IT Governance

Business executives intuitively understand the importance of Governance for organization assets such as human capital, financial assets and physical assets. But they don't necessarily appreciate the need to govern information and IT assets. Given the intangibility of information and the resources invested in IT by the average business, it makes perfect sense to govern IT assets to control and mitigate risks and ensure performance.

Sometimes things don't go well in IT. There are obvious failures such as an expensive failed IT project or a disaster in which important business data is lost. Where does the fault really lie? Business executives are often puzzled by the complexity, costs and challenges of a constantly changing technology landscape. Frustrated with IT, they find it easy to abdicate decision-making for key IT decisions to their IT people. However, doing this is a mistake, one that most certainly leads to an underperforming IT organization. And low ROI on technology investments.

IT governance can be defined as the set of mechanisms and processes any business organization must set up to make key decisions about IT. In their HBR paper published in November 2002, Weill and Ross argue that there are several key decisions that business leaders should never delegate to IT. These include: How much money should we spend on IT? Which business areas should receive our limited IT resources? and What security and disaster risks will we accept?

IT has tremendous potential to help your business. In your organization, IT is comparable to a very sophisticated tool box in your home. Unfortunately, many people buy tools that they do not fully use. Perhaps in a home environment that may be okay but in a business setting that is unneeded waste and can prove to be fatal in some instances when the tool is misused.

How to Get Started Governing IT in Your Organization?

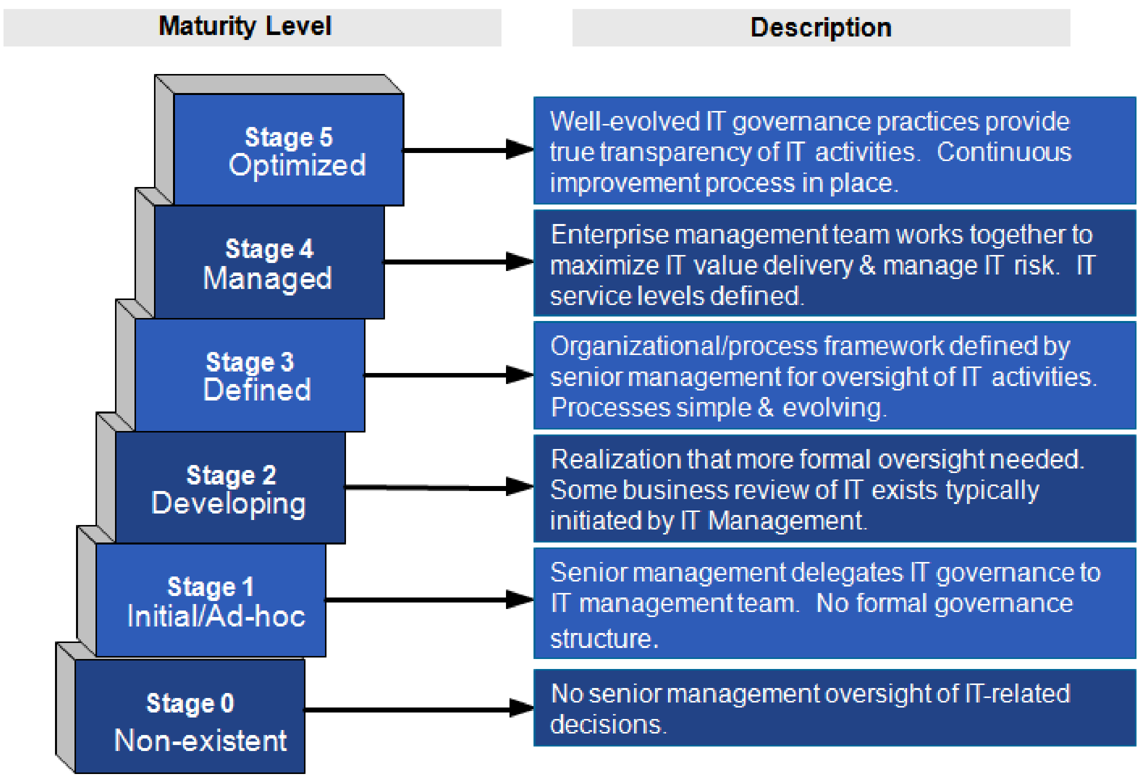
IT has many facets and its business value can only be measured and interpreted by business executives. IT governance has to be done by committee – usually called the IT steering committee. Take the following simple steps:

