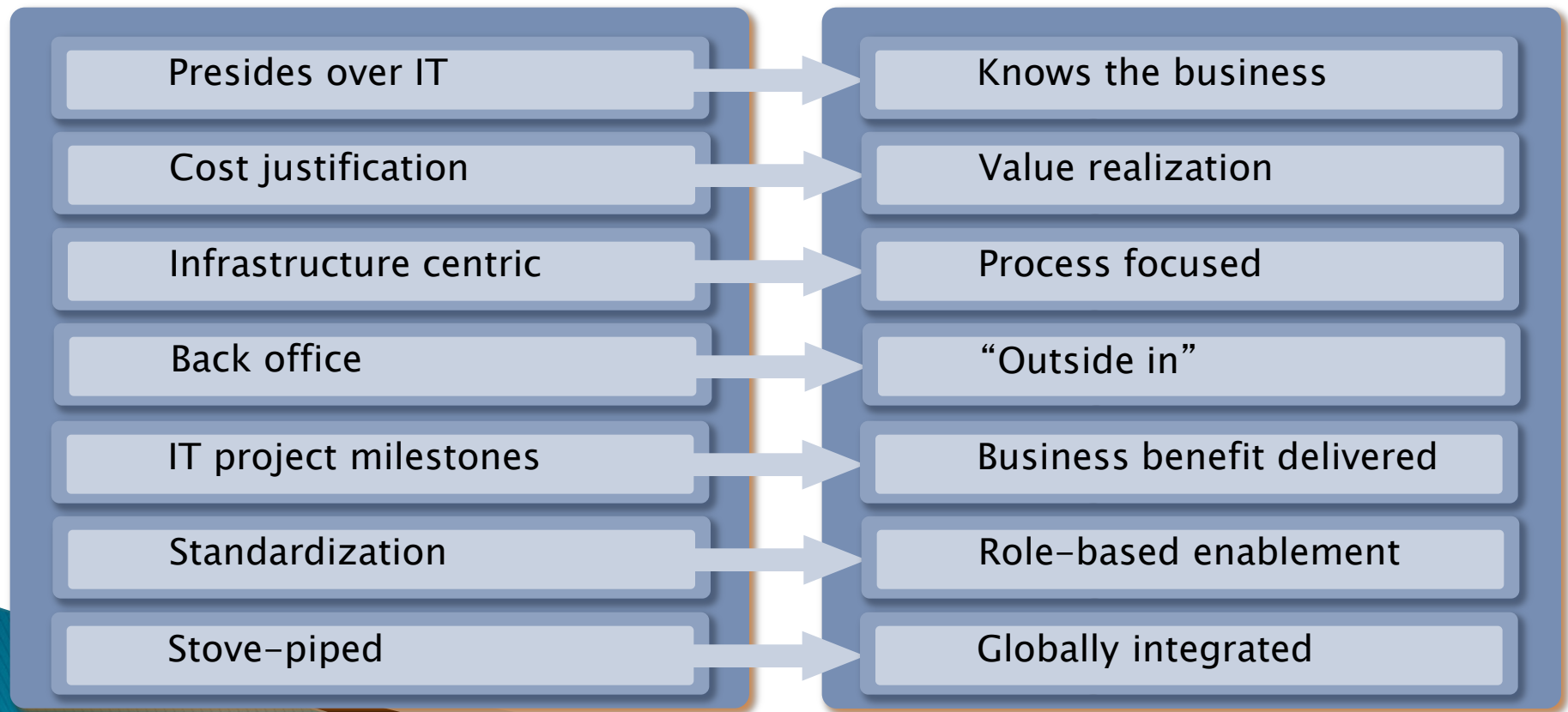
- ▶ Enable growth, through process transformation and IT capability
- ▶ Lower center of gravity to proactively respond to client needs
- ▶ Shift to globally integrated model supported by shared services
- ▶ Create culture of innovation, collaboration, & process excellence
- ▶ Operate by common set of values



Changing role of the CIO

- Apply technology to deliver business value
- Enable collaboration and innovation
- Lead enterprise transformation

“CIO 2.0”



Today's market pressures, taken in combination, are driving fundamental business model change across our industry.

“In the past, executives had the luxury of assuming that business models were more or less immortal. Companies always had to work to get better...but they seldom had to get different – not at their core.”

– Gary Hamel and Lisa Valikangas,
“The Quest for Resilience”

Harvard Business Review



CIO must shape and drive transformation

*"The IT organization plays a strategic role in driving a firm's global competitiveness. Rather than remain on the sidelines, globally-minded CIOs must help **shape and drive their companies' business transformation initiatives.**"*

– Forrester Research



ITG – Why and What...

