

IT GOVERNANCE – IS KEY TO BUSINESS SUCCESS!

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AGENDA

- **What is IT Governance?**
- **What is the Business value of IT Governance?**
- **What is the Status Quo today?**
- **Why IT Governance Key to Business Success?**
- **Role of IT Governance in the Emerging New Economy**
- **Q& A**



WHAT IS IT GOVERNANCE ? WHAT IS IT'S BUSINESS VALUE?

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What is Corporate Governance?

Corporate Monitoring

Protecting Personnel records

Weak Decision making mechanisms

Protecting IP

Ineff

Governance is defined as:

“...Specifying the framework for decision rights and accountabilities to encourage desirable behavior”

ces

Good

CISR, Sloan School of Management – MIT: Peter Weill

needs

Understan

Jurisdiction Identification

Setting the Risk Appetite

Understanding Fiduciary responsibilities

Making the business owners responsible

Linking it all together



WHAT IS IT GOVERNANCE?

IT governance is a sub-set of Corporate Governance and consists of the leadership and organizational structures and processes that ensure that the organization's IT sustains and extends the enterprise's strategies and objectives.

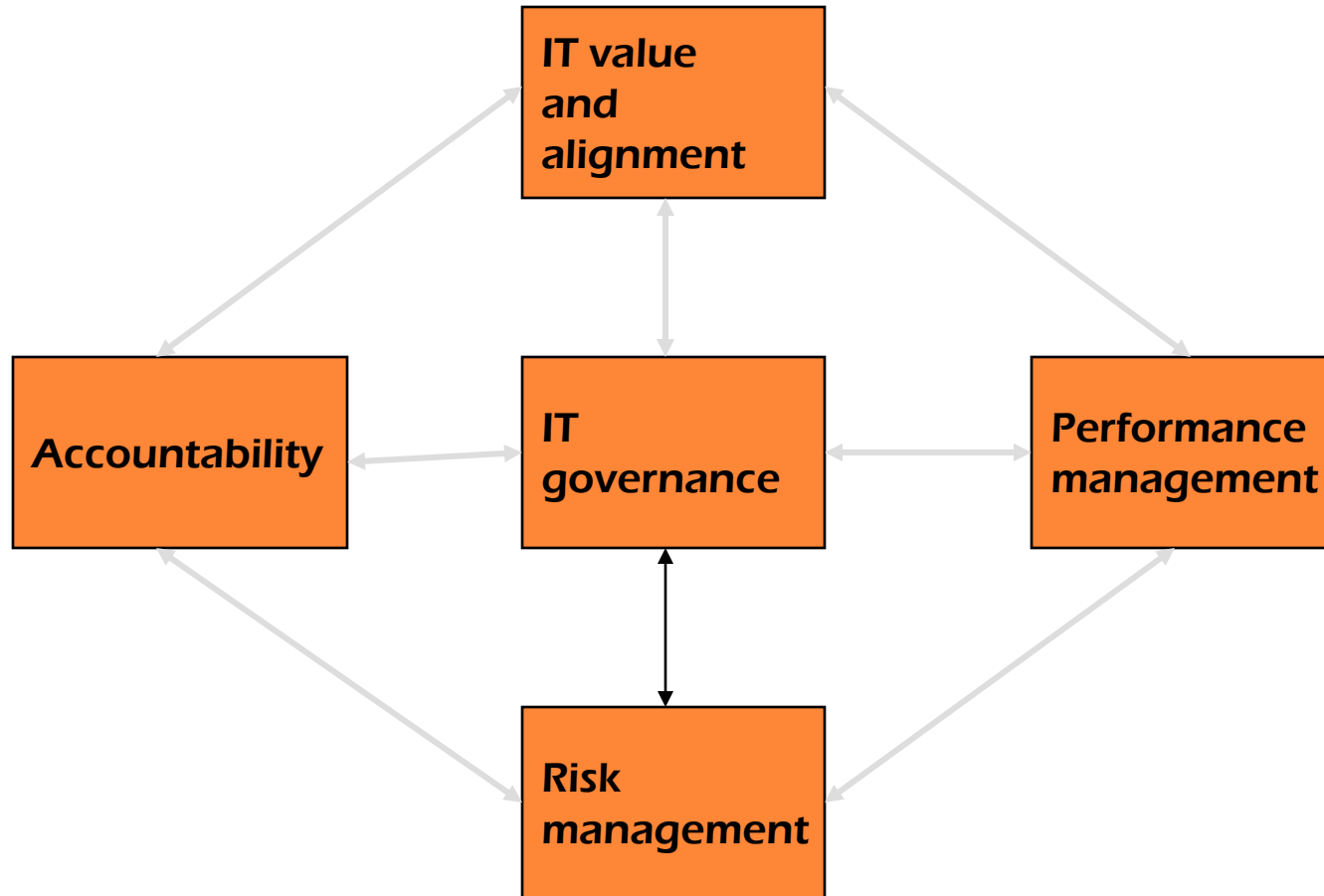
At its core, IT Governance has 2 key priorities:

