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**Governance and Management of Information Technology**  
**An International Perspective**  
**Report 2: Status and Agenda Overview**

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**Preview Version**



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Melbourne  
Australia



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# **1 Executive Summary**

## **Background**

This report is the second in a series (but first to be published) that aims to shed light on the question of how organizations can become more effective and successful in their use of information technology, through improving their approach to governance of IT.

The report series is based on a four-part international survey conducted by Infonomics during the first quarter of 2010. This report is based on the first part of the survey, which looked broadly at the current status and perceived needs of the market. Subsequent reports, based on the remaining three parts of the survey, look in more detail at the current status of management systems used to control use of IT, the market's requirements for additional guidance on governance of IT, and the particular characteristics and needs of small business in respect of how it can maintain satisfactory control over its use of IT without incurring undue expense. An in-depth report provides a deeper analysis of the data, using segmentation techniques to compare the performance, behaviour and needs of different national markets, different industry sectors, and different organization sizes.

## **Demographics**

The survey tool allowed participants to abandon the exercise at any time, while capturing their inputs to the point of abandonment. Although 193 distinct individuals opened the survey via its web interface, only 79 provided responses relating to key topics, and only 75 completed the full survey. Nonetheless, participation in the survey was truly international, with nineteen nations represented. The major sources of comprehensive responses were Australia (25), Netherlands (15), Great Britain (7), the United States (6) and Spain (4). Those who provided comprehensive responses provided a relatively even spread of roles including Board Director, Business Management, IT Management, Business Consultant and IT Consultant. They were predominantly of mature age, with 66% of participants being aged 46 or above. The majority have tertiary qualifications, with more than half having completed higher level degrees and doctorates. While the dominant industry expertise is in IT roles, there was also substantial representation of key business planning and management roles and a small but significant cohort of company directors experienced in controlling large, medium and small companies.

Many organization types were described, with the major classes being public (listed) companies, private companies and government entities. Charities were also well represented, as were corporate subsidiaries and branches. Almost half of the organizations described have an international scope of activity, and most of the rest have a national scope. In industry terms, information was provided about 16 different sectors, with the majority being from banking/finance/insurance, government, IT planning and delivery services and telecommunications.

## **Key Observations**

Only 25% of organizations described in the survey were regarded as having a strong track record of successful IT projects that deliver the intended business outcome. While executive management is thought to have sufficient evidence that day to day business operations are unlikely to be seriously damaged by an unplanned interruption to operational IT systems in almost 50% of organizations, only in 25% of companies are executives seen as having a good understanding of the costs, risks, opportunities and value associated with its portfolio of IT assets.

Clearly, these statistics are unsatisfactory. Investors would expect much higher rates of success with investments overall, and IT should not be any different. In terms of operational sustainability, a wide array of stakeholders expect business and government to operate without interruption. With stakeholders demanding value for money in all aspects

of their dealings with business and government, it is difficult to conceive a justification for so many organizations not having the complete understanding of current assets that is essential to driving value.

Although these statistics relate to the current and future use of information technology, the recognition of how deeply organizations now depend on IT for day by day operations as well as for future performance highlights a governance problem for many organizations. If, as has been frequently demonstrated in the marketplace, problems with IT can bring organizations to a complete halt, or seriously damage their future performance, there is a clear and definite need for IT to be subject to appropriate levels of oversight (as recently emphasised in South Africa's King III Report, which provides the overarching guidance for corporate governance in South Africa). But only 37% of boards were regarded as having effective oversight of their organizations' current and future use of IT, and less than 30% of boards were regarded as having the necessary skills and knowledge to provide that oversight.

The lack of board oversight might be defensible if the board could rely on executive management to keep adequate control over IT. But the survey suggests that executive management has the requisite skills and knowledge in less than 40% of organizations. Executives understand the opportunities and constraints in the current IT asset portfolio in less than half the organizations described, as is the case with regard to the competitive opportunities and threats associated with advances in capability and use of IT in the marketplace.

If board members and the executive are poorly equipped and not deeply engaged in directing and controlling the way their organizations use information technology, who is in charge? Survey participants said that IT managers help business leaders make decisions in 50% of organizations, while not making these decisions themselves. But only 45% of organizations have clearly articulated rules setting out responsibility and accountability for decisions relating to the use of IT.

--- See the full report for more ---



## **2 Introduction to the Report**

### **2.1 Background**

Most contemporary organizations in the developed world depend significantly on information technology for their day to day activities and for successful achievement of their future goals.