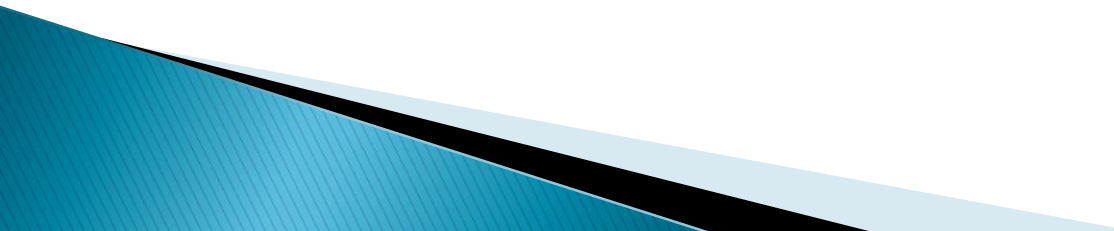
- ▶ Rapidly evolving technologies automate much of modern business operations and drive corporate performance with efficiencies in the form of
 - speed, communication, collaboration, and accuracy.
- ▶ However, the risks introduced to businesses by process, policy, and technology failures can have a serious impact in terms of achieving compliance with regulations, protecting brand reputation, and ensuring overall business performance.
- ▶ IT Governance (ITG) is an information technology governance solution that reduces the complexity of IT risk management by aligning IT operations management with corporate business initiatives, strategy, and regulatory requirements.

• Source: IBM® OpenPages® IT Governance (ITG) whitepaper

What constitutes IT Governance?

- ▶ An effective IT governance framework that addresses the roles and responsibilities of business groups and individuals; articulates the rules and procedures for making IT decisions; and helps to set, attain, and monitor IT objectives.
- ▶ Effective IT governance initiatives can measure performance and help organizations achieve regulatory compliance in different areas, while balancing the interests of stakeholders.
- ▶ IT Governance (ITG) is an information technology governance solution that reduces the complexity of IT risk management by aligning IT operations management with corporate business initiatives, strategy, and regulatory requirements
- ▶ Act of oversight that enables – Getting maximum value out of IT while minimizing IT related business risks
- ▶ Ensures that IT supports and extends the business goals of the enterprise
- ▶ ISACA guidance on ITG breaks it down into:
 - Strategic Alignment
 - Value Delivery
 - Risk Management
 - Resource Management
 - Performance Measurement

The five main focus areas for IT governance

- ▶ **IT Strategic Alignment** – Investment vs. strategic objectives vs. business value
 - ▶ **Value delivery** – Concentrating on optimizing expenses and proving the value of IT
 - ▶ **Risk management** – Addressing the safeguarding of IT assets, disaster recovery and
 - ▶ continuity of operations
 - ▶ **Resource management** – Use and allocation of IT resources
 - ▶ **Performance measurement** – Tracking project delivery and monitoring IT services
- 


IT Governance IS NOT...

- ▶ **IT governance *is not* management** – Governance determines who has the authority to make changes while management carries out the changes.
- ▶ **IT governance *is not* limited in scope, time or objective** – Governance is an ongoing activity that addresses business processes end to end and coordinates these processes across organizational boundaries.
- ▶ **IT governance *is not* limited to senior management** – IT governance should be designed carefully to provide a clear and transparent IT decision making process. Also decisions throughout the enterprise should be consistent with the direction in which senior management is taking the organization.

▶ Source: Felipe Castillo, “AN ASSESSMENT OF THE IT GOVERNANCE MATURITY AT SL, 2011”



Why is ITG important?

- ▶ Importance of IT governance – some context
 - About half of capex undertaken by business are IT related. Need to ensure that this is paying off.
 - Regulations like Sox, HIPAA impose requirements on enterprise systems
 - Building responsiveness and agility into the organization through IT
 - Help enable people and teams to be more effective
 - Aligning IT and business goals to grow revenue and contain costs
 - Closer connectivity to business partners (suppliers / customers etc) – marketplace perception
 - Availability of IT systems can impact continuity of business operations
 - ▶ All the above has made IT rise in the leadership agenda in the past few years
- 

Governance ownership & execution

- ▶ IT governance should not be an IT project. Owners of the IT governance initiative include senior managers who approve investments that meet the organization's overall vision. We look at it as 3 sets of stakeholders involved:
 - Investors in IT (business leadership)
 - Audit
 - Providers of IT
- ▶ Ideally, ITG needs to be incorporated into an overall Enterprise Governance framework. This needs to be led by the Board of directors and exec leadership of the company. Accountability lies here.
- ▶ They can employ the audit community to check how far the providers are in alignment with the objectives of the leadership
- ▶ The providers (esp CIO) will need to straddle the line between investor and provider to ensure translation of objectives to strategy & initiatives
- ▶ The provider organization will need to align itself to the goals of the investor org and deliver its services (with a focus on operational excellence and continuous improvement)

