



## Improving IT governance maturity: key considerations.



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## Overview

In nearly all companies, IT governance substantially impacts business strategy. And those strategies rely increasingly on the development and delivery of business software systems. The IT charter has expanded to support both internal corporate policies and externally imposed regulations. To meet its performance objectives, IT must quantify business value in a dynamic environment characterized by rapidly evolving infrastructures, emerging markets and changing technology needs.

Mature IT governance practices can help IT organizations address these challenges. When organizations improve fundamental governance processes, they enhance their ability to deliver on strategic IT initiatives focused on efficiency, control and value.

## Understand the governance challenge

“The difficult we do immediately; the impossible takes a little longer.” That could well be the working motto for many of today’s IT organizations.

IT is expected to deliver new products, software and services to help drive increased agility and value to the organization – all while dealing with increased competition, changing business models, the workforce of the future, and growing networks of customers, suppliers and business partners across the Internet.

These rapidly evolving conditions make it harder than ever for IT organizations to properly manage authority, meet regulatory requirements, measure ROI and track mechanisms for change. An ad hoc approach to IT governance all too often results in “command and control” approaches to IT initiatives – a “big brother” approach to applying top-down constraints. Accordingly, IT managers find themselves struggling on a daily basis to:

**“43% of CFOs think that improving governance, controls and risk management is their top challenge.”**

**— CFO Survey: Current state and future direction, IBM Business Consulting Services**

- Design and integrate complex business and technology processes.
- Establish metrics and measurement programs at the enterprise, across multiple domains and at the project level.
- Ensure IT-enabled process improvements that support the needs of the business.
- Respond to audit failures arising from internal and external inspections.
- Control IT costs.
- Balance supply and demand for IT projects while consistently supporting service level agreements (SLAs).
- Document and manage changes to the enterprise architecture.

To do what may seem impossible and succeed with their critical initiatives, IT organizations need to make the right decisions and ensure effective communications based on clearly defined roles, lines of authority, measurements and decision rights – a range of capabilities provided by mature IT governance.

#### **Develop a clear definition of IT governance**

To define what IT governance is, we should start by clarifying what it is not.

IT governance is not management. Governance develops policies that determine who has the authority to make decisions. Once these policies are developed, management helps ensure that the organization’s governance approach is carried out on a consistent, day-to-day basis.

IT governance is not a set project limited in scope, objectives or time. Instead, it is an ongoing activity that addresses business processes end to end and coordinates these processes across organizational boundaries. Ongoing analysis and improvements are hallmarks of successful governance.

IT governance is not a set of top-down controls that stifle creativity. In fact, good IT governance provides a context for guiding entrepreneurialism, quality achievement and efficient execution.

## Highlights

Effective IT governance can align your business strategically so that it delivers consistent and scalable business value

With these thoughts in mind, we can define IT governance as the ability to:

- Establish clear chains of responsibility, authority and communication as a basis for effective decision making.
- Develop precise measurement, policy, standards and control mechanisms to enable people to carry out their roles and responsibilities.

At the highest levels of the enterprise, IT governance can involve portfolio management, business strategies and skills investments. At a more granular level, it can help guide project management, scope management, resourcing and asset management, configuration management and even artifact construction.

Effective IT governance can align your business strategically so that it delivers consistent and scalable business value. IT governance can also help you measure your business growth and success, including its financial health, while serving as a strategic enabling force for your business. Ideally, IT governance practices are embraced by all levels in the organization and reach far beyond the four walls of IT.

### **Establish the IT governance solution context**

IT governance is not simply a concern of your IT organization. It is the concern of your whole company, especially in terms of your business initiatives that depend on IT resources for execution.

