



# The Infonomics IT Governance Letter

## December 2005

Information, news and views on Corporate Governance of  
Information and Communications Technology

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## Welcome to the Infonomics IT Governance Letter

### Seasons Greetings

The season of joy and goodwill is upon us again. As usual, December in Australia involves frantic preparation for the summer, interspersed with the essential pre-Christmas celebrations and winding up of the year's work agenda – for a couple of weeks at least.

For many, including the Infonomics team, it's been an interesting year. We look forward to 2006 keeping us all on our collective toes, and being most prosperous.

We wish all our readers and their loved ones the peace, love and harmony that Christmas symbolises. We trust that your time off, however short, is relaxing and refreshing. We hope that your endeavours in 2006 are fruitful, and that you achieve your goals.

Just like ol' Saint Nick, we've been battling in the Infonomics workshop to get the December projects in on time. We hope that you will forgive us the delay in this edition of "the Letter" and that you will take a little time out over the break to have a good read, and maybe a chuckle as we continue to point out the obvious...

That said, we did think a bit of colour and cheer would be appreciated – so mixed with a few pieces of clip-art, please also enjoy some photos we took with the trusty old-technology camera during a trip through country Victoria earlier in 2005.

And to give you a little more time for your reading, the IT Governance Letter will take a break in January. We aim to publish the next edition in February 2006, and look forward to "seeing" you all then.

Thank you for your interest and support through 2005. We wish all of our friends and customers a joyous and peaceful Christmas, and a safe and prosperous 2006.

Mark Toomey

20 December 2005



### Read On...

To read The IT Governance Letter, select the pieces you want to read from the menu at left. Or just click on the "next" button at the bottom of each page to read from start to finish. We don't expect that you will read the entire letter in a single sitting. Each topic is self contained, so you may find it worthwhile to read a bit now, and come back later. Whichever way you choose to use it - we hope you enjoy it.

And if you'd like to tell us what you think, please click on the feedback button, which is in the panel at left.

If you prefer to print and take away, we've also prepared this portable, printer-friendly version. Please be aware that, for the time being, we don't have the means of putting active hyperlinks into the PDF, so if something says "click", we mean in the web-based version.



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## A Sobering Lesson

Late in November, it was my privilege to deliver an after-dinner perspective on IT Governance to a large group of IT Managers and IT Solution Vendors. The first challenge was how to properly engage the audience in such a dry subject after a fine meal. Observation of behaviours leading up to the dinner gave the clue, and turned out to also deliver us a sobering lesson. I put the audience through a short test – beginning with all standing. People were invited to sit if they had:

- Never exceeded the speed limit while driving;
- Never engaged in a side-conversation during a meeting, conference or presentation;
- Never failed to wear a seatbelt when available, including when travelling on tourist busses;
- Submitted their most recent voluntary survey results on time.

Should we be surprised that after these four tests, most of the audience was still standing? Of course not! Human nature is to take risks and liberties, and to break rules and conventions whenever we think we can get away with it. We rely on others to remind us of proper behaviour, and when caught out, we are often embarrassed.

One way to look at governance is that it provides the discipline of constant reminders of appropriate behaviour, and gives us incentives to do the things we know are important, even if they are tedious and we would prefer to do something else. I strongly believe that one of the major benefits in reporting to a board is in the discipline of preparing the reports and being compelled as we do so to find out exactly what is happening.



How did you perform in this sobering little test? Are you a risk-taker? Do you have the discipline to do what you know is right, even if it is not the most enjoyable option?

In this festive season, Infonomics hopes that you will take the point on board for your social situation over the coming weeks. Will you choose to have one last drink, or will you reduce your risk and avoid it in the interests of a much higher survival chance on the road?

And having survived the Christmas break, we hope that you can apply the message in your business activities as well.



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### Headlines and Contents - December 2005

#### Seasons Greetings **1**

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#### A Sobering Lesson **2**

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#### Australian Customs – Aftermath of a Debacle **5**

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#### Technobabble **15**

Technobabble is what happens when people use technology oriented language, jargon and acronyms in circumstances where some of the people involved in the conversation do not have an in-depth knowledge of the technology. The IT industry is certainly not the only one with acronyms and jargon – but many industries keep their jargon to themselves. Somehow, IT acronyms and jargon escaped into the broader community. Confusion about what the terms mean has been creating chaos ever since.

#### Ongoing Development of Australian Standards **17**

Standards Australia Committee IT-030 governs the development of the family of Australian Standards headed by AS8015: Corporate Governance of Information and Communication Technology. From time to time, members of committees become unable to allocate sufficient time and relinquish their role – creating opportunities for introduction of "new blood".