1. Deliver business value
2. Ensure sustainability of the business value

ENHANCE BUSINESS AGILITY AND NIMBLENESS!



IT GOVERNANCE: THE FOUR DIMENSIONS



Source: Forrester Research, Inc.



WHAT IS THE BUSINESS VALUE OF IT GOVERNANCE ?

- **Align IT investments and priorities them more closely with the business.**
- **Manage, evaluate, prioritize, fund, measure and monitor requests for IT services and the resulting work and deliverables, in a more consistent and repeatable manner that optimizes returns to the business.**
- **Manage the responsible utilization of IT resources and assets.**
- **Ensure that IT delivers on its plans, budgets and commitments.**

Run IT like a BUSINESS!



WHAT IS THE BUSINESS VALUE OF IT GOVERNANCE ?

- **Formalizes IT oversight and accountability to ensure more effective and ethical management.**
- **Improves planning, integration, communications and performance between the Business Units and IT Groups and within IT Groups (across silos).**
- **Improves ROI based demand management (IT requests and Total Cost of Ownership) decisions to analyze, prioritize, fund, approve and manage major IT investments (capital and operating expenses).**
- **Optimize assets and human capital resources.**
- **Facilitates compliance and audits (e.g. SOX, FDA, HIPAA, etc.) by documenting processes, controls and decision authority.**

Run IT like a BUSINESS!





WHAT IS THE STATUS QUO?

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BUSINESS LANDSCAPE IS RAPIDLY CHANGING **SURROUNDED BY A LOT OF UNCERTAINTY...**

Business challenges

- ▶ **General uncertainty**
- ▶ **Credit crunch**
- ▶ **Poor consumer/investor confidence**
- ▶ **Inflatory /deflatory conditions**
- ▶ **Declining revenue and profits**
- ▶ **Decreased equity values**
- ▶ **Lower return on investments, assets, etc**

Lessons learned

- ▶ **Focus on cost and revenue optimisation vs. cost reduction**
- ▶ **Focus on Business outcomes**
- ▶ **Focus on Differentiation to gain the competitive edge**
- ▶ **Focus on improving operational efficiencies and effectiveness**
- ▶ **Focus on protecting company brand and reputation**
- ▶ **Prioritise and enhance strategic market opportunities**
- ▶ **Focus on Program management with appropriate levers and measures**

Way forward

- ▶ **Focus on**
 - ▶ **ROI/ROE/ROCE**
 - ▶ **Cost and revenue optimisation**
 - ▶ **Brand equity**
 - ▶ **Market share**
 - ▶ **Competitiveness**
 - ▶ **Differentiation**
 - ▶ **Program mgmt**
 - ▶ **ROI/TCO measures for on-going and new initiatives**