1. Form an IT steering committee consisting of Executive Management and the CIO.
2. Develop a simple charter for the IT steering committee including goals, expectations, membership, roles and responsibilities and mechanisms for risk assessment, increasing alignment, monitoring performance and resource management.
3. Have the committee meet monthly initially with an agenda to discuss key IT projects, assess progress and take corrective actions where necessary. A goal of the committee should be to become tech savvy and learn how IT can be leveraged further for business value.
4. Define an IT scorecard for the business. Perform a full annual evaluation of IT's contribution to the business. Use outside resources if needed for this step.

Doing all of this may sound like a lot of work in any organization. Some executives may think this is the task of the CIO or IT leader in their organization. This cannot be further from the truth. Since IT has so many dimensions and affects almost everyone in an organization, IT governance cannot be done solely by the IT leader in any organization.

Assessing IT Governance Maturity in Your Organization

As with any major change management effort, it can take years to implement changed business processes across organizations and get people to adopt new ways. Here is a simple way for organizations to know where they stand on the IT governance maturity scale:



(Adapted from ISACA COBIT Framework)

Many businesses starting out will find themselves to be at Stage 0 or 1. The key to improvement is to know where you stand and work on making progress to the next level, which can take two to three years to implement.

When IT governance begins to work at any organization, many benefits are realized. First, business executives begin to make sense of the sometimes-mysterious ways of IT. Second, they begin to work towards the good of the entire organization as opposed to optimizing only their part of the organization. Third, limited IT resources are allocated where they have the most impact on business. Finally, regular monitoring of key IT initiatives will uncover problems much earlier and they will receive the help needed from executives to get back on track.

IT Governance Structure

IT Steering Committee

Role: Project Prioritization, Funding, Technology Policy Management
Members: Executive Management, CIO
Invited Guests: Project Sponsors / Managers

The mission of the **IT Steering Committee** is to oversee, coordinate and prioritize all technology related projects and activities company-wide. This group is comprised of the executive management team including the CIO. They may invite project steering team leaders to provide current status of projects underway. This team will meet on a regular schedule either monthly or bimonthly, depending on the number and duration of projects that have been authorized. This is a forum for assessing the relative business value of the proposed projects. Each prioritization meeting becomes a review of the company strategy and goals.

Project Steering Team

Role: Direction Setting, Resource Allocation. Progress Monitoring, Budget Management
Members: Executive Project Sponsor, Project Manager, Key Stakeholders

The mission of the **Project Steering Team** is to set project direction, allocate resources, monitor progress, oversee the project budget and be accountable for delivering a successful project on time and within budget. This group consists of representatives of all the key stakeholder departments affected by the project as well as the executive sponsor and the project manager. This team will meet regularly on at least a monthly basis. They may meet more often if there are issues that are unable to be resolved by the implementation team. There will be a project steering team for every major project in the company. If there are resource or progress issues that surface at this level, this team will resolve them if they can. If the issues are related to other projects or affect the business strategy, they may be referred to the IT Steering Committee for resolution.

Project Implementation Team

Role: Definition, Recommendation, Testing, Acceptance, Execution
Members: Project Manager, Stakeholders, Subject Matter Experts

The mission of the **Project Implementation Team** is to be responsible for developing and managing a project plan that will meet the objectives of the project. The team consists of the project manager, direct stakeholders, and subject matter experts as needed. The project manager is the interface to the project steering team. This team typically meets weekly to develop requirements, discuss project task status, prioritize implementation tasks, test system functionality and train other users. The members of this team are responsible for communications with their respective departments.

Template

IT Steering Committee Charter

1. Background

Effective governance is critical to achieving optimum benefits from IT investments at ABCo Inc. The IT Steering Committee (ITSC) is tasked with providing business oversight over all information technology investments. This charter defines and formalizes the role of the ITSC.

2. Purpose

The ITSC is chartered to support the IT governance function at ABCo Inc. The purpose of IT governance is to direct endeavors to ensure that the following objectives are being met:

1. Strategic alignment of IT to ABCo enterprise goals and objectives
2. Ensure delivery of IT value to ABCo and its customers
3. Manage resources effectively
4. Manage risks associated with initiatives and IT assets
5. Manage performance of initiatives and IT assets

3. Authority

The ITSC is chartered and sponsored by the CEO of ABCo.