#### Success Stories **19**

2005 draws to a close with a flurry of ICT projects being delivered. One of significant interest was quite technical in nature, while others reflect business getting on with the effective use of ICT in support of the organisation's goals.

#### IT Does(n't) Matter. **20**

Mary Ann Maxwell's article "He's back!" in The Age on November 18 talks about the profound May 2003 statement of Nicholas Carr, who said "IT doesn't matter" in the May issue of the Harvard Business Review. Carrs assertion, based on the analogy of the railroad, is that there is no sustainable advantage once IT infrastructure is widely available, affordable, and standardised.



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## **Events**

**20**

2006 promises to be a busy year for sharing of ideas and experiences about ICT Governance.

## **Our sponsors**

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Infonomics welcomes sponsorship enquiries. Our monthly IT Governance Letter is evolving in scope and form, and its circulation base. Our readers range from senior members of the company director community, through senior business and IT executives, consultants, project managers and business change agents.



Sunday Creek near Wahgunyah, Victoria, taken from bridge at Pfeiffer Wines. Pic by Mark Toomey.



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### **Australian Customs – Aftermath of a Debacle**

Press barons know - there's nothing like a good disaster to get people interested. The debacle brought about through implementation of the Australian Customs Service Integrated Cargo System Imports Module has continued to rank high in press discussion.

Our treatment of the problem in the November Governance Letter has produced remarkable outcomes for Infonomics. We've been written up in the press several times, and have enjoyed speaking with several journalists about the real importance and nature of IT Governance.

We probably won't know the way forward for Customs until well into the New Year, after current Tax Commissioner Michael Carmody takes the reins. We wish Mr Carmody every success.

But in the meantime, the legal forces are mobilising. It seems inevitable that there will be plenty of litigation as those affected by the disaster attempt to recoup their losses.

And the bottom line on this is that, with losses likely to run into tens and perhaps hundreds of millions, every Australian is a loser, because all that compensation will come out of our taxes.

The clear and obvious lesson from this disaster is that Australian governments need to act to ensure that effective governance is in place that will detect and prevent situations such as this from happening again.

### **What happened next:**

Reports on November 22<sup>nd</sup> said that the infrastructure was insufficient to run the system at full load – and that it was unreliable when working hard. The decision to proceed, viewed in the light of this information, was labelled an "insane risk" by The Australian's Simon Hayes.

On November 23<sup>rd</sup>, Elizabeth Coleman of The Australian reported admissions by Customs CIO Murray Harrison that the system had design flaws. An Emma Connors article in The Australian Financial Review on November 29<sup>th</sup> noted that takes longer to process imports than the one it was meant to replace. This is because the system has much greater functionality, playing key roles in border security as well as in dealing with import duties. The new system was described as "unforgiving when it comes to data quality". On a more positive note, there are suggestions in the article that a more gradual transition of users to the new system is proceeding smoothly, and should be complete by late February.

Underpinning the need for an effective new system, John Breusch (Customs data handling lashed, Australian Financial Review 1<sup>st</sup> December) reports on National Audit Office findings that Customs lacks the processes and data to enable proper monitoring of goods entering the country.

In a further echo of the dramas at RMIT University just a few short years ago, the Australian Financial Review reported on December 7<sup>th</sup> that Customs has been allocated \$100m in additional funding to "avert a financial crisis". According to the article by Emma Connors, at least part of this funding is for completion of the "crisis-ridden CMR project".

The economic impact of the port problems has become significant enough for it to be listed as a fiscal risk in Treasury's Mid-Year Economic and Fiscal Outlook paper, according to Selina Mitchell in her article "Cargo system a budget risk" in The Australian of December 15<sup>th</sup>. The extent of impact remains unquantified, but must be at least \$20 million in one year, or \$40 million in the forward estimates period to be included in the Treasury report.

### **Looking ahead**

We probably won't know the way forward for Customs until well into the new year, after current Tax Commissioner Michael Carmody takes the reins. We wish Mr Carmody every success.

Infonomics believes, and many who have contacted us concur, that the highest levels of IT Governance failed at Customs. We believe that before any major corrective steps are taken at the system level, Mr Carmody should identify the weaknesses in IT Governance and put in place the essential top level control that will prioritise and direct corrective action to the greatest benefit.