This dependence creates significant sensitivity to the risk of failure in operational (current) use of information technology, which can disrupt an organization's business activity. It also creates significant sensitivity to the risk of initiatives intended to deploy new IT enabled business capability failing to deliver the required capability and business outcomes.

Anecdotal evidence as frequently observed in the general press and a wide range of industry journals, and authoritative research reports produced by academic and commercial organizations all demonstrate that the risk of failures in IT use remain unacceptably high. In most cases, detailed analysis of failures demonstrates that the failures were avoidable.

In June 2008, ISO and the IEC, through their Joint Technical Committee on Information Technology, published an International Standard ISO/IEC 38500 to provide board-level guidance to organizations on governance of information technology. The standard aims to "promote effective, efficient and acceptable use of IT in all organizations". In October 2008, the Joint Technical Committee established a Working Group to develop further guidance on governance of information technology.

The need to develop a business plan for the newly established Working Group posed a challenging question: *What is the state of the art in governance and management of information technology?* As a result of its close association with the Working Group, Infonomics undertook to conduct a global research project and develop a picture of the state of the art.

This report and its companion reports present the outcomes of the survey.

### **2.2 The Survey**

The "Governance and Management of Information Technology - International Survey" was conducted by Infonomics from 10 February to 20 March 2010.

The survey was constructed in four parts:

- Survey 1: Overall status of and agenda for governance of IT in all organizations.
- Survey 2: Status and performance of management systems used in control of IT.
- Survey 3: Market demand for guidance and resources to improve governance of IT.
- Survey 4: Small Business view - a condensed, targeted version of the above three.
- Survey 1 was designed to compile a broad picture of how effectively organizations govern their use of IT, and the relationship between effective governance and failures.
- Survey 2 was designed to add detail by exploring in some detail the actual management systems and how they are overseen from a governance perspective.
- Survey 3 was designed to explore in detail the market's expectations and demand for further guidance on effective governance and management of IT.
- Survey 4 was designed to engage small business, which is also susceptible to failures in IT, but which frequently also does not have the capacity to allocate substantial resources to IT matters.

Each survey was prefixed by a series of 9 demographics questions pertaining to the individuals responding to the survey and the organizations they were describing in their responses. The use of a standard set of demographics provides a means of linking views across the four surveys.

The majority of topics addressed in the surveys required the respondents to express an opinion – whether or not they agreed with a statement or proposition. The scoring system allowed six responses:

- No view
- Disagree strongly
- Disagree
- Neutral
- Agree
- Agree strongly.

Respondents were also invited to express freeform comments in respect of each proposition.

### **2.3 This Report**

This report presents the overall responses to the Status and Agenda Survey. It includes details of the demographic data and the aggregate results for each assertion in the survey.

For detailed analysis of the responses, broken down using the demographic details provided by respondents, please refer to the *Governance and Management of IT: Detailed Analysis* report.

### **2.4 Related Reports**

The results and analysis of the survey are presented in six reports:

1. Governance and Management of IT: an International Perspective  
Presents a summary of the key learnings from the four interlinked surveys.
2. Governance and Management of IT: Status and Agenda Overview  
Presents the overall responses to the Status and Agenda Survey (Survey 1), with commentary on the results.
3. Governance and Management of IT: Management Systems Performance  
Presents the overall responses to the Status and performance of management systems survey (Survey 2), with commentary on the results.
4. Governance and Management of IT: Market Directions  
Presents the overall responses to the Market demand for guidance and resources survey (Survey 3), with commentary on the results.
5. Governance and Management of IT: Small Business Perspective  
Presents the overall responses to the Small Business view survey (Survey 4), with commentary on the results.
6. Governance and Management of IT: Detailed Analysis  
Presents a detailed demographic analysis of results across the four surveys.

## 2.5 Availability of Reports

*Governance and Management of IT: an International Perspective* is available for download from the Infonomics Website at no charge.

*Governance and Management of IT: Status and Agenda Overview* is provided free of charge to each individual who responded to any of the four surveys. Additional copies can be purchased from Infonomics at a price of AU \$50, plus GST where applicable, for each e-book licence.

*Governance and Management of IT: Management Systems Performance* is provided free of charge to each individual who responded to survey 2. Additional copies can be purchased from Infonomics at a price of AU \$50, plus GST where applicable, for each e-book licence.

*Governance and Management of IT: Market Directions* is provided free of charge to each individual who responded to survey 3. Additional copies can be purchased from Infonomics at a price of AU \$50, plus GST where applicable, for each e-book licence.

