

Foreword

During the 40 plus years that I have been involved with information technology (IT), the use of IT has become pervasive, and organisations and individuals have become increasingly dependent on IT. At the same time, the way that we use IT has changed. We have evolved from automating pre-existing, relatively simple, labour intensive and repetitive work through the provision of information to enable better decision-making to fundamentally transforming the nature of organisations and how they work. Along with this evolution comes potentially higher value, but also significantly increased costs and risks. All too often the potential value has not been realized. It is this failure to realize value, along with the increasing costs and risks that has led to the current focus on IT governance.

Early in this book, the authors reference the IT Governance Institute's five main focus areas for IT governance: value delivery, strategic alignment, resource management, risk management, and performance management. I would argue that, regardless of the nature of the investment in IT, value delivery is, or should be, the primary focus area. Strategic alignment is actually a fundamental objective of value delivery. Resource management is the key to ensuring that value is delivered at an affordable cost. Risk management is necessary to ensure that value is delivered with an acceptable level of risk. Performance management is required to ensure that objectives are being met and, when not, that appropriate corrective actions are taken.

We need to understand that value does not miraculously come from technology projects. Technology provides a capability. Value is only realized when this capability is applied and managed as part of a comprehensive program of business change. In the early days of automation, the amount of business change was limited, and the realisation of value was relatively simple. As we have evolved from automation through information to transformation, the extent and complexity of business change has grown dramatically, and now includes changes to business strategy, business processes, how people work, organizational structure, and technology.

Organisations cannot continue to respond to the increasing scope and dynamic nature of business change, and the complexity that it introduces with simple or, more often, simplistic solutions—solutions that are focused too much on the technology, and not enough on the complexities of business change. Only when complexity is understood and managed can simplification occur. Recognising, accepting, and managing complexity is today's leadership challenge. In a world where the only constant is change, where strategy must be dynamic, and where we must expect the unexpected, most current governance processes are woefully inadequate in this regard.

Inadequate governance processes result in a lack of shared understanding of the desired outcomes, unclear or inappropriate roles, responsibilities, and accountability, not knowing what to measure, not surfacing and tracking assumptions, and not sensing and responding to changing internal and external circumstances in a timely or well-considered manner. Many organizations are just hoping that it will get better. And many are still looking for that elusive silver bullet. This could prove a costly and risky pursuit.

We need to think beyond IT governance in isolation to the business governance of IT. Most decisions related to IT are today business decisions, not technology decisions.

The scope and complexity of business change alters the nature of investment decisions, how they are made, who should make them, and how they should be monitored. Governance provides the essential framework for making these decisions. It includes leadership, processes, with clear roles, responsibilities, and accountabilities, relevant metrics, and supporting organizational structures and tools.

A much more disciplined approach to governance is now needed. An approach that is comprehensive, complete, coherent, consistent, and encompasses new ways of creating the additional value sought—one that requires and facilitates engagement and partnership between the IT function and the other parts of

the business. Without such an approach, we will continue to waste hundreds of billions of dollars a year on failed attempts to create additional value.

The frameworks covered in this book, including COBIT™¹ (and, by inference, the recently released *Val IT*™² extension to COBIT), and the IT Balanced Scorecard, provide a solid foundation for such an approach to effective governance. The cases included demonstrate that these are not theoretical frameworks—they are practical tools that can and have been adopted by organisations to improve their value creation performance.

Organisations must, however, recognize that selection of such an approach is only the beginning. Effective governance is the result of broad adoption, focused implementation, and continuous improvement of the approach. Organizations must evolve their processes to a governance system that is: value driven, business outcome based, enterprise-wide, dynamic, inclusive, and flexible. In the private sector, how well this is done will play an increasingly significant role in determining market valuation. In the public sector, the mandate, public perception, and viability of the organization may well hinge on the clarity with which its actions and investments can be tied to value.

Ten years ago, when, together with Fujitsu, I started writing *The Information Paradox*³, the term “IT governance” was rarely used. Today, a Google search on the term yields over 67 million hits. Not a day passes without new articles on IT governance, and there are an increasing number of books and conferences on the topic. While, overall, this increased attention to IT governance is a good thing, there is still much confusion about what IT governance is, how it relates to enterprise and corporate governance, the difference between governance and management, and where and how to get started. This book makes a valuable contribution to providing clarity around the topic.

Adopting and implementing an effective governance approach is not easy. It requires vision, discipline, and the courage to stay the course. It represents a fundamental change in how we think, manage, and act. It is however only with such a change that we will truly realize value. I hope that this book will help you, your organization, or the organizations that you work with successfully undertake the necessary changes and realize and demonstrate the value of IT’s contribution to business change.

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Endnotes

- ¹ *Control Objectives for Information and related Technology* (COBIT), from the IT Governance Institute, is an internationally accepted standard for IT management processes. The latest edition, COBIT 4.0, was released in December, 2005
- ² For more information about Val IT, refer to *Enterprise Value: Governance of IT Investments, The Val IT Framework*, which can be downloaded from www.isaca.org, and is also available from the ISACA Bookstore, www.isaca.org/bookstore.
- ³ *The Information Paradox*, written by John Thorp jointly with Fujitsu, first published by McGraw Hill in 1998 with a revised edition published in 2003.