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And with effective governance in place, we believe that ICS and CMR need to be thoroughly reviewed, to ensure that the program of change is:

- Focused on appropriate, well defined and meaningful **objectives**;
- Able to deliver relevant and meaningful **value** to the nation;
- Is being delivered using a comprehensive **approach** that delivers all facets of change, both technical and non-technical;
- Able to be measured in terms of its **performance** throughout the delivery phase and right through its operational life;
- Identifying and managing the **risk** factors that could cause failure in respect of its objectives.

### Questions of Compensation

But in the meantime, the legal forces are mobilising. It seems inevitable that there will be plenty of litigation as those affected by the disaster attempt to recoup their losses. The Australian, maintaining its strong pursuit of the problems, reported that high profile law firms are investigating class actions.

Early offers of compensation appear to be limited to extra storage charges. These are the tip of the iceberg. Some imports would have spoiled before they were cleared. Others would have been too late for their intended purpose. Retail goods meant to be on the shelves for Christmas may have missed their opportunity, and may well turn up in auction houses in weeks to come. Small importers may have taken sufficient cash-flow damage that they will not recover. We won't be surprised to see bankruptcies emerging as a consequence.

### Scope of impact

Early discussion of compensation cites loss of profits, stress and overtime. But in our heavily connected and networked economy, there are many wider areas of impact. For example, a friend of Infonomics who commutes past the Melbourne Port complains that the backlog has generated traffic jams, significantly increasing commute times. She cops extra costs for fuel, and she and her employer lose productive time.

Whether the Integrated Cargo System has cost \$200m or \$250m, this is probably a drop in the ocean compared to the real cost and economic impact of the debacle on all of Australia. We think it would be a fascinating PhD assignment to explore and model the impact.

And the bottom line on this is that, with losses likely to run into tens and perhaps hundreds of millions, every Australian is a loser, because all that compensation will come out of our taxes.

### Can we do better?

The clear and obvious lesson from this disaster is that Australian governments need to act to ensure that effective governance is in place that will detect and prevent situations such as this from happening again. We understand that the Gateway Process has now been mandated for Federal IT investments over \$10m. Will this be enough? We hope that a comprehensive review of IT Governance at the Australian Customs Service will give us a basis for answering this question.

### The Press discovers Infonomics and AS8015

Our treatment of the Customs problem in the November Governance Letter has produced remarkable outcomes for Infonomics. We've been written up in the press several times, and have enjoyed speaking with several journalists about the real importance and nature of IT Governance.

What's important is that the journalists are signing on to the importance of IT Governance – and not the window-dressing type that does little to deal with human weakness – the major cause of IT projects failing.



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Graeme Philipson opened the account on November 20<sup>th</sup> with his piece in The Age and Sydney Morning Herald titled "Cargo cult dooms project to failure". He quoted heavily from our November discussion, and lamented that "big IT projects turn otherwise intelligent humans into incompetent nincompoops".

Sue Bushell took the opportunity to head the November 29<sup>th</sup> issue of the weekly CIO Government newsletter, with more direct quotes from our discussion. In "Customs failure 'A catastrophe' of IT Governance", she emphasised the importance of making haste slowly, and ensuring that the IT Governance is right before major changes are made to recover the value of the investment. Sue gives prominence to the role of AS8015 as a key contemporary guide for getting Customs IT Governance right.

On December 6<sup>th</sup>, Simon Hayes in The Australian suggested that the real cause of the premature deployment of the system was political pressure. In the lead-up to his article, we spoke with Simon for some time, exploring common factors in major projects, such as the tendency of organisations to focus heavily on the technology and give insufficient time to the other aspects of change – particularly the preparation of the people involved in the change. We explained "The Jim Syndrome" which comes from the observation that many of the people pensioned off during the IT downsizing exercises of 2000/2001 have invested in small businesses, such as "Jim's Mowing" and "Jim's Dog Wash". These "Jims" have discovered the simple pleasures of a low stress lifestyle and won't be coming back to IT now, or ever. As a result, the major projects of the last half of this decade are likely to be run by people who know very little about what goes wrong, or how to fix it when it does happen.

Two international experts in IT Governance have also picked up the story. UK Expert Alan Calder gave us a mention in his [blog](#) in the December 1<sup>st</sup> entry entitled "IT governance is mission critical".

Internationally sought-after management consultant John Thorp added a mention on December 6<sup>th</sup>, on the front page of [www.thorpnets.com](http://www.thorpnets.com).

Expect to see more discussion of IT Governance in forthcoming journals. We have high hopes for a strong treatment of the matter by Kath Walters in a forthcoming issue of BRW.

