

Achieving Business Sustainability: Director's Perceptions of Information Technology Investment, Corporate Monitoring and Governance

An Infonomics Research Paper (Extract)



Mark Toomey

Preliminary research conducted by RMIT University and Infonomics suggests that, regardless of whether Chief Executives are optimistic or Directors are pessimistic, most organisations could do far better in governing their use of IT, which is now critical to business operations.



Infonomics,
Melbourne,
Australia

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19 Stratford Square
Wantirna
Victoria 3101
Australia
www.infonomics.com.au



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Note to readers

This paper was prepared as part of a research initiative undertaken by RMIT University, in conjunction with Infonomics. The initiative was designed to obtain a preliminary view of IT Governance, and lay foundations for a much more comprehensive research project.

We believe that the results of this research are compelling – they raise many questions about governance of IT that can only be effectively answered through more extensive research. At the same time, they point to opportunities for many organisations to improve their IT Governance and reap business benefit as a result.

For ourselves, the research has deepened our conviction that there is need and opportunity for improvement in IT Governance, and that the Australian Standard – AS8015 – provides an excellent foundation for such improvement. Naturally, we hope that you, the reader, will agree, and will choose to seek our help as you explore the potential benefit of the standard in your organisation.

Readers outside Australia may wish to note that in 2008, an International Standard will be published, giving guidance on Corporate Governance of Information Technology. The International Standard is substantially based on the Australian Standard AS8015, and benefits from more than two years' practical experience in its application.

Mark Toomey, the author of this paper, was heavily involved in development of both the Australian Standard and its International successor.

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Executive Summary

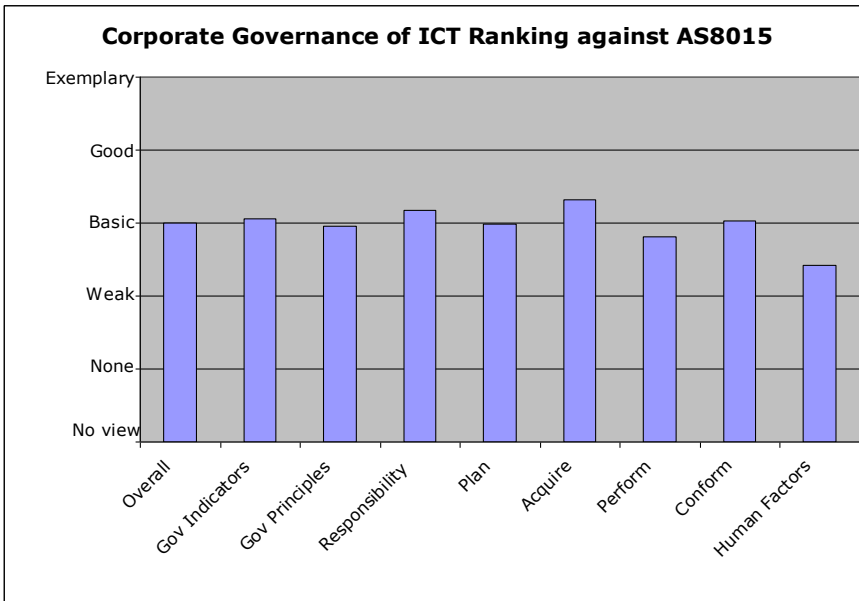
Most organisations depend on IT for their day to day activities, and for many, achievement of their future strategies also depends on IT. However, the track record of IT initiatives is not strong, and many fail – particularly when measured against the outcomes they were intended to produce. And while there is a long history of IT projects going wrong, there is also an increasing trend to disruption of business as a result of failures in installed, operational IT. In many cases, these failures too are predictable and avoidable.

Recent studies have found “an IT attention deficit” at board level, despite calls for directors to consider a wide range of IT matters. Directors rely on management for timely, accurate and appropriate information about many aspects of their business. But do they need to monitor their organisation’s use of IT, and are they getting the information they need?

This study aimed to understand director’s perceptions of how IT is governed and managed in a wide range of Australian organisations, and to provide some early guidance on how organisations could improve governance of IT to reduce the risk of failure in both project and operational use of IT. It was conducted in three stages – a survey of non-executive directors, chief executives and senior executives, interviews of a small group of survey participants, and a discussion of preliminary findings with a prominent leader in company director circles.

The survey indicates that Australian organisations are substantially dependent on IT for their day to day operations, and that achieving strategic intent also depends on success with IT. However, the systems of governance are basic, and not likely to prevent failures. Directors do have a view on the effectiveness and operation of their organisation’s IT Governance, but they are less positive in their views than their Chief Executives. While they see IT as important, the engagement models for involving directors in IT Governance vary considerably. Some directors are concerned that they do not have the required experience and knowledge of IT to be effective in this capacity. They place a great deal of reliance on management.

For many directors, IT is essentially a question of risk – risk that the organisations operations will be interrupted and performance reduced, and risk that the future success of the organisation will be limited through failure to identify and deliver appropriate IT enablement of competitive business capability. However, as the results of the research confirm, it is not sufficient to scrutinise only the IT delivery organisation when assessing and controlling these risks. Because IT is fundamental to business operations and critical to future capability, the role of business leaders in setting the IT agenda and taking up the IT opportunity must not be under-estimated. Understanding and controlling IT risk, whether in operations or in future capability, requires equal scrutiny of the supply side (IT service and project delivery) and the demand side (business operations and forward planning).



Considerable scope exists for organisations to reduce risk and deliver more value from investing in IT and for using IT in business innovation. According to the research results, aligning and improving corporate governance of IT as recommended in AS8015 should result in better business alignment of IT, better allocation of resources and more

demonstrated capacity to successfully deploy new initiatives. In an effective system of governance for IT, all managers (both business and IT, at all levels of the organisation) should understand and perform their appropriate roles in relation to planning and using IT. Within the system of governance, particular attention should be given to establishment of clearly understood responsibility, to planning IT use to best support the organisation, being more deliberate and precise in deciding to invest in IT, ensuring that IT performs well whenever required, ensuring that IT conforms with formal rules and, most particularly, ensuring that human factors, including communication, engagement, training and support are properly considered.

Improving IT Governance should begin with a proper understanding of the role of IT in the organisations business. It should clearly establish the role of the board, and the directors should establish the overall tone of the governance system by emphasising its goals.

Thank you for taking the time to read this extract.

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Can your organisation meet the recommendations of
the Standard for Corporate Governance of IT?

Are you confident that all of your organisation's IT risks
are properly understood and managed?

Would improved governance of IT result in better
outcomes for your organisation?

Read no further – ask questions instead!

End

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