*Governance and Management of IT: Small Business Perspective* is provided free of charge to each individual who responded to survey 4. Additional copies can be purchased from Infonomics at a price of AU \$50, plus GST where applicable, for each e-book licence.

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### 3 Who responded to the survey?

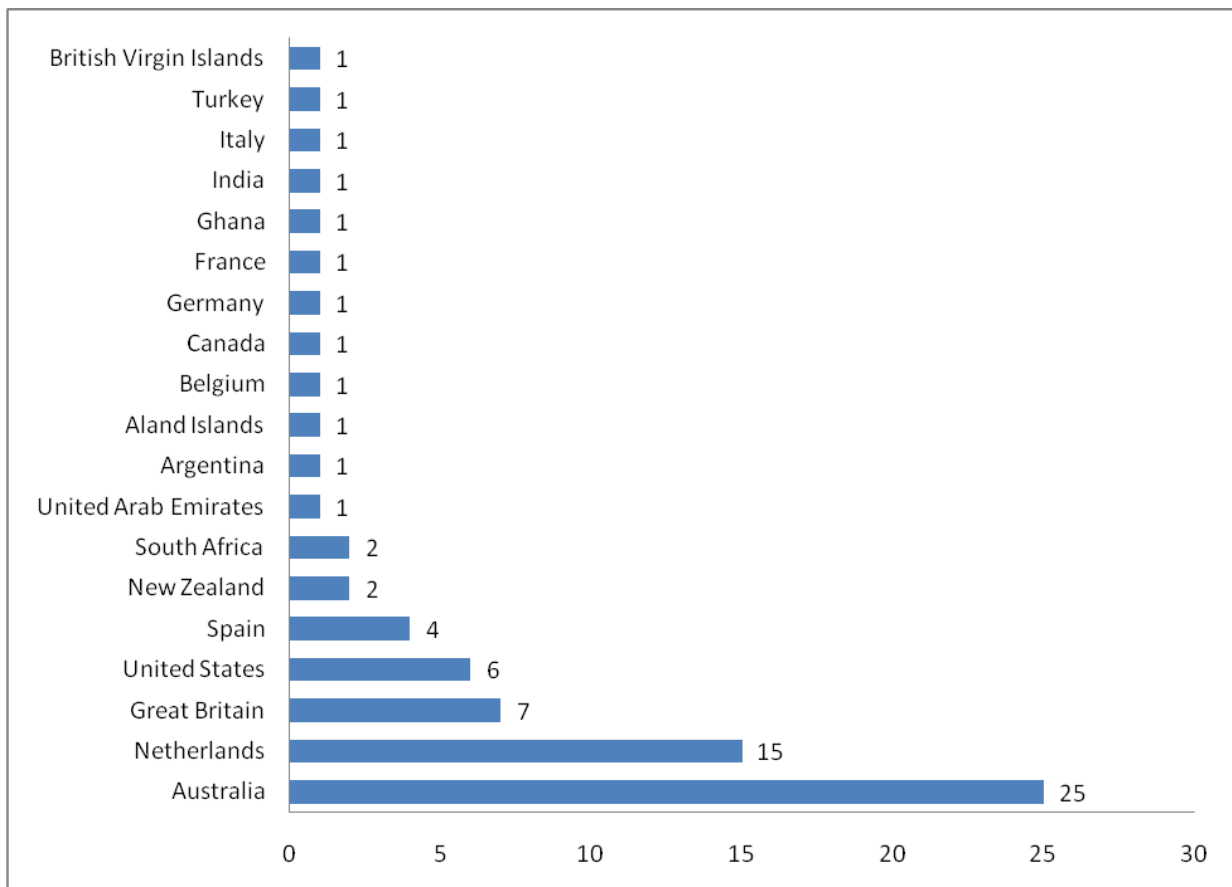
The survey attracted interest from 193 individuals, of whom 146 responded to at least one question and 75 completed all questions. Two others completed a majority of questions, for a completion rate of 52.7%.

Invitations to participate were issued initially to the survey author's mailing list of approximately 1800 contacts, of which approximately 50% are Australian and 50% are widely distributed in all regions of the world. Further invitations were issued via the business networking site LinkedIn, to members of several large discussion groups focused on corporate governance and governance of information technology. Invitations were also provided to members of the international standards working group. All recipients of invitations were encouraged to forward the invitation to their friends and colleagues.