### **Your say**

Our discussion of Customs got the keyboards clicking and the phones ringing. Here's a selection of what our readers said:

#### **Richard from New South Wales:**

Applications by local students to attend Sydney University (and other universities) have been handled by the Universities Admission Centre for years. Applications by international students at USYD had been processed by a bespoke system for 15 years, with details relevant to his [future](#) administration of the one in ten who actually accept places being exported to the University's administration system at the beginning of each semester. The bespoke system was very receptive to change because the lines of communication were very short and only one master ("faculty") had to be served. All the work could be done by one long serving part-timer: me. It was a minor upgrade away from running on the latest hardware/operating system and version of its underlying database engine.

Within the last year at great cost, the application processing task, for international applicants only, has been added to the main student administration system. Local students are still processed by UAC. This project required multiple programmers working on the task and a loss of functionality to the International Office staff.

If anything, an Admission Centre for International applicants should have been investigated rather than merging the application phase into the current student administration program, although the competitive marketing of the individual universities may have prevented that course being followed.

All of this is by way of background to my interest in IT Governance; most of the pointers to bad practice were present in this case. Meanwhile state schools in NSW continue to be administered by a character based system that is nearly 20 years old. Money has been set aside for an upgrade/re-engineer. Do I sense disaster and lost opportunities when many people in Head Office don't have a teaching background?



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I look forward to catching up on your newsletter archives. When it comes to pdfs, can I suggest you format them in landscape and use 3 to 4 columns for easier on screen reading?

*Richard: Thanks for your thoughts on PDFs. We'll look at this for next year. We hope that you can influence the schools project to ensure proper engagement of the stakeholders.*

### **Kevin from Victoria:**

It's interesting - I'm working at a food exporter coy at present doing a BCP and one of their greatest sources of disruption is the Customs debacle. They all tell me the impact it is having on their business and of course it is real. Just interesting to hear it directly.

### **Stephen from a major bank:**

Thanks for the newsletter. It is shaping up well. It is informative. It is providing some thought provoking views.

An observation on, "**Australia's worst-ever IT Project Failure**": Why will the damage be "terminal"? Is this a bad pun or should I be applying for a Green Card now?

*Thanks for pointing out the unintended pun Stephen. Of course, we meant that some (probably small) importers affected by this debacle may not survive the damage to their cash-flow, and will end up on the corporate scrap-heap.*

### **Ray from Victoria:**

Your story on the Customs debacle is outstanding.

### **Malcolm from Singapore:**

I'm Asia Pacific Product Director for a software company which offers an IT Governance solution and as such for the last few months I've been working my way around the various ITG and PPM stuff I could find on the web, trying to filter out the rubbish and make it available for our internal folks to try and get them up to speed as quickly as possible. I eventually came across your newsletter via the press around the customs debacle, and I have to say it was one of the best I've found for getting the point of governance across. Thanks very much, I hope you've had a few of our people subscribing.

Incidentally, I've just finished an interview with a journo here in Singapore around IT Governance, with a specific bent towards Public Sector and Government. He wasn't on top of the customs issues, so I've pointed him at your article.

*Malcolm – thanks for the additional promotion.*

### **Alex in Perth:**

I am involved in the IT Audit area, providing services to mainly the govt sector in Perth. I came across your report and concur with your opinion.

### **Zac – who works in international trade:**

Please, place me on your mailing list. Great read. Congratulations

### **An anonymous source:**

I ran into a former ex-Canberra colleague in town today – she has close links with people working on the Cargo project. She informed me Customs have had numerous reviews up there already. She estimated the losses at \$25b, which I did not substantiate.

*If we think about the chain of impacts, it's not too difficult to imagine the total cost to the economy of the CMR problems rising into the billions, though many elements of cost will never be quantified.*





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### **A Canberra based consultant:**

I had just distributed your excellent summary of the Cargo project to some Business Transformation and Change colleagues and then ran across this in the Govt ICT Market Newsletter (The Medium).... absolutely hilarious!!! I highlighted some of my favourite bits....

#### **Customs Cargo Management Re-engineering**

Murray Harrison, Customs CIO, has praised the Cargo Management Re-engineering team, describing them as extraordinary and saying "If you can create that sort of team and get that kind of commitment to the task, you can achieve anything".

Speaking at the AIIA Canberra Managers' Forum on 3 November, Mr. Harrison said people had worked through the night on recent implementation problems with CMR because of the sense of engagement developed by the team. "When the pressure went on, that's where we got the benefit of the attitude," he said.

