IT Governance and Management

Learning Objectives

- To be able to understand the scope and importance of information technology governance.
- To review the IT roles and responsibilities of users, the IT department, and senior management.
- To review the factors that enable sustained excellence in the application of IT.
- To be able to discuss the components of an IT budget and the processes for developing the budget.

Outline

- IT Governance
- Organizational effectiveness in IT
- IT budget

Governance Involves:

- Determining the distribution of decision making responsibilities
- Defining the roles that various organizational members and committees have for IT

Governance Involves:

- Developing processes for making decisions regarding:
  - IT strategy development
  - IT initiative prioritization and budgeting
  - IT project management
  - IT architecture and infrastructure management
- Defining policies and procedures that govern organizational use of IT

Governance Mechanisms Characteristics

- Fair and objective
- Efficient and timely
- Clear
- Adaptable

Five Major Components of IT Governance Weill and Ross, 2004

- IT principles – high level statements about how IT is used
- IT architecture – set of technical choices to guide the organization
- IT infrastructure strategies – technical infrastructure needed to deliver reliable, secure and efficient services
- Business applications – process of identifying needed applications
- IT investment and prioritization – mechanism for making decisions about project approvals and budgets

IT Organization Responsibilities

- Developing and managing the architectural plan
- Developing IT standards
- Defining procedures to assess sourcing options
- Managing the portfolio of applications, infrastructure and services
- Managing the professional development of the IT staff
- Establishing communication mechanisms
- Maintaining relationships with IT suppliers

User Responsibilities

- Understanding the IT activities that support their function
- Ensuring that the goals of IT initiatives reflect the function's needs
- Developing specifications for IT projects
- Providing feedback to IT on implementation issues, application enhancements and IT support
- Ensuring that applications function properly
- Participating in developing the IT agenda and priorities

Senior Management Responsibilities

- Ensuring that the organization has an IT strategy
- Balancing the perspectives of users and IT
- Establishing processes for budgeting, acquiring and implementing applications and infrastructure
- Ensuring that IT purchases conform to policies and procedures
- Developing and modifying the responsibilities of IT and users
- Ensuring that IT applications and activities conform to relevant regulations and internal controls
- Encouraging IT experimentation

Specific Governance Structures

- Board responsibility for IT
- Senior leadership forum that oversees and guides IT
- Initiative specific committees and roles
- IT liaison relationships
- The Chief Information Officer

Example Board IT Committee Charter

- Review and critique IT application, technical and organizational strategies
- Review and critique overall IT tactical plans and budgets
- Discuss and provide advice on major IT issues and challenges
- Explore opportunities to leverage vendor partnerships

Two Major Forms of Senior Leadership Forum

- Executive committee with IT decision making responsibilities
- IT Steering Committee

IT Liaison Responsibilities

- Develop working relationships with user leadership
- Communicate the IT issues and needs of users
- Work with user leadership to ensure appropriate IT representation on task forces and committees
- Communicate IT plans and policies with user leadership

