

# Bringing IT Governance into Your Organization

## World Energy interviews

### Samir Datt, Director of Technology Risk Consulting at Protiviti.

*As information technology (IT) continues to make its mark on energy companies, the need for IT governance comes to the forefront. Who is responsible for such a task, and what are the demands of the job? World Energy taps into the expertise of Protiviti's director of Technology Risk Consulting for the answers.*

**World Energy:** The recent developments in IT governance have piqued the interest of many organizations. How would you define IT governance?

**Datt:** IT governance is designed to enable alignment with corporate organizational goals, objectives and initiatives in corporate governance, business strategy and risk management. IT governance becomes the mechanism that guides and provides measuring the overall effectiveness of the IT organization in supporting business needs. It provides senior executives and boards of directors with the framework that is needed to understand IT investments, activities and value.

**World Energy:** Who should take ownership of IT governance and be held responsible for its effectiveness?

**Datt:** Ultimately, boards of directors are responsible for all governance throughout an organization; however, ownership of IT governance is often assigned to an individual or committee by the board.

Although there is no one right answer to who should be responsible, in many cases it is appropriate for the chief information officer to own IT governance.

There are situations where it may be necessary for a different individual, such as the chief operations officer, chief executive officer or a committee to assume responsibility of IT governance. In either situation, it is critical that the owner understands the IT environment and the capabilities of the IT infrastructure while understanding the business strategy at the same time.

Although a single individual is often held responsible for IT governance, managers and executives from both the IT department and the business should contribute to the design, implementation and performance of the governance strategy. The owner of IT governance should therefore have credibility throughout the organization as well as a strategic view of the entire organization. No matter who takes the helm, involvement from senior management across the organization is a critical success factor for effective IT governance.

**World Energy:** With all the demands and focus on compliance, are there any regulatory requirements that would require an organization to implement an IT governance methodology?

**Datt:** No, but it absolutely enables more effective and efficient regulatory compliance. IT governance provides the structure to make compliance inherent to the company's regular business practices, which in turn reduces the organization's risk exposure related to compliance and reduces the costs normally associated with separate compliance efforts.

**World Energy:** If an organization were interested in developing an IT governance strategy, how would it get started?





**Datt:** By conducting an assessment. Organizations that have identified the need to develop and implement an IT governance strategy should begin with an assessment of the IT department to determine how IT is currently being governed. The assessment should be designed to identify the strengths and weaknesses of the IT department. The opinion of senior management from the business is critical in this evaluation as they can provide the details needed to determine if IT is meeting the needs of the business as well as identify what the business expects from IT.

This assessment should uncover any governance mechanisms that are currently in place as well as areas that are not currently governed. These "un-governed" areas should be further reviewed to determine the value that would be realized if IT were governed effectively. The results of the assessment should be used to develop and recommend potential IT governance solutions.

Protiviti's Risk Solutions Methodology identifies the key steps in developing an effective IT governance solution. The elements include:

**Assessment:** Assess the maturity of the current IT governance function.

**Planning and Roadmap:** Identify and document solution alternatives and actionable steps to remediate any gaps and improve process maturity based on results of analysis.

**Solution Design:** Design or revise IT governance policies, processes, procedures and roles; recommend solution alternatives.

**Solution Implementation:** Facilitate the implementation of the IT governance solution and assign roles and responsibilities.

**Operations & Performance Measurement:** Facilitate development and communication of IT governance and metrics to monitor IT governance function against management's standards.

## A Growing Differentiator

*IT governance continues to grow in importance as a differentiator within highly successful organizations. Here's what established research groups are saying about IT governance:*

### MIT Sloan Center for Information Research (Peter Weill, 2005)

*"Firms with superior IT governance have (on average) 20 percent higher profits."*

### IT Process Institute

#### ("IT Controls Performance Study," 2006)

*Best practices outlined by ITIL & CobiT do broadly improve performance.*

*21 Foundational Controls have the largest impact on operations, security and audit performance. In comparing organizations, high performers:*

- Have 12–37 percent lower rates of unplanned work
- Support 2.5–5 times more servers per administrator
- Experience losses from security events 29–84 percent less frequently
- Authorize and support 5–14 times more IT changes
- Support 2.6–6.6 times more applications

### Gartner Group (various research)

*"Not keeping track of distributed IT assets can increase cost by 7–10 percent a year."*

*"Organizations implementing ITIL experience IT operational cost reduction of 25–35 percent a year."*

### IDC (Stephen Elliot, 2004)

*"...approximately 80 percent of unplanned downtime is caused by operator [and] application errors (people and process issues)."*