The project brought together 15 key vendors, including Computer Associates with KAZ/Iocore for the CMR software, IBM and Cybertrust for the gateway technologies and EDS for infrastructure. The team adopted partnership principles derived from the Japanese auto industry, which broke down barriers and provided a "one-team" approach.

Mr. Harrison told the Forum that he could have predicted implementation problems with such a complex system, but not the media reaction. He said there had been a compounding effect from initial problems which had in turn clogged the helpdesk, and a "bit of a panic reaction". However, he defended the system, saying "the software is doing what it is supposed to", with many of the issues arising from lack of industry preparedness for the new system and the setting of higher data quality standards.

CMR is a particularly complex application because it integrates both a number of Customs backend systems and parts of the import/export supply chain. Its vital statistics include:

- 16,529 business rules
- 23,000 function points
- 799 screens
- 70 EDIFACT business messages
- 400 database tables
- 35 external interfaces
- 91 reports
- 55 batch jobs

The system connects to a number of other agencies, including AQIS, ATO, ABS and Defence, as well as to the import/export business community, through web and EDI channels.

Mr. Harrison described the integration required to bring both the government and commercial operations into a single process as "really, really hard". The project required extensive engagement with private sector software developers who provide the commercial systems, including daily contact with key players in the final 3-4 months of the project.

Mr. Harrison said that the project had taken Customs to the world forefront of electronic processing and was currently "the most important e-government activity by miles" through its integration with other agencies. However, he also told the industry audience "There's no shortage of stuff we have to do. There's always the next project."

*Previously, we've run discussions on "technobabble", and we will continue to do so from time to time (there's more in this edition). While we weren't there and can't comment directly, it appears that Mr Harrison's speech to the AIIA was littered with technobabble.*

*We sincerely hope that "the next project" will exhibit much more effective corporate governance from the outset.*



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### **Grant – who once worked on the Customs project:**

A fascinating read that deserves a much broader treatment to underline the failures that were originally built in and institutionalized throughout the project.

### **Gareth – a top-level management consultant:**

I'm afraid I can't give you any work because I believe you are trying to push water uphill with a fork!!! against the raging torrent of unenlightened self-interest.

These IT projects are never less than utter madness esp. in the public sector. How long will it take the poor old tax-payer to recoup the 250 million wasted at customs - for ever because no-one will ever know. At least in the private sector software has to be on the balance sheet (if the CFO has got the guts to do it) so that the shareholders can see the extent of the folly.

We did some work a few years ago to help a senior executive in a federal agency deal with the implications of her predecessor throwing away the IT budget on a pointless SAP implementation. We had a great deal of difficulty establishing where value was to be derived from IT investment as nobody knew what the organisation was supposed to be doing !!!

*Gareth – it may be a fork, but if we get enough forks we can at least stem the tide. Given recent research that shows only small percentages of IT projects deliver all the results forecast in their business case, it's not too hard to imagine that if we can turn the tide just a little, we will have achieved profound results and will be building a compelling case. This era of increased scrutiny provides a good climate for management and boards to recognise that good governance of IT is essential.*



White cockatoos flock in a gum tree near Wahgunyah, Victoria. Pic by Mark Toomey.



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## Self-assessment results

We've done two sessions on AS8015 since the last newsletter – one with the IT Heads from Victorian TAFE colleges, and one with the IT Quality group of the Australian Computer Society in Melbourne.

In all AS8015 briefings, participants are invited to complete the Infonomics 12 point IT Governance Indicators survey. The 12 indicators reflect behaviour and performance of an organisation and its senior management. Participants rank 12 assertions:

- G1 Governance system: You have a system for governance of ICT.
- G2 Management compliance: Everybody understands and complies.
- G3 Effective protection: It protects you from ICT failures in operations and projects.
- G4 Inform & engage: It keeps management and directors properly informed of ICT status.
- G5 Dependence understood: Ongoing business dependence on ICT is well understood.
- G6 Continuity & sustainability: ICT adequately protects business continuity and sustainability.
- G7 Business alignment: ICT capability matches business needs and forward plans.
- G8 Resource allocation: ICT resource allocation matches the needs of the organisation.
- G9 Business innovation: Use of ICT balances business innovation against risk.
- G10 Investment value: ICT investments deliver results as per a formal business case.
- G11 Deployment capability: Demonstrated capability to deploy ICT initiatives matches aspiration.
- G12 Acceptable risk: The business risk of serious ICT failure is understood and managed.