Lessons Learned on Effective Application of IT

- Individuals and leadership matter
- Relationships are critical
- The technology and technical infrastructure enables and hinders
- The organization must encourage innovation
- True innovation takes time
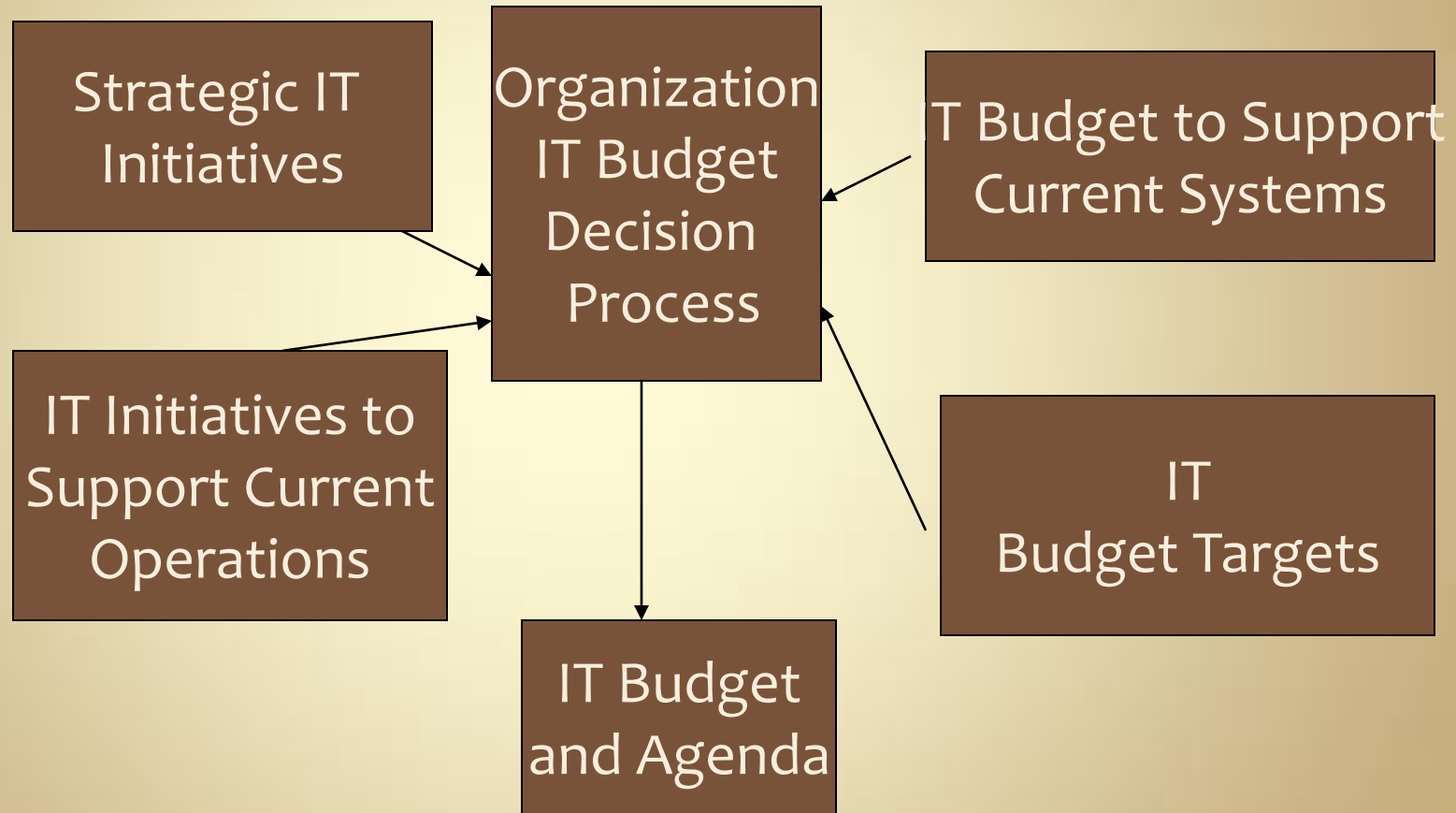
Lessons Learned on Effective Application of IT

- Evaluation of IT opportunities must be thoughtful
- Processes, data and differentiation form the basis of innovation
- Alignment must be mature and strong
- A robust IT Asset is critical

Budget Development Techniques

- Define budget categories
  - Support vs ongoing vs new
  - Operations vs strategic
- Set targets by category and overall

	Support Operations	Strategic Initiatives	Total
Ongoing/New	9%	15%	11%
Support	3%	3%	3%
Total	4%	7%	5%

IT Budget and Agenda Development

Strategic IT Initiatives

Organization IT Budget Decision Process

IT Budget to Support Current Systems

IT Initiatives to Support Current Operations

IT Budget and Agenda

IT Budget Targets

Comments on IT Budget Development

- IT budget development is a highly imperfect process
- Business sponsors should defend their IT initiatives
- Do not separate the IT budget discussion from the overall budget discussion
- Ensure that there is a thoughtful balance between support and new/ongoing initiatives and between operational and strategic projects

Summary

- Well developed and maintained IT governance is a critical undertaking of senior leadership
- Leadership must take steps to improve the organization's ability to effectively apply IT
- One of the most important processes in managing IT is the development of the IT budget