BUSINESS GOALS AND EXPECTATION OF IT **ARE CHANGING**

Increase the Business Impact

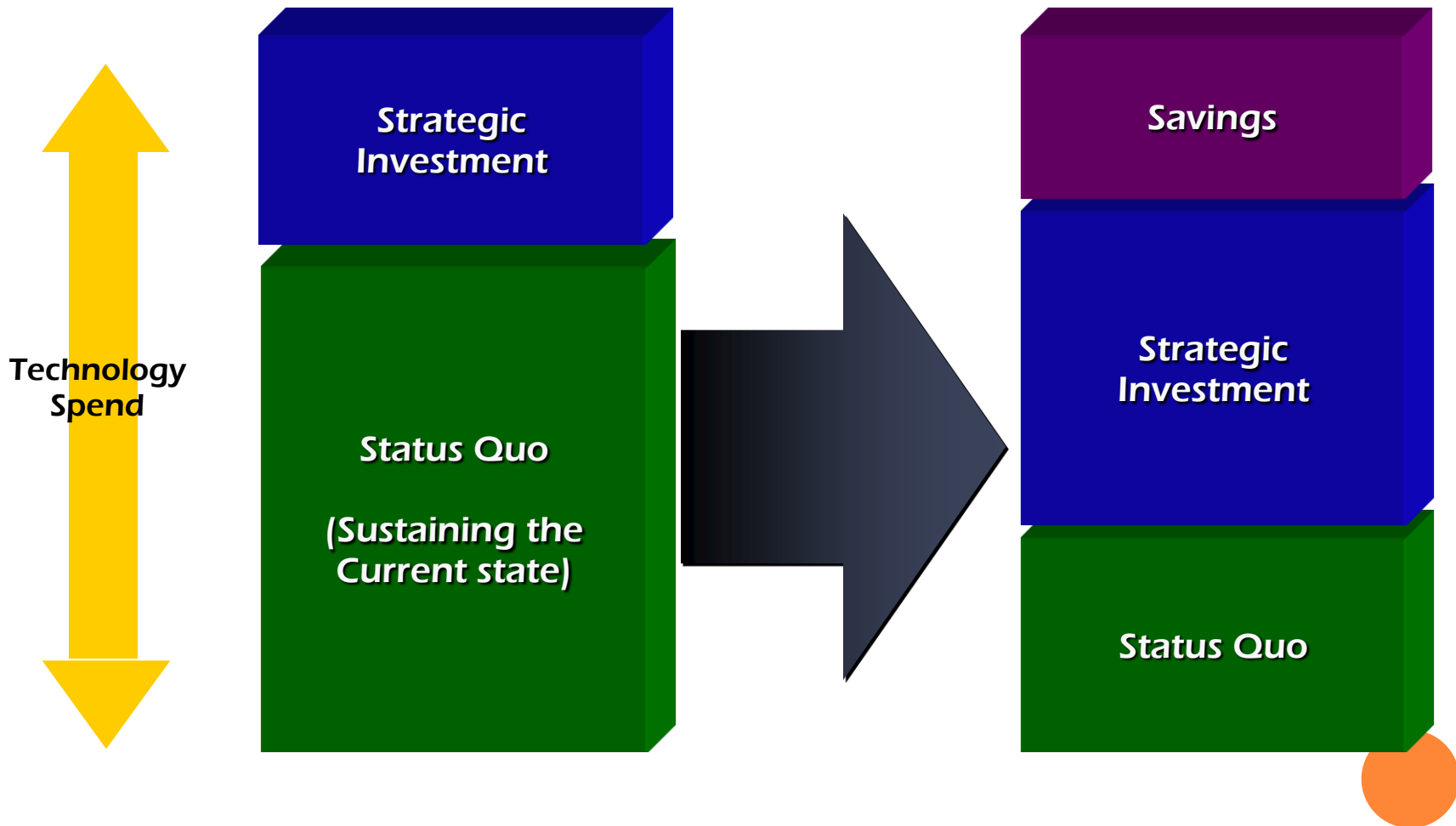
- **Ensure Business sponsorship for IT initiatives**
- **Link IT to business initiatives/outcomes**
- **Increase flexibility of IT engagements**
- **Improve lifecycle of delivery on business outcomes**
- **Deliver Quick WINs and/ balance Longer term projects to deliver meaningful outcomes at regular intervals**
- **Increase ROI on IT initiatives**