The ranking uses a simple scale that corresponds to colours on the charts that follow:

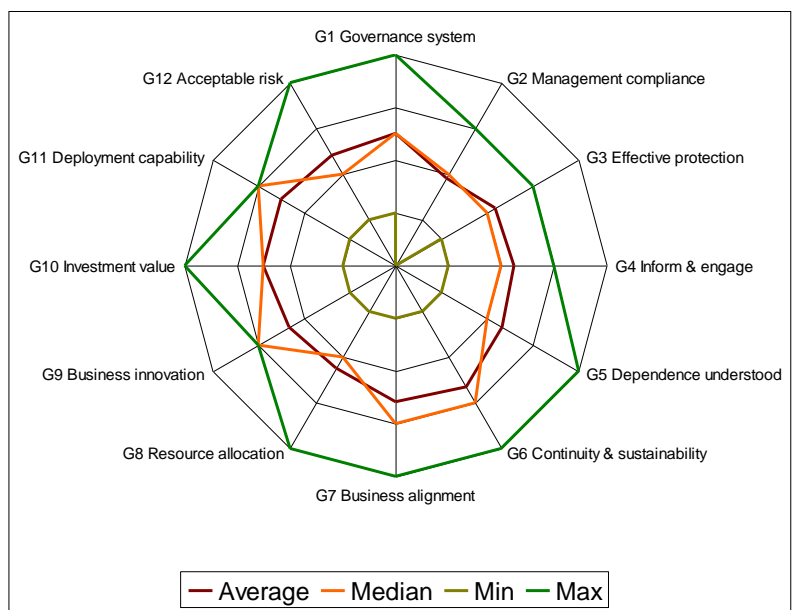
- 4 - ■ "Absolutely!" (Very well).
- 3 - ■ "Yes..." (Reasonably well)
- 2 - ■ "Sort of" (A little)
- 1 - ■ "No" (Definitely not)
- 0 - ■ "huh?" (The organisation does not understand this concept)

## TAFE Technology managers see room for improvement!

The annual Information Technology Systems and Services Association (ITSSA) conference brings together the ICT leaders of Victoria's TAFE colleges, for a comprehensive update on the evolution, application and management of technology in a tertiary education context. The three day conference in 2005 attracted more than 130 delegates, who focused their activities around the theme of "Information Governance – the risks for education". Ten institutions and two vendors submitted their results for the 12 point diagnostic (one TAFE – identified as T6 – submitted responses from two people). This paper presents a brief discussion of the results from the survey, and contrasts the TAFE sector with other private sector organisations surveyed during 2005.

On the zero to four scale, the ITSSA IT managers generally ranked their organisation's IT Governance performance in the 2 – 3 range. They see some compliance with the assertions, but on average, there was room for improvement before a consistent "yes" standard could be claimed.

Recent research by world-renowned Australian academic Peter Weill confirms a link between the extent of management awareness of and compliance with the organisation's system of IT Governance, the organisation's success with the use of ICT, and bottom line business performance. In common with most prior surveys, the TAFE results suggest that





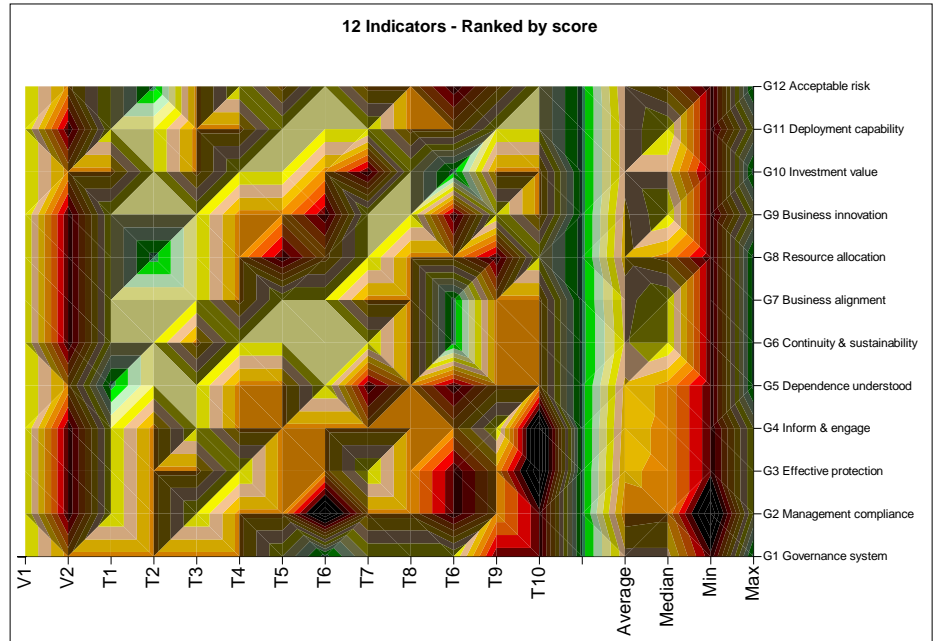
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management outside the IT team is probably less well engaged and less likely to comply with the IT Governance processes (G2). Accordingly, business managers may lack adequate information about the use of ICT and awareness of projects and operations status (G4).