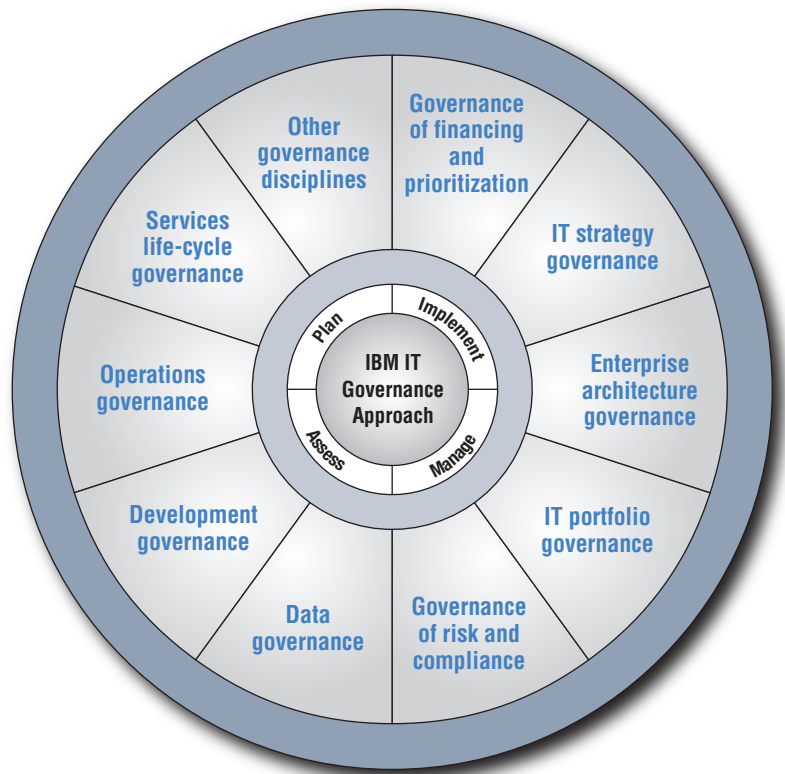
Developing an IT governance solution without the full context of your business will likely produce a solution that is poorly designed to support its strategic objectives. An IT governance solution designed and implemented “within the four walls of IT” stands a great chance of benefiting no one, since it has not considered the entire value chain of the business. Even worse, it may negatively impact the business in ways that may be relatively

**“On average, businesses with superior governance practices generate 20 percent greater profits than other companies.”**

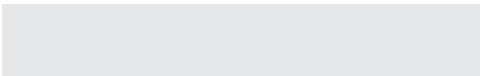
**— From a study by Peter Weill based on 256 companies, conducted at the MIT Sloan School of Management\***

invisible across organizational boundaries. Solutions that lack organizational transparency frequently fall short of expectations.

Conversely, an IT governance solution that is designed in the context of the strategic objectives of the business will be able to represent and navigate the broad scope of business and technical constituencies influenced by the IT organization. A comprehensive solution will address a full range of IT governance disciplines implemented across your enterprise, as represented in the figure below.



*Effective IT governance integrates multiple disciplines across the enterprise.*



**Discover three entry points for improved IT governance**

Rarely do organizations directly recognize a need for improving their organization’s IT governance maturity. IT governance does not frequently make the published short list of CIO strategic imperatives. More often, IT governance issues manifest themselves as the organization tackles core IT issues of efficiency, control or value delivered to the business.

A root-cause analysis of these issues often uncovers blockages that can only be resolved by clarifying and strengthening fundamental IT governance processes. By resolving processes around IT decision making, measurement and control systems, the organization improves IT governance maturity as it addresses key strategic concerns.

The need to improve IT governance can often be signaled by issues involving efficiency, control and value

The need to improve IT governance can often be signaled by issues involving efficiency, control and value. Let’s look at these three areas and see how they have served as entry points for improved IT governance across a variety of industries.

***Efficiency***

“We seem to be doing the right things, but we need to do them faster and at lower cost.” Organizations that view the IT organization as a cost center often focus on key outcomes such as improving system throughput, enhancing system stability, increasing code productivity and reducing time to delivery. For these organizations, selecting the right metrics and measurement control systems can serve as a pragmatic entry point to improving IT governance maturity.

Example: A global telecom equipment manufacturer recognizes that they need to reduce defect counts in order to shift development resources from maintenance stream projects to innovation and growth projects. The

organization is challenged to invest in innovation because of the high defect rates in current projects. A full 80 percent of projects are maintenance related.

The organization establishes a goal of reducing defect rates by 10 percent within a 12-month period by improving test coverage from 30 to 65 percent of all releases. In the course of planning the rollout of this new strategy, the organization recognizes that it lacks a unified view of test coverage metrics, metrics collection processes and rollup reporting processes. By establishing the IT infrastructure needed to establish and monitor metrics collection and reporting, the organization establishes fundamental IT governance processes that can extend to other IT areas. Payback for the project is achieved in six to eight months.

#### ***Control***

“We need to actively manage our risk exposure, especially in key areas like security and compliance.” Organizations that prioritize IT issues of security and control focus on addressing the inherent risks of IT projects, including the risks of project failure, audit failure, security and privacy breaches. For these organizations, focusing on internal IT control systems can improve IT governance maturity as it proactively manages risk.

Example: A banking and financial services company identifies unacceptable risk exposures in the course of undertaking an internal Sarbanes-Oxley preparedness audit. The company’s internal auditors discover that the company’s software delivery processes lack the degree of rigor required to document audit-ready change control. Changes are being made to production systems without documented sign-off, and there is a lack of release uniformity across the production servers – different bank branches are using different

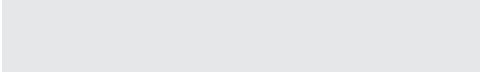
combinations of releases. Since not all combinations are tested and validated to work together, this lack of uniformity puts the bank at risk of system error. In addition, the bank fails to demonstrate that key Web applications are secure and reasonably hacker-proof.