4. Membership

ITSC membership is comprised of:

1. CEO
2. CFO
3. COO
4. VP Sales
5. VP Marketing
6. CIO

5. Chairperson

The CFO will act as Chairperson of the ITSC.

6. Roles

Roles of the ITSC members include, but are not limited to:

1. Provide input and decision making on IT investments.
2. Ensure consistent communication leading to a uniform understanding.
3. Review performance of major initiatives. Provide guidance for corrective actions on IT projects not performing to expectations.
4. Provide input and decision making on IT direction and principles for ABCo.
5. Set and monitor overall success metrics for IT.

7. Scope

The scope of governance by this committee is the entire set of IT services at ABCo, including projects and services managed outside of the IT Department.

8. Responsibilities of Members

Members of the ITSC are responsible to:

1. Attend meetings or send a representative that is empowered to exercise the authority of the member.
2. Provide resources and efforts to develop recommendations within the Scope of this Charter.
3. Communicate the business interest of their department balanced by an overall view of the best direction for the Company.
4. Act as Sponsors for IT initiatives, and communicate the reasoning and rationale for recommendations of the ITSC within their division.

9. Decisions

The ITSC shall make decisions or endorse decisions affecting IT investment priority and policies. A decision may only be made when a quorum of two-thirds of the members are present. Decisions shall be based on a consensus of the members when a quorum is present. If consensus cannot be achieved a decision shall also contain a minority report written by one or more ITSC members appointed by the Chairperson.

10. Meetings

Meetings will be monthly or as determined by the ITSC. Meetings may be called by the Chairperson or a majority of the members.

11. Meeting support

ABCo will provide a resource to provide ITSC Support. This resource will prepare and distribute a meeting agenda at least two working days in advance of every meeting. Minutes will be taken at each meeting. Minutes of the previous meeting will be reviewed and approved by the members of the ITSC at the beginning of each meeting.

12. Changes to the Charter

Changes may be made to the Charter based on a recommendation of the ITSC. The ITSC shall review and if warranted update this Charter at least biennially.

Template

Project Prioritization Scorecard

	Project Name	VALUE	OBJECTIVE	RESOURCE	TECHNICAL	RISK	Total
1							0
2							0
3							0
4							0
5							0
6							0
7							0
8							0
9							0
10							0

Value Proposition (VALUE) – 20 points
What is the value of the project to your company and/or customers? Is this a new product or service that customers have been requesting? Does this project have a value to the company in terms of increased productivity? Rate each initiative on a scale of zero to fifteen, where fifteen is the highest possible value to company or customer and zero is little or no perceived value.
Alignment with Company Objectives (OBJECTIVE) – 25 points
How does this project align to your company objectives? Is it critical to enable the objectives? Can the company objectives be accomplished without the successful completion of the project? A twenty rating would be perfect alignment and a requirement to achieve the company objectives, a score of zero would indicate no alignment to company objectives.
Resource Availability (RESOURCE) – 15 points
Are the resources required to successfully complete this project available? Are there other resources in the company that can backfill the project resources for their daily work? Are the project resources critical to the daily operations of the company? A zero means that it is impossible to free up the necessary resources while a score fifteen means the resources are 100% available.
Technical Risk (TECHNICAL) – 15 points
Does the technology associated with the project align to the company architecture? Does the IT department have skills and experience to support the technology platform? Ten points should be given to projects where there is complete alignment with the company technical architecture (no new hardware or software required). Zero points means the project is very risky and may include hardware and/or software that the company is not currently using or in which you have no in-house expertise.
Company Risk (RISK) – 25 points
Is there a significant risk to the company that this project will help to mitigate? Some areas of risk to consider are: Financial - loss of revenue, increased costs, loss of profitability; Customer / Market Share - loss of customer base, alienation of customers, loss of market coverage; Perception (brand) - damage to brand and creditability, loss of perception as a Market Leader; Functional / Operational - lack of ability to meet operational requirements, daily operations are interrupted. A score of twenty would mean a successful completion of the project would completely mitigate the risk to the company, a zero means the project does not mitigate the identified risks.