The responses map at right ranks performance from best (left) to worst (right), with the two vendor responses separated from the TAFE responses. Its design provides a 3 dimensional profile where lower scores appear as peaks and ridges, while strong scores appear as valleys. These patterns reinforce the observations above, with clear "ridge" lines highlighting weaknesses around management compliance (G2), informing and engaging (G4), and understanding of dependence on IT (G5).



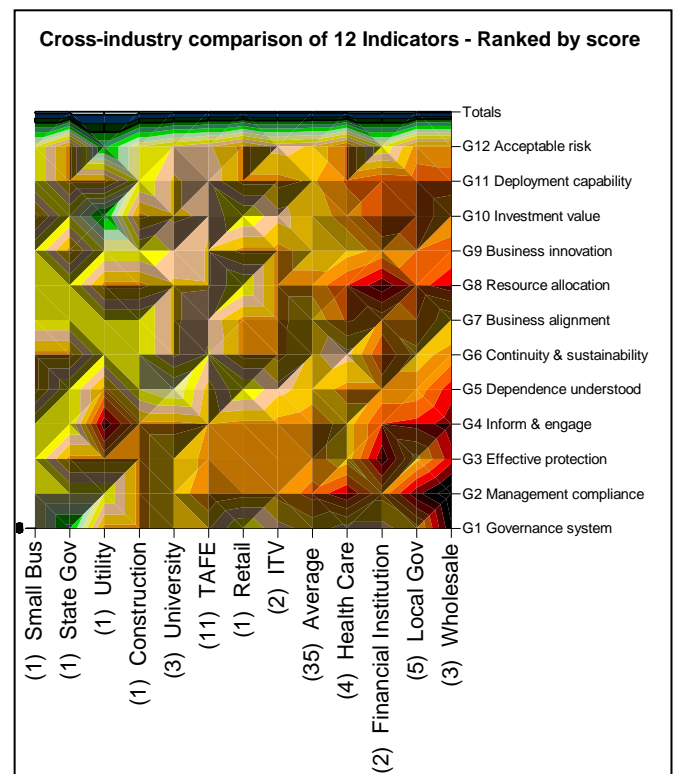
The chart clearly indicates that one of the two vendors has work to do, and that there may be an opportunity to transfer expertise between TAFE institutions.

## The TAFE Sector has good potential.

Since the release of AS8015 in January 2005, Infonomics has conducted several surveys similar to the one at the ITSSA conference. While not at this stage statistically rigorous, the data gathered gives us some idea of whether there is a performance difference across various industry sectors.

At this stage, it must be recognised that the TAFE sector, with 10 institutions represented, is the largest sample and several sectors are represented by one or two organisations only. Further, the respondents in the surveys tend to be from different interest groups, and this may create some bias. In general, our experience is that IT people tend to score more positively than people in business roles.

It is clear that the TAFE sector is consistent with the average indicators across all industries, and that the themes of management compliance with the governance system (G2), protection against failure (G3), and being informed and engaged (G4) are widespread issues. Concerns with deployment capability (G11) appear to be less significant for TAFE, as do broad issues with business alignment (G7), business innovation (G9) and resource allocation (G8). These results may reflect a stronger appreciation by TAFE IT leaders of the needs of their organisations, with intrinsically better business alignment and investment allocation. It may be that the TAFE IT leaders are delivering strong leadership to their organisations, but perhaps at the expense of some engagement in the line business and some weakness in return on investment.