The organization establishes a goal of reducing risk by implementing auditable change control and security control across its software testing, build and release processes. In setting up these processes, the organization has to tackle fundamental IT governance issues, such as:

- Who has the authority to approve changes?
- What types of changes require sign-off approval?
- Who determines internal standards for “hacker-proof” applications?
- What testing procedures will fulfill these standards, and how will they be documented?
- What measurements will be used to document compliance with IT change management and security controls?

Within 14 months, the organization succeeds in rolling out the new change control and security procedures across all bank branches. As a result, the company is able to reduce the time spent on audits from weeks to a few days per year. The IT compliance controls are built into daily operating procedures and are readily available upon demand to the company’s compliance and risk auditors. In addition to managing compliance risk, the company successfully establishes key control, decision rights and reporting structures.





**Value**

“We seem to be busy all the time, but it’s hard to see or demonstrate value from our efforts.” Organizations that view IT as a value creation center grasp the central role of IT organization as a strategic asset that can help the business penetrate new markets and expand existing markets. For these organizations, a focus on product innovation and time to value can be supported through clear governance policies that help translate IT activities into measurements of business value.

Example: A casualty insurance company lacks the ability to demonstrate IT value to the business. They lack the metrics that could provide clarity into how they are spending IT time and resources across multiple projects and divisions. Lacking this information, the organization also has a difficult time prioritizing competing projects or understanding how much they are investing in maintenance versus revenue-generating projects.

For this company, the solution is to put in place the change control board policies and procedures that enable them to make governance decisions in a transparent and structured way. They also implement portfolio governance processes to help them apply consistent criteria to project proposals. After implementing these new processes, the company is able to understand where it was investing its IT budget and is able to prioritize project requests using objective and agreed-upon criteria.

Properly designed and implemented, IT governance can help an organization reach its business goals and increase its level of competitiveness

**Recognize the importance of mature IT governance**

Properly designed and implemented, IT governance can help an organization reach its business goals and increase its level of competitiveness. Development of repeatable processes improves project management practices.

IT governance can also help mitigate risk by enabling the accurate measurement and control of IT activities while promoting effective communication both within the IT organization and across the enterprise. Among the risks that can be counted of interest to the enterprise are:

- Economic and financial risks — The risk that a firm will be unable to meet its financial obligations.
- Operational risks — These risks pertain to failure of people, processes or tools utilized by the business and would include breaches in physical security.
- Technological risks — These risks include changes in business conditions due to advances in the base technology of the core business, increased pressure to provide digitized services and breaches in systems security.

IT governance maturity cannot be accomplished overnight. Typically, it requires an organizational change that is best achieved incrementally, following a roadmap with well-defined milestones and measurable results. It is also important to stop along the way so that all stakeholders can assess the process and adjust their course based on lessons learned.

Aligning organizational objectives with measurements is essential to success. The right metrics clarify organizational goals, and organizations can only control what they can measure. Metrics should measure governance effectiveness — capturing value at a business level, such as time to delivery — and also operational effectiveness, such as day-to-day measurements of source code changes or defect rates.

### Highlights

Assessment is the first step on the road to IT governance maturity

#### **Assess your IT governance maturity**

Assessment is the first step on the road to IT governance maturity, through self-assessments, guided assessments by outside parties or a combination of the two.

In-house assessments can be an efficient and cost-effective approach. IT staff can leverage their existing knowledge of the infrastructure, technology needs, budgetary goals and general business objectives of the organization. On the other hand, staff members might not have the broad-based skill sets required for an enterprise assessment, the assessment project itself can drain badly needed resources away from other projects, and staff members might not be fully objective about requirements and goals.

In other cases, a guided assessment by a third party is more appropriate. As we know, “fresh eyes” can sometimes identify requirements that might be hard to see by people closely involved in a project, program or the enterprise. In addition, third parties can distance themselves from internal corporate issues and provide a more objective assessment of lines of authority, decision making and performance.

For many organizations, a mixture of both in-house and guided assessments offers the best of both worlds. Initial needs can be determined in general terms depending on the available resources, and this initial assessment can serve as the foundation for a more detailed, third-party assessment. Self-assessments can be used on a regular basis as “tune-ups” to maintain proper levels of governance maturity.