Create Business Value

Increase the Effectiveness of IT

- **Manage TCO of IT investments/initiatives**
- **Manage your working capital of IT**
- **Increase utilization of IT assets**
- **Repurpose and add Flexibility to your IT costs**
- **Stick to your core competencies and build partnerships around it**
- **Run IT as a Profit Center**

EMERGING NEW ECONOMICS OF IT



CURRENT CONTEXT OF IT GOVERNANCE

A recent KPMG International survey revealed:

- Only 50% of respondents believed IT governance was an integral part of their organizations' corporate governance structure**
- Only 50% believed there are risks in not aligning their IT with the organizations' overall business goals**
- 83% said there is room for improvement in their company's IT governance structure**
- Only 59% said their organization took corporate governance seriously**
- Conversely, a Governance Metrics International study showed that businesses with strong governance structures outperform those with weak ones in terms of share holder returns**

BUSINESSES REALIZE THE NEED FOR EFFECTIVE IT GOVERNANCE

- **Currently there is an increased focus on IT governance as a result of:**
 - **Recent legislations such as Sarbanes-Oxley, Basel 2, etc.**
 - **Increased focus on internal control effectiveness and efficiency**
 - **A need for increased alignment between IT and business objectives**
 - **Increasing requirements to appropriately identify and mitigate risks**
 - **Increased need to measure IS performance against goals**
 - **Rapid business and technology changes**
- **The need for effective technology governance has never been greater than it is today**



WHY IT GOVERNANCE IS KEY TO BUSINESS SUCCESS?