#### 3.1 Nations represented

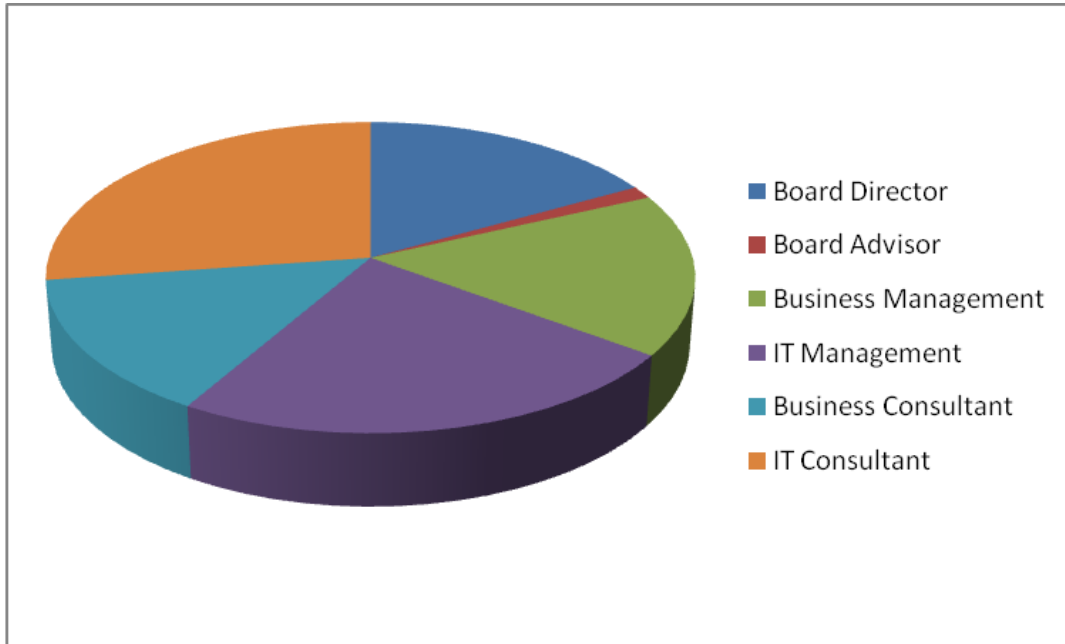
Given that the survey was initiated in Australia it is unsurprising that Australia provided one third of responses.

The volume of responses from Great Britain, United States, Spain and other nations reflect both the broad distribution of contacts in the invitation emails and the global spread of interest in the issues of governing IT. The substantial response from the Netherlands probably reflects the efforts of interested individuals who promoted the survey.

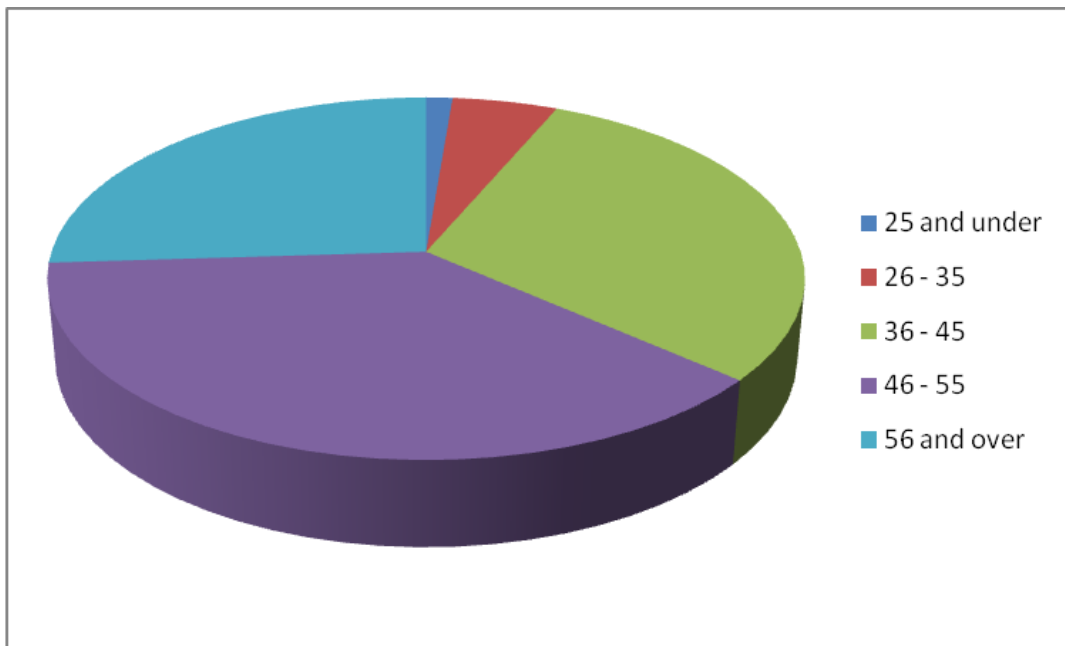


### 3.2 Job Roles and Age distribution

Of 13 directors participating, three were chairs and five more were in non-executive director roles. Directors made up 13% of the complete response group. The survey attracted a 50-50 split of IT and business expertise.