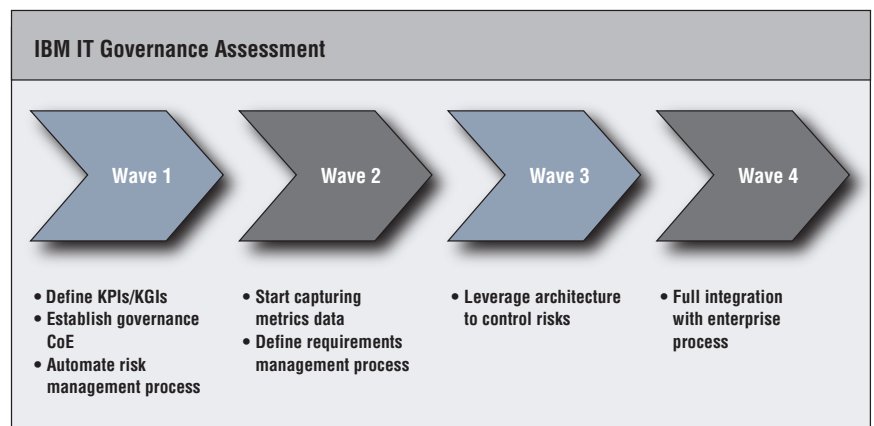
#### **The IBM IT Governance Assessment**

The IBM IT Governance Assessment delivers a structured service framework for assessing your organization’s IT governance maturity. It provides

organizations with a services-led assessment that can identify and document IT governance processes and assess the efficacy of those processes. The resulting deliverable of the assessment is a roadmap that can be used to guide an IT governance improvement effort that is iterative, milestone-driven and relevant to a broad range of governance disciplines.

The IBM IT Governance Assessment explores nine key IT governance disciplines, including:

1. Sponsorship and Organizational Change.
2. Governance Methods, Processes, Practices.
3. Portfolio Management (IBM Best Practices).
4. Risk Management.
5. PMO and Review Boards.
6. Governance and Control Objectives (COBIT).
7. Project Management.
8. Software Development.
9. Service Management (ITIL®).



*The roadmap consists of change waves, which help break down large IT governance implementations into a series of smaller, more manageable phases.*

## Highlights

The organization transformation approach assists an organization through understanding its needs and challenges as related to its ability to meet objectives and goals of the business, in particular as related to IT governance

The result of the IBM IT Governance Assessment is a transformation roadmap consisting of a series of change waves. This strategy has proven itself to be a highly effective approach. IT teams can progress toward developing and delivering critical business value while at the same time improving their skills and overall ability to execute. By the end of a change-wave execution period, an organization's productivity will have measurably increased based on the entrance and exit criteria of the change wave set of objectives.

The organization transformation approach assists an organization through understanding its needs and challenges related to its ability to meet objectives and goals of the business, in particular as related to IT governance. It starts by improving the capabilities that will drive the most value to the organization, while balancing the organization's ability to change. The communication of these improvement opportunities is waves of change, which form a transformation roadmap.

Each of the change waves is executed via one or more *capability packages*. A capability package has the following characteristics:

- Implements strategic need — determined through a balanced scorecard flow down, executive direction, removal of defects and/or other assessment of the business.
- Defines a deployable set of practices.
- Contains process, tools and team dynamics.
- Aligns with IT governance solution influencers and inputs including regulations, standards and policies, such as:
  - Sarbanes-Oxley.
  - Capability Maturity Model Integration (CMMI).
  - IBM Rational Unified Process®.
- Contains systems engineering and architecture.
- Provides multiple levels of maturity.
- Contains a deployment template and general measures that are tailored and instantiated with each change wave and for each product, program and/or application.

Within each discipline, the IT Governance Assessment can help you identify the current state of governance processes, measurement and control systems, IT chains of authority and decision making. It can then work with you to establish a roadmap for helping your organization examine and improve its own processes for governing the business of IT.

By improving your capability in fundamental governance disciplines, you can help your organization:

- Address sponsorship and organizational change, including new operating models and client culture.
- Increase visibility and accountability with better project portfolio management and dashboard reporting.
- Deliver more predictable results through proven best practices and aids for documenting, automating and enforcing new and existing processes.
- Improve service level performance and reliability by automating the service delivery infrastructure.
- Better manage the governance process itself.

In addition to the IT Governance Assessment service, IBM provides a range of products and services to help organizations develop the enhanced levels of IT governance they need to stay competitive in today's business world.

**For more information**

To learn more about IT governance maturity and IBM solutions, contact your IBM representative or IBM Business Partner, or visit [ibm.com/itsolutions/servicemanagement](http://ibm.com/itsolutions/servicemanagement)

**About IBM Service Management**

IBM Service Management helps organizations deliver quality service that is effectively managed, continuous and secure for users, customers and partners. Organizations of every size can leverage IBM services, software and hardware to plan, execute and manage initiatives for service and asset management, security and business resilience. Flexible, modular offerings span business management, IT development and IT operations and draw on extensive customer experience, best practices and open standards-based technology. IBM acts as a strategic partner to help customers implement the right solutions to achieve rapid business results and accelerate business growth.



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\*Weill, Peter. "IT Governance: How Top Performers Manage IT Decision Rights for Superior Results." Harvard Business School Press, 2004.