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BUSINESS THRUST TOWARDS REAL-TIME INTERACTIONS

PRODUCTION



TRANSACTIONS



INTERACTIONS



Fast

Faster

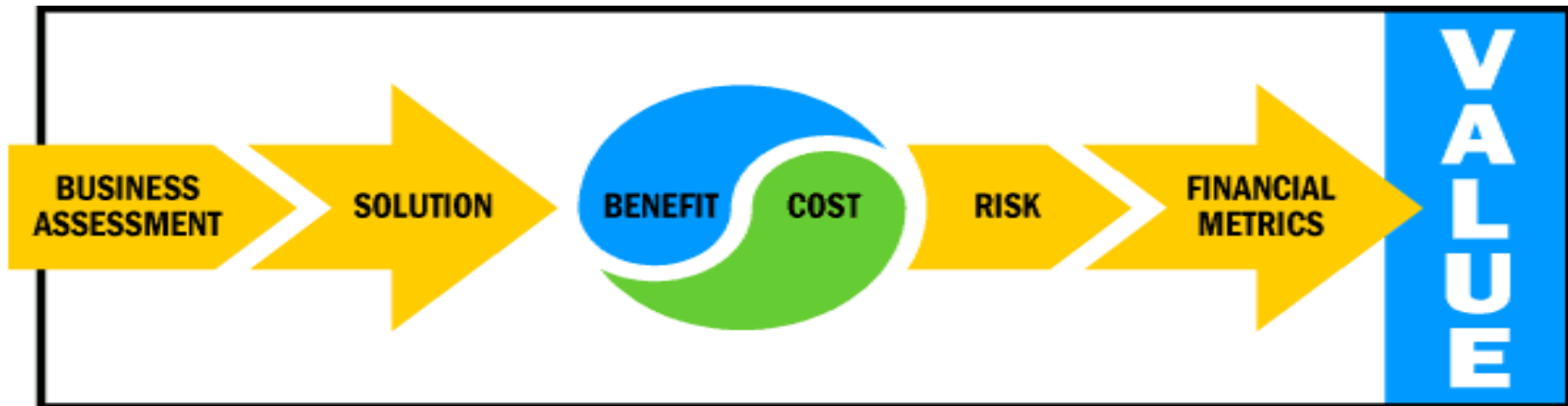
Real-Time

IT IS A KEY STRATEGIC LEVER FOR BUSINESSES

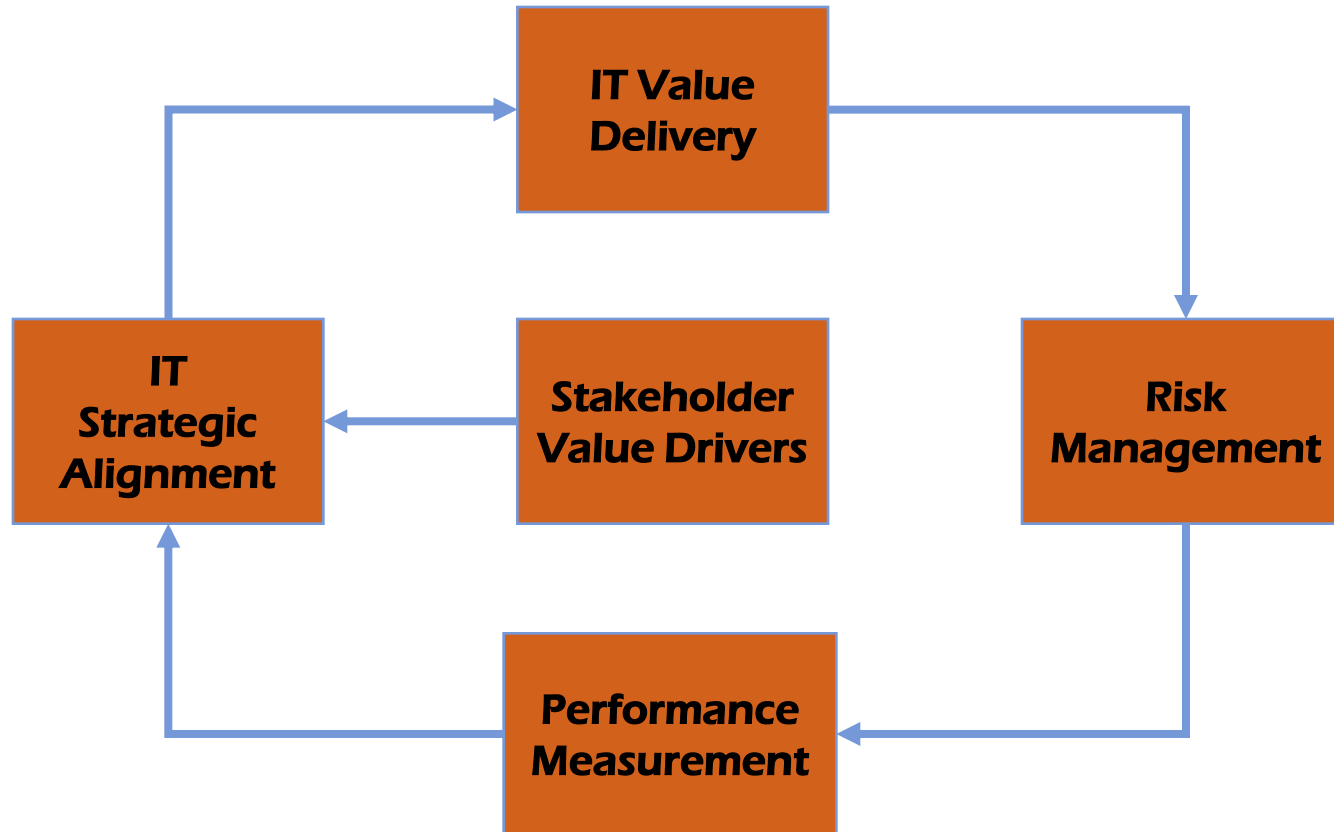


VALUE ADDED THROUGH IT IS THE DIFFERENTIATOR

- Total Value of IT initiatives
 - Measures both costs and benefits
 - Use Standard business measures to assess returns