As would be expected from the depth of experience reported above, the survey responses come from a very mature sample of the overall population – 66% of responses came from individuals aged 46 and above. When considered in the context of job roles, education and employment experience, it would seem reasonable to conclude that the respondents are able to speak with some authority..



--- See the full report for more ---

## **4 Current Capabilities and Practices**

The first part of the survey explored the respondents' view of individual organizations with regard to their governance of information technology – looking at their practices, capabilities and success rates. Respondents were asked to select a single organization to describe, from their current or recent experience.

The survey responses have been clustered into these groups for the purposes of ongoing discussion:

- **Board and Executive Engagement**  
Five assertions explore the depth of engagement that the board and executive management have in the processes for governance of information technology.
- **Key Decisions**  
Two assertions look at the role of IT managers and the allocation of responsibility and authority for decisions regarding the use of IT.
- **Management System**  
Four assertions look at the level of formality, conformance to and effectiveness of the organizations' systems for management of IT.
- **Future use of IT – Projects**  
Seven assertions look at the level of success and overall approach to selecting and controlling so-called IT projects – projects that aim to deliver new business capability through exploitation of information technology.
- **Current use of IT – Operations**  
Two assertions look at responsibility for use of and management of the ongoing IT assets that underpin normal business operations.

Overall, the respondents indicate that the organizations they described have relatively low levels of board and executive engagement in their current and future use of information technology. They said that the management systems are inadequate and suffer a considerable level of non-compliance, do not provide sufficient information to enable effective governance of IT, and are not generally effective in assuring efficient, effective and acceptable use of IT.

Only a quarter of organizations described are seen as having a track record of success with their IT projects, which may be due to the weaknesses reported in respect of project scope (omitting essential business design and change elements), poor prioritization which does not always favour the most important projects, ineffective risk management, weak executive engagement in oversight of projects, and an inability to assess projects, including significant weakness in detecting and dealing with failing projects.

From an ongoing operational use perspective, respondents reported that many organizations do not provide their executive with sufficient evidence that ongoing business operations are sustainable in terms of their dependence on reliable IT service. They indicated that few organizations have a sound understanding of the costs, risks, opportunities and value derived from the current portfolio of IT assets.

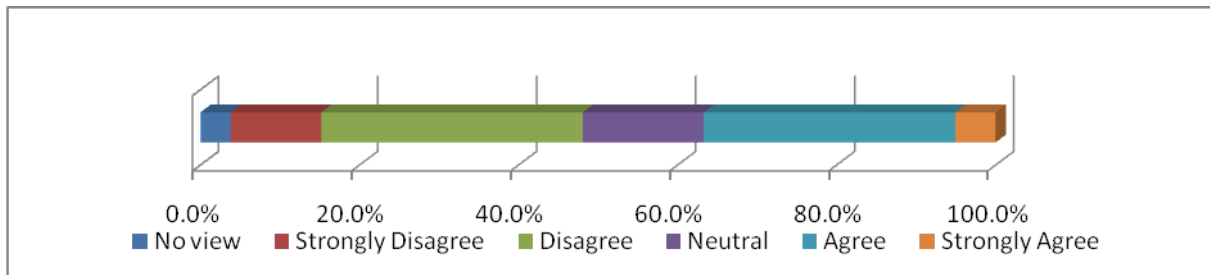
## 4.1 Board and Executive Engagement

### 4.1.1 Oversight of IT

**Survey statement:** *The board of directors has effective oversight and understanding of the company's current and future use of IT.*

**Response Breakdown:**

3	No view	3.8%	12	Neutral	15.2%
9	Strongly Disagree	11.4%	26	Disagree	32.9%
25	Agree	31.6%	4	Strongly Agree	5.1%
79	Total responses				



**Significant Comments:**

- The CEO relies on board for expertise; IT takes a large part of meeting.
- Very informal process with little true governance and or structures.
- Decisions are made by CEO and group management (overseas) with input from CIO and CTO.
- Is driven by key individual's understanding/interpretation of current and future use of IT.
- Limited view - Executive management is where the real activities take place.
- Although the directors were involved in the gateway reviews of a change in IT strategy they frequently failed to attend reviews and got involved in detailed discussions about minor issues, not the overall viability of the programme.