IT Governance Pitfalls

▶ *Ownership Issues:*

- Not an IT project
- Estimating total ownership costs inaccurately

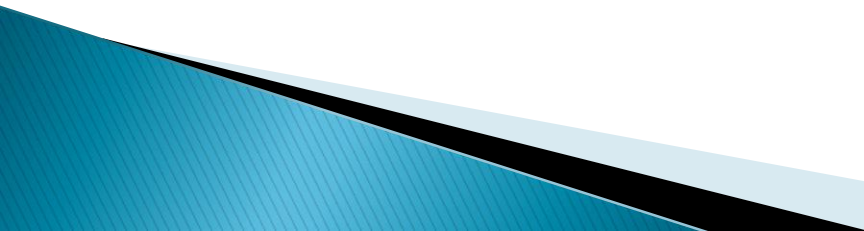
▶ *Excessive Scope:*

- Creation of modified roles, responsibilities, decision-making criteria, and a new language to define business performance
- Full-scale implementation vs. pilot

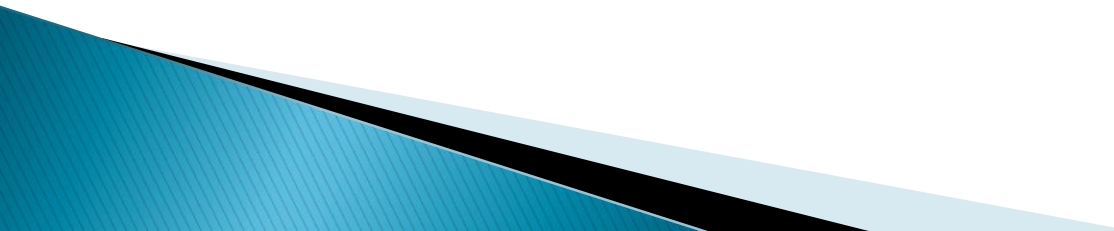
▶ *Allowing Deviations:*

- Effective IT governance requires structure and discipline
- However, the governance framework should be flexible enough to allow for emergency changes and exceptions

▶ *Automating Everything:*

- Easy to forget data integrity while getting excited about pure automation
 - During the early stages of the IT governance initiative by writing formal policies and procedures, creating standard forms and templates, and communicating design and control audit expectations.
- 

How to Create Excellent Business/IT Alignment:

- ▶ *Develop shared language*
 - ▶ *Create shared priorities*
 - ▶ *Establish joint decision making team:*
 - *Jointly deciding on right business project*
 - *Outline immediate and long-term priorities*
 - ▶ *Reference external validation*
 - ▶ *Communicate, communicate, and communicate*
- 


Alignment for Business Success



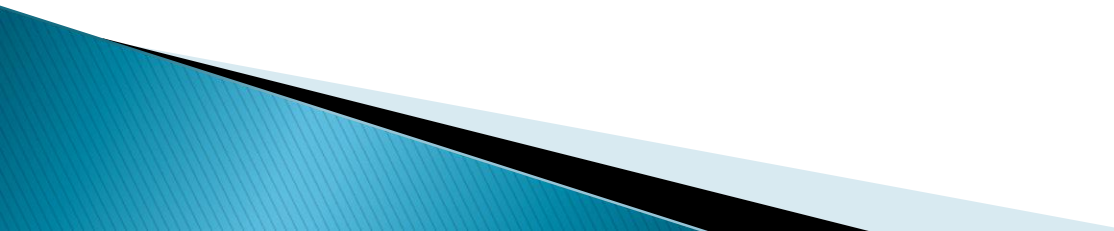
Measuring and communicating IT's value to the business—Developing business focused KPI's.

- ▶ IT is important to baseline and benchmark performance of IT organization and communicate business value delivered.
- ▶ The key is to be sensitive to what is important to business at a given time and focus metrics and reporting around business drivers
- ▶ As the IT delivers business value and builds up credibility, discussions will change from “prove me” to “how to continue to add value”
- ▶ Different types of performance measures can be adopted
 - Throughput metrics
 - Outcomes enabled
 - Financial metrics
- ▶ Mature organizations adopt a comprehensive program (for relatively stable businesses) > Balanced scorecards

Balanced Score Card

- ▶ The balanced score card gathers input from the following four perspectives:
 - ▶ **The customer perspective**—Includes the importance the company places on meeting customer needs. Even if financial indicators are good, poor customer ratings will eventually lead to financial decline.
 - ▶ **Internal operations**—Includes the metrics managers use to measure how well the organization is performing and how closely its products meet customer needs.
 - ▶ **Innovation and learning**—Includes corporate culture and its attitudes toward learning, growth, and training.
 - ▶ **Financial evaluation**—Includes timely and accurate financial data. Typically focuses on profit and market share.
- 

Performing and understanding risk assessments

- ▶ Key areas of risk from Practitioner's perspective:
 - Continuity side:
 - DR sites
 - DR drills
 - Business continuity plans and drills
 - IT Security related
 - Vulnerability assessment (to external threats)
 - Internal loss prevention
 - Data and information integrity
 - Identity and access management and protection
 - Cloud computing driven risks
- 

Cloud Computing Risks Concerns

SECURITY

COMPATIBILITY

AVAILABILITY

COMPLIANCE

MONITORING

LOCK IN

STANDARDIZATION

LOSS OF GOVERNANCE

ISOLATION FAILURE

MANAGEMENT INTERFACE

COMPROMISE

INSECURE OR INCOMPLETE DATA

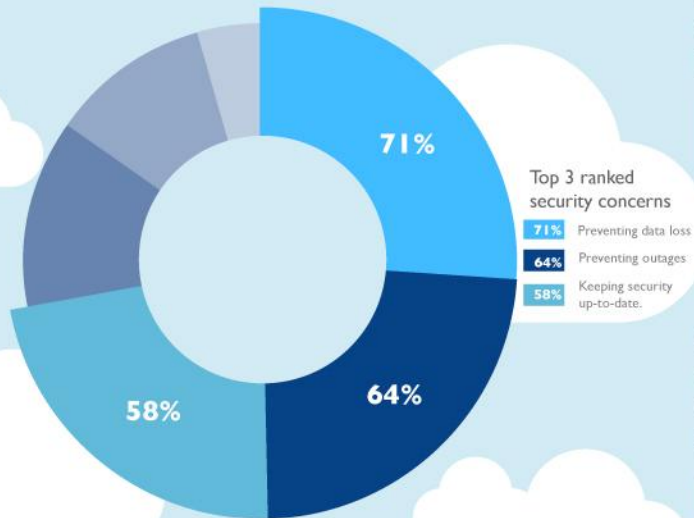
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MALICIOUS INSIDER

JUST REMEMBER: "...YOU CAN'T OUTSOURCE ACCOUNTABILITY..."

TOP Cloud Security Concerns

What is your biggest security concern with cloud computing?



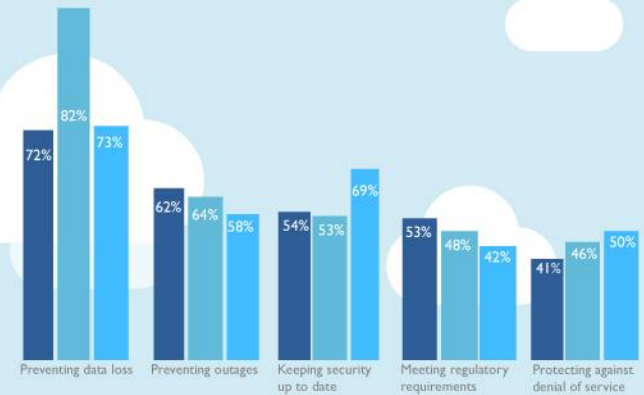
Biggest security concern with cloud computing per business size

Large
Medium
Small



Biggest security concern with cloud computing per involvement level

Decision Maker
Trusted Advisor
No Involvement



interxion

Assessing IT governance maturity

- ▶ The more mature Enterprise Governance is, the better the environment for IT governance to take hold.
- ▶ How IT has impacted the business –i.e. the outcome view is a great way to assess the adequacy and maturity of IT governance.
 - Measures of Value creation through IT
 - Measures of Value reduction through IT (due to risks)
- ▶ We can use a CMM maturity scale to assess ourselves here as well.

Conclusion

- ▶ Good IT governance is about providing processes and decision-making structures for the business so IT can make reasoned decisions on IT matters.
 - ▶ It also describes:
 - how well IT activities are implemented,
 - how effectively the resources are being used and
 - how well the effectiveness of the implementation of the activities is measured.
 - ▶ A reliable measurement on good IT governance is the IT governance maturity (ITGM).
 - ▶ ITGM can be measured and the given value will determine how well the IT investments support, coordinate and address enterprise business processes.
- 