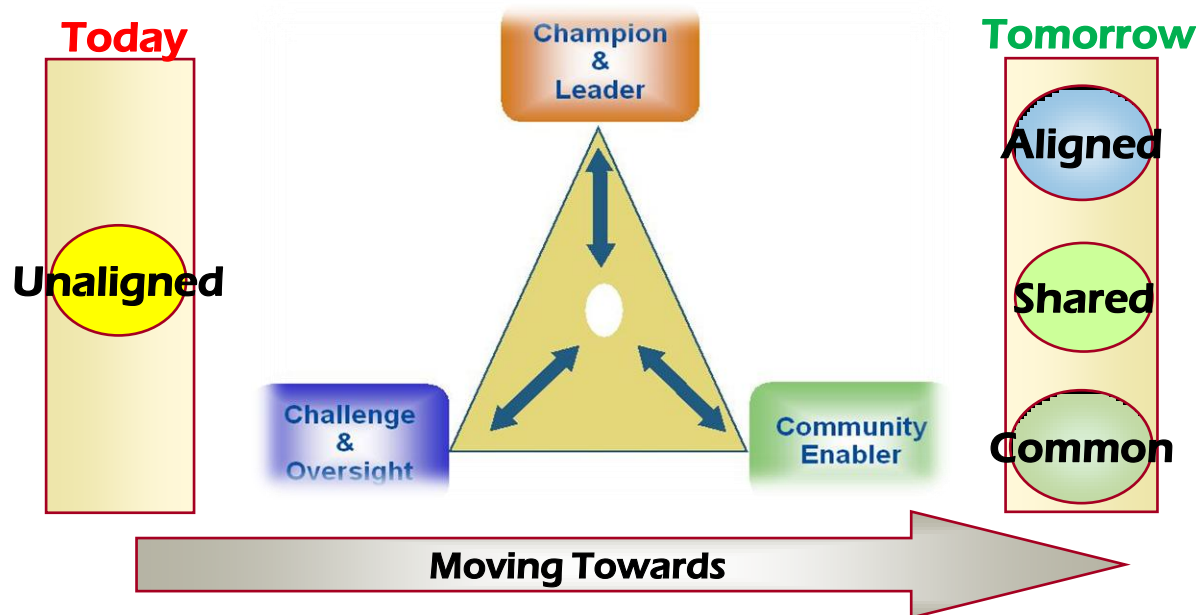


The Value Delivery chain has to be governed for better business outcomes



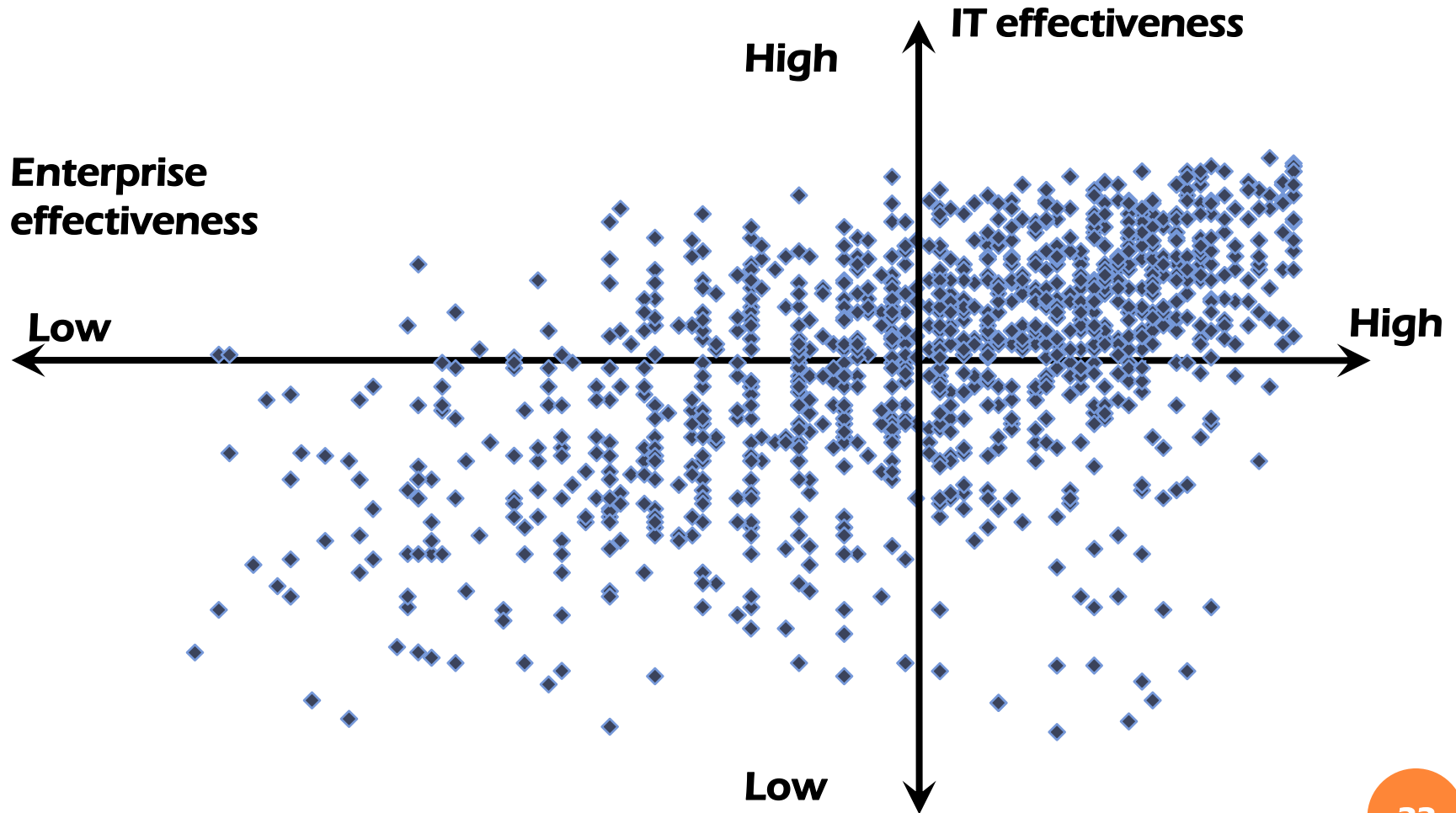
BUSINESS TRANSFORMATION IS ESSENTIAL TO STAY COMPETITIVE

- IT Governance is a key enabler in business transformation
- Defined and active governance is essential in organizations to achieve the strategic outcomes
- CXOs are agents of “business transformation” and an integral part of the organization’s IT Governance framework



BUSINESS GOVERNANCE OF IT YIELDS

BETTER BUSINESS PERFORMANCE



CORPORATE IT GOVERNANCE IS A MUST AND SHOULD BE A KEY BUSINESS AGENDA AND NOT AN IT AGENDA

- **Corporate IT governance has a direct bearing on business performance and thereby ROI**
- **Helps to leverage the power of IT**

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

- **A study based on 256 companies conducted at the MIT Sloan School of Management**