**Discussion:**

Some may be surprised at the proportion of boards that are seen as having effective oversight – especially in the context of success rates discussed a little later in the survey. Notwithstanding, 44% of respondents explicitly believe that their boards do not have effective oversight of IT, and the comments appear to suggest that some cases of board engagement are somewhat dysfunctional.

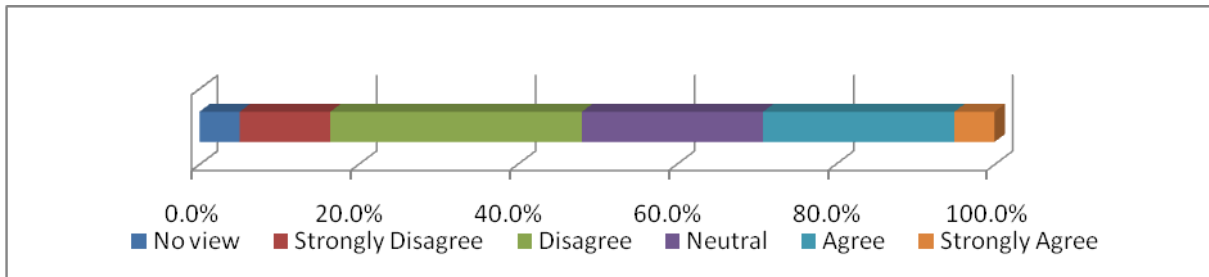


### 4.1.2 Board Skills

**Survey Statement:** *The board of directors has the necessary skills and knowledge to provide oversight of the organization's IT use.*

**Response Breakdown:**

4	No view	5.1%	18	Neutral	22.8%
9	Strongly Disagree	11.4%	25	Disagree	31.6%
19	Agree	24.1%	4	Strongly Agree	5.1%
79	Total responses				



**Significant Comments:**

- There is no common understanding or agreement on what skill is required. Some have too much technical insight and get in the detail and others have no ability to take on board the use of IT for the intent of realizing the business strategy.
- In theory they do, but in practice there is little sign of it and no sign at all of proactive oversight.

**Discussion:**

Although 36.7% of respondents regarded their directors as having effective oversight, only 27.2% believe that the directors have the requisite skills. The large neutral response might indicate a lack of awareness of what skills a director needs in order to deliver effective oversight of IT.

A substantial 43% of respondents do not believe that their directors have the requisite skills. If these respondents include directors, we could interpret that directors are recognising a problem and should be seeking further guidance. On the other hand, if these responses are from non-directors, they may be indicative of a crisis of confidence in the directors in this regard, and a pointer for directors to expand their skills in order to better serve the needs of their stakeholders.

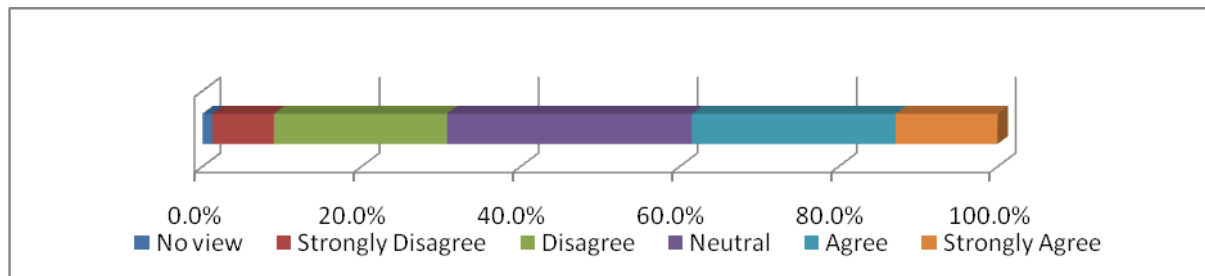
The perception of insufficient skills and knowledge has an interesting correlation to the result discussed in 5.6.3, where only 18.6% of respondents believe that there is adequate guidance available for directors to help them provide effective oversight of IT.

### 4.1.3 Executive Skills

**Survey Statement:** *Executive management has the necessary skills and knowledge to make key business decisions regarding the organization's IT use.*

**Response Breakdown:**

1	No view	1.3%	24	Neutral	30.8%
6	Strongly Disagree	7.7%	17	Disagree	21.8%
20	Agree	25.6%	10	Strongly Agree	12.8%
78	Total responses				



**Significant Comments:**

- Are strongly influenced by CIO
- Executive Management makes business decisions and directs IT to deliver to the requirements.