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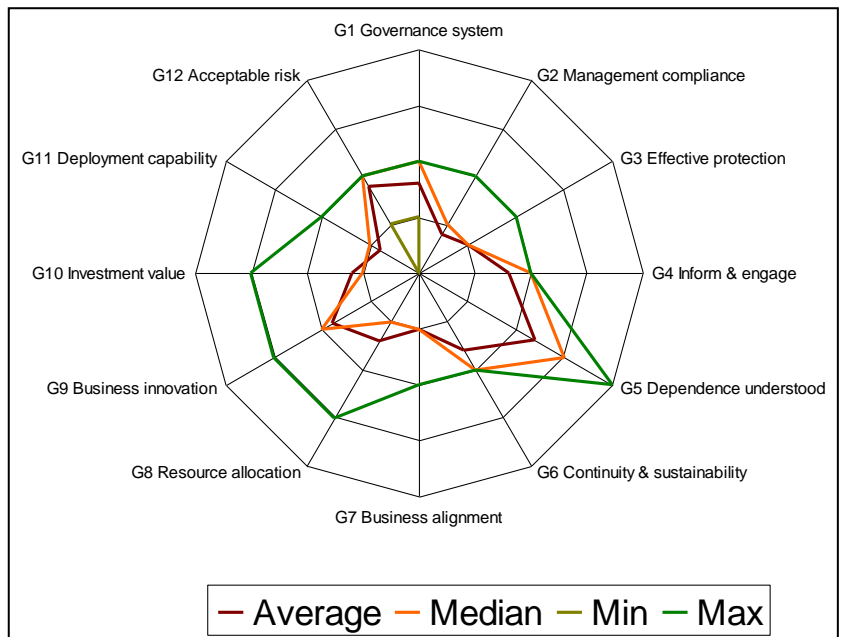
## The most surprising results we've ever seen

In the final AS8015 briefing for 2005, more than 20 Australian Computer Society members participated in the session for IT Security Special Interest Group at the Tea House on December 5<sup>th</sup>.

As always, delegates were invited to complete the Infonomics 12 point IT Governance Indicators survey. Only five responded, and they provided the most intriguing results collected all year.

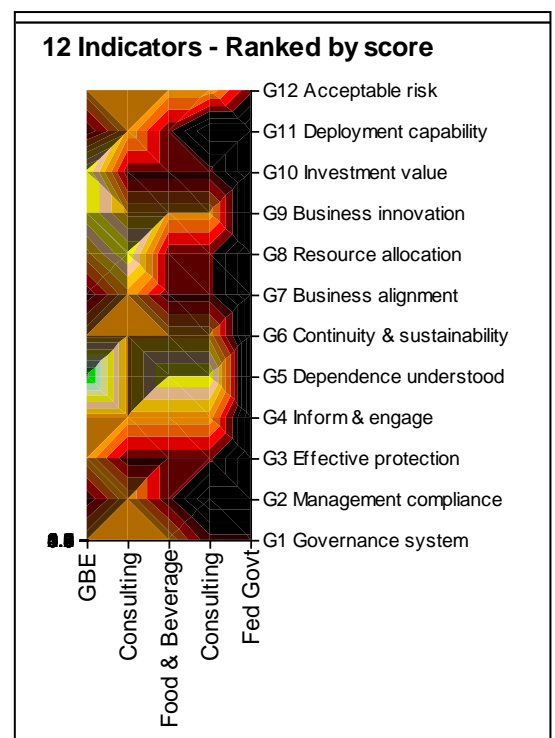
## Nobody was happy!

With only five responses, it might be difficult to draw too many conclusions. But one observation that can be made clearly is that with a highest aggregate of 23, all five responses averaged less than 2 out of 4. That is – a “sort of” alignment with the expected outcomes of good ICT Governance. One response scored every assertion at zero, except G1 and G12 – which scored a definite 1. This individual clearly thought that the organisation has no concept of governance – a situation we all hope would not exist, but which we all know exists all too often. What is perhaps more interesting is that removing this very unusual response makes little difference to the overall response patterns. It shifts the averages up slightly, and in a couple of areas lifts the minimum to 1, and the median to the next higher level. But it doesn't change the fact that the respondents generally felt that their organisations have a fair idea of their dependence on IT, but little concept of how to manage that dependence and protect the business from failures in ICT investments and operations.



The detailed response chart at right presents the scores, from highest at left to lowest at right. Only one organisation – the GBE (Government Business Enterprise) is ranked as clearly understanding its dependence on ICT. At best, the system of governance for ICT was ranked as basic, so it is not surprising that management was not considered to be complying with it. Most considered that the lack of governance meant that there is little protection against things going wrong. The weak governance also means that executives and directors are not well informed about the status of ICT.

Understanding the dependence does not seem to translate into any action. Protection for business continuity and stability is weak, and alignment of ICT to business virtually non-existent. Only one organisation has anything