THE NEED FOR IT GOVERNANCE IN THE EMERGING NEW ECONOMY

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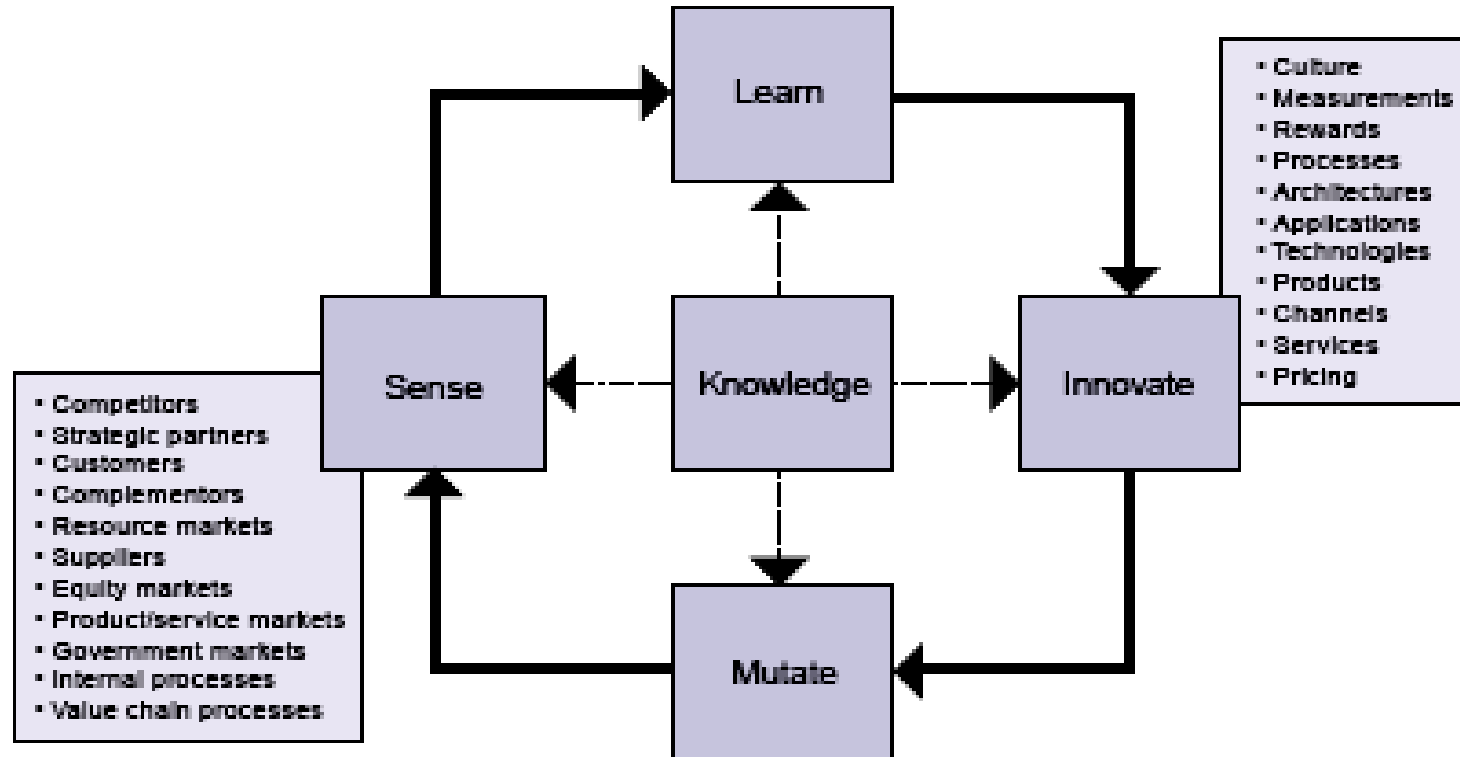
EMERGING ENTERPRISES...NEED STRONG IT

GOVERNANCE STRUCTURES

- **The new and fast-moving economy requires agile and adaptable enterprises:**
 - enterprises that sense what is happening in the market;
 - use knowledge assets to learn from that and innovate new
 - products,
 - services,
 - channels and
 - processes;
- **Then rapidly bring innovation to market or to repel challenges and measure results and performance.**
- **Emerging model is knowledge. IT is the enabling factor to collect, build and distribute knowledge.**
- **Successful enterprises monitor their environment on a continuous basis.**
- **They then leverage the information and knowledge they gain from their monitoring to adapt and innovate.**
- **This even further stresses the need for boards and management to effectively direct and control IT.**



EMERGING ENTERPRISE MODEL...



- **IT is an integral part of the business**
- **IT governance is an integral part of corporate governance**



IT IS A STRATEGIC ASSET THAT NEEDS TO BE GOVERNED FOR GREATER BUSINESS OUTCOMES!

	Basic Uncoordinated, manual infrastructure	Organized Centrally Managed IT Infrastructure with some automation	Optimized ★ Managed and consolidated IT Infrastructure	Dynamic Fully automated IT management dynamic resource usage and business linked SLA's
Objective	React	Manage	Reduce complexity	Agility
Ability to Change	Slow, weeks to months	Weeks	Days	Minutes
Resource Utilization	Unknown	Known, poor	Optimized	High, As needed
Processes & Automation	Ad hoc	Defined	Mature	Policy-based
Business Alignment	No SLAs	Arbitrary SLAs	Class of Service SLAs	Business SLAs
Role of IT	Cost Center	Efficient Cost Center	Business Enabler	Strategic Asset

A parting thought.....

The pertinent question is not how to do things right but, how to find the right things to do , and concentrate resources and efforts on them.

- Peter F Drucker (1964)

Thank you!

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