**Discussion:**

If we regard IT as a tool of business, we should expect business leaders to have the skills and knowledge to make business decisions about how that tool is used. They do this every day in respect of the other resources they wield in order to deliver on the organization's objectives.

Regardless of the level of skill at board level, boards have a right to expect that their executive teams have the skills and knowledge to do their jobs properly. Thus, it is remarkable that the survey respondents regard only 38.4% of executives as being competent to make the key business decisions about use of IT.

For almost a third of business executives, the jury is still out – respondents don't know whether or not they have the requisite skills. At the very least, this means that they have not explicitly demonstrated the skills and a lack of demonstration might be seen as indication that they do not exist. Is it possible that up to 60% of executives do not know enough to make key business decisions about IT?

If boards do not have the skill for oversight of IT, and executive management does not have the skill to make decisions about IT, just who is in control of this key resource?

--- See the full report for more ---

## **5 Views on the Market**

The second part of the survey looked at the respondents perceptions regarding the broader marketplace – how it performs, what it does, and what it values.

Again, survey responses have been clustered for discussion.

- **Views on the Market**  
Four assertions look at the understanding of what governance of IT entails, how important it is, how well it is done, and the value that should accrue from effective governance of IT.
- **Responsibility for Governance**  
Four assertions look at how responsibility is allocated for governance of IT, and the guidance that is available to help them understand and perform their task effectively.
- **Investing in IT**  
Four assertions look at who plans the use of IT, how IT investment decisions are made, how success of IT investments is measured, and who is accountable for delivering the value arising from investment in IT.
- **Operational use of IT**  
Three assertions look at the lifecycle management of IT assets, accountability for effective ongoing use of the IT assets, and oversight of external supply arrangements.
- **Governance Systems**  
Five assertions consider how governance systems interact with management systems, the expertise needed to design and operate effective systems for governance of IT, and the roles of qualification and certification schemes

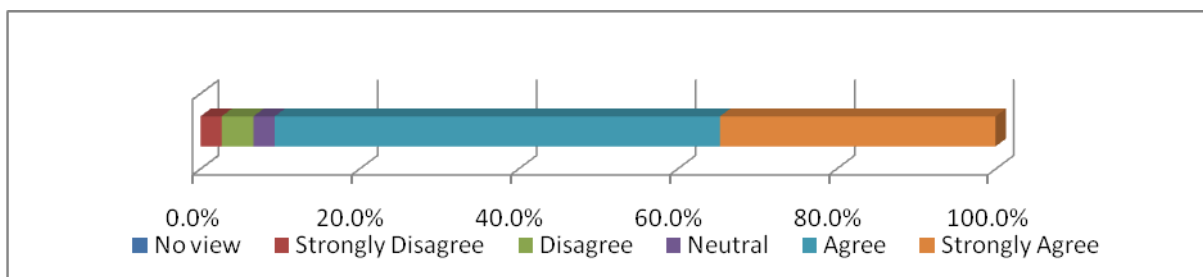
## 5.1 Views on the Market

### 5.2 Governance of IT – Definition

**Survey Statement:** *Governance of IT means evaluating, directing and monitoring the current and proposed future use of IT. It involves overseeing preparation of plans for use of IT, overseeing delivery of business change enabled by IT and overseeing ongoing operational use of IT.*

**Response Breakdown:**

0	No view	0.0%	2	Neutral	2.7%
3	Disagree	4.0%	2	Strongly Disagree	2.7%
42	Agree	56.0%	26	Strongly Agree	34.7%
75	Total Responses				



**Significant Comments:**

- Not sure that I would drill down as far as overseeing ongoing operational uses at this level.
- I disagree with the 'overseeing' I accept responsibility and reporting, and even initial oversight, but I have a CIO that should be overseeing and reporting.
- Governance of IT also, if not foremost, includes evaluating, directing and monitoring the current and proposed future use of information (not just the use of information technology. And next to the use of IT, also the development and delivery of IT.
- Many other equally valid definitions are possible. The best one would probably be "Effective risk/cost/benefit understanding of the IT portfolio as it applied to the companies core businesses"
- Corporate governance of IT or Organizational governance of IT does. Governance of IT is restricted to IT only, which is definitely not enough. It is usually not about use of IT. This might be a matter of the definition of the term that has been used. To me "governance of IT" is too limited. Even Corporate governance of IT should involve (a little) more. It should be about the total information provisioning, not just the IT = the technology part.

