

IT Governance

Implement Controls without Stifling Innovation

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By Jason Uppal

How can I implement effective IT controls and still infuse innovation and creativity in my information technology solutions development process?

Any organization that has undertaken an information technology initiative, to reduce the cost of doing business, to increase revenue and/or to create a strategic and lasting competitive advantage through information technology, faces one daunting question. Have we complied with all corporate governance controls and still developed a most pragmatic information technology solution for the job? The answer to this question is frequently, "**we hope so**". In this article, I will discuss how you can leverage IT Governance to answer the above question with transparency and with confidence.

The Need for IT Governance

In recent years, IT controls have become integral to the effective governance of the modern enterprise. The IT governance, in part, is driven by the need to ensure that internal risk management controls comply with external regulations and to ensure that scarce IT resources are aligned to meet business objectives.

The regulatory compliance requirements are mandated by OECD's Principles of Corporate Governance, Basel II, Sarbanes-Oxley and New York Stock Exchange guidelines. The rationale for these regulations is to ensure that there is a verifiable process to manage corporate risks and to instill a corporate environment of respect for all stakeholders.

As the corporate IT groups recognized the inherent value of corporate and IT governance, the notion of business and IT alignment was born. It is a continuous process which ensures that the consumption of all IT resources (human, hardware, software, vendors/partners etc.) is clearly linked to the business goals. For example, the process must ensure that all employees be able to identify exactly how their work is linked to the enterprise value generation process.

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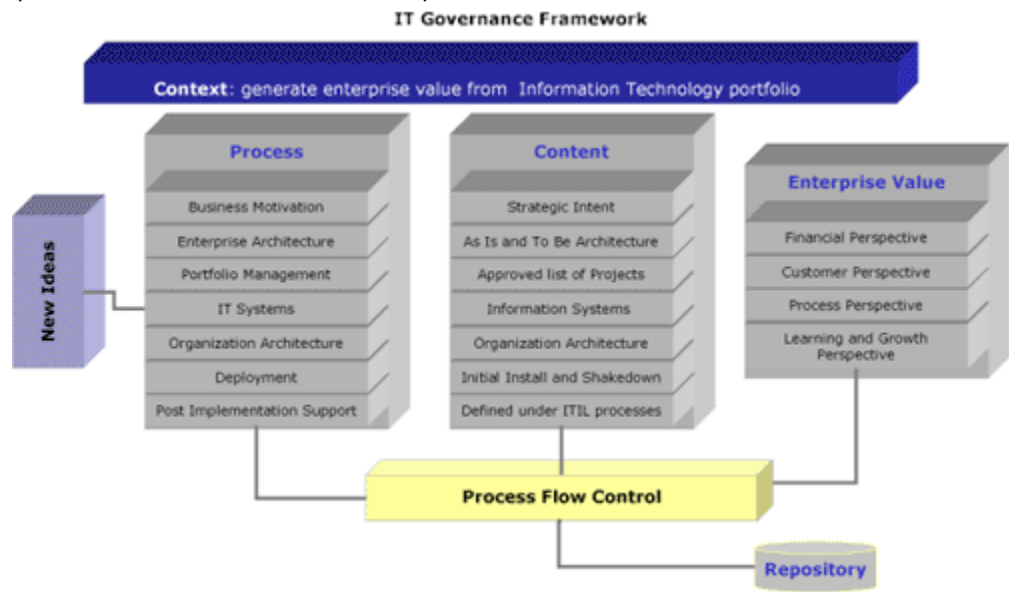
Governance is essentially about ensuring that business is conducted properly. It is less about overpowering controls and strict adherence to rules and more about guidance for effective and equitable usage of resources. For a control practice to be effective, it must have **context** that defines the drivers, **processes** that are defined and accepted by all stakeholders, resulting **content** that describes the process for value generation and mechanism to provide **flow control and feedback** for continuous improvement.

Not all IT governance initiatives need to adhere to identical mandates. You can undertake a governance initiative to meet regulatory requirements, to implement a formal process to manage enterprise risks or to create a continuous improvement environment. For example, in the past there were many organizations that simply adopted ISO 9000:2000 quality management systems to become compliant and forgone the opportunity to create a

continuous improvement environment. As a result, they failed to realize the total business value from the formal control practice.

Similarly, an IT Organization could adopt IT Governance to simply become compliant to external regulations or could use it as a strategic tool. The IT governance process outlined in this article describes how IT governance could be used to deliver IT Project more effectively and better leverage IT assets.

The IT Governance framework described here outlines the Context, typical Processes, Content generated by these processes and measures of Enterprise Value as well as the mechanism for process flow control and document repository. It is a generic framework that can be extended to meet enterprise needs and capabilities. Furthermore, it is consistent with industry defined maturity models like COBIT and it can be used to monitor the maturity of internal IT Governance process.



How To Implement IT Governance

As your corporate colleagues in the lines of business might have realized when implementing ISO 9000: 2000 Quality Management System and/or Workwell: Health and Safety compliance systems that these systems require a balanced integration of People, Processes and Technologies. Based on my experience, the typical budget allocation for governance system should be : 50% for staff development, 35% for development of processes and 15% for supporting information technologies.

Staff Development: The corporate staff in both lines and business and in IT need to recognize their role in enterprise value generation process and must have skills and aptitude to assume leadership. These skills can not be learned in classroom alone. Therefore, there must be concerted effort made to provide mentoring, coaching and environment for learning by trial and error.

Processes Development: The processes must be developed holistically and with focus on the total enterprise value. One must resist the urge to optimize the need for individual profession in the value chain. For example, I have seen solution delivery life cycle processes that are developed in isolation by stakeholder like: Project Management Office, Corporate Audit and Risk, IT Standards etc. that are so cumbersome that it takes more than 90% of the initiative's

budget to be just compliant. In these cases, the original intent to deliver enterprise value via the initiative has been relegated to be a byproduct.

Supporting Technologies: The technologies exist to support above defined business processes. Although technology solutions are required to make processes efficient, they do not ensure the processes' effectiveness. Only an educated, trained and principled staff following processes in context can make a process effective.

To implement IT Governance cost effectively without disturbing the entire enterprise, consider following major business processes.

- Enterprise Architecture and Portfolio Management
- Solution Delivery Life Cycle
- Post Implementation Support and Asset Retirement

The governance model must control these processes yet at the same time allow creativity and innovation. The industry defined processes, The Open Group Architecture Development Methods (TOGAF ADM) for Enterprise Architecture, PMI defined Project Management Processes and Rational Unified Process for solution development, Information Technology Infrastructure Library (ITIL) defined processes to provide Post Implementation Support, provide an effective and efficient mechanism for staff and process development.

As the internal processes mature, adopt supporting information technology solutions, on as required basis, to provide necessary automation. There are multitude of vendors in each area. One should look to a single integrated solution that provides services as ASP, ability to procure services as required and/or provides source code to extend the solutions to meet your specific business and cultural needs.

IT Governance Maturity

In order to ensure continuous improvement and to guard against governance process becoming too bureaucratic, one must instill a monitoring process that also provides guidelines for corrective actions. Control Objectives for Information and related Technologies (COBIT) provides a good practice across multiple domains and process framework in logical and a manageable structure. The main focus areas of COBIT are Strategic Alignment, Value Delivery, Resource Management, Risk Management, Performance Management. It defines supporting process for each domain and ability to monitor process maturity from level 0 (no existent) to Level 5 (optimized).

Remember: IT governance is not about controls and overpowering rules, it about providing guidance to ensure long term sustainability.

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