**Discussion:**

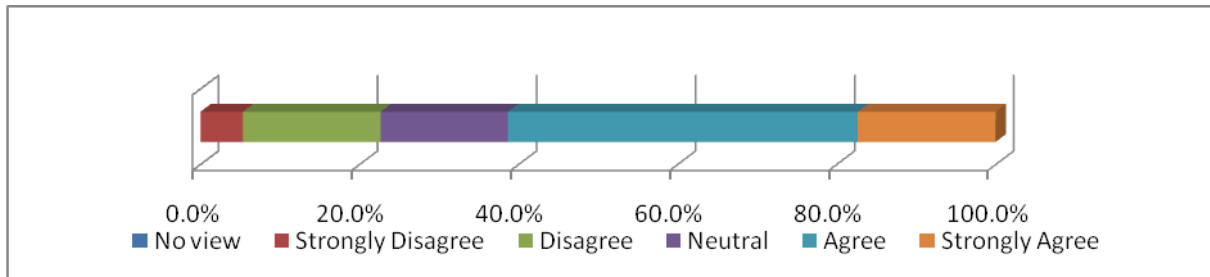
This assertion aimed to test whether respondents have a consistent view of what is meant by governance of IT, by paraphrasing the model for governance of IT in ISO 38500. With more than half agreeing, but not strongly, and a few disagreeing or not offering a view, we should conclude that we do not yet have a clear, universal definition and understanding of what governance of IT means. This conclusion might be reinforced by the way comments argue about the semantics and nuances in the definition.

### 5.2.1 Consequences of Poor Governance

**Survey Statement:** *Most failures in use of IT (in projects and operations) are attributable to poor governance of IT.*

**Response Breakdown:**

0	No view	0.0%	12	Neutral	16.0%
4	Strongly Disagree	5.3%	13	Disagree	17.3%
33	Agree	44.0%	13	Strongly Agree	17.3%
75	Total Responses				



**Significant Comments:**

- I think this statement is a little broad. With the correct viewpoint most items could be described as governance issues. For example there maybe a design flaw which makes a project fail. Rather than design being the reason for failure it could be inappropriate governance by not making sure the correct designer was allocated or appropriate reviews in place.
- External factors are equally as important.
- Often in the earliest stages, when deliverables are being considered. Rather than providing the service, people look for knobs and whistles that remain unused. (How many companies properly share documents centrally stored using the Microsoft products?)
- I would point to poor or in adequate requirements.
- Broadly agree, but there are many instances where other factors are a strong contributory element.
- It contributes to the failure in the use of IT.
- Contributing factor in many however there are others such as poor strategy.
- Difficult to say - this is a bit of a chicken & egg question. Failures are probably attributable to management but if the measurement & controls had been in place, early warnings may have been visible to those governing IT.
- Often the result of poor definition and poor needs analysis
- Management of IT is mostly to blame.
- IT projects, like all projects, more often than not contain the seeds of their own failure or partial / limited success by virtue (sic) of far too optimistic schedules & costing, over-estimation & under-realisation of benefits, innocently / deliberately ignoring the multitude of threats, vulnerabilities, likelihoods, control strengths / weaknesses, residual risks involved.

**Discussion:**

Is lack of effective governance a key cause of failure when IT goes wrong? As Peter Wiell said in the preface to "IT Governance: How Top Performers Manage IT Decision Rights for Superior Results": "... *every organizational issue we discussed in the last year was, in my eyes at least, a governance problem*". One very succinct view of governance is that it involves ensuring that management does its job properly – making sure that the organizations management systems and management personnel are effective and producing acceptable results.

So if we accept the notion that IT failures are the result of management failures, and that management failures continue because of ineffective governance, then we can draw a clear relationship between effective governance and success with use of IT.

In chapter 4 of this report, it became clear that there are significant weaknesses in the management systems of many organisations as described by participants in the survey. Unsurprisingly, the survey also reports that many organizations experience undesirable problems with their use of IT. If it is reasonable to attribute the problems to the weakness in management systems, then surely it is also reasonable to attribute weakness in the management systems to weakness in governance.

More than 60% of survey respondents appear to have made this correlation – agreeing that ineffective governance contributes to problems with IT. But a quarter of respondents disagree – saying that poor governance is not the key. However, the comments suggest that while they do not regard poor governance as the culprit, they do regard weak and ineffective management as the cause. Since effective governance should be overseeing, guiding and directing management, IT failures arising from poor management are also intrinsically outcomes of poor governance.

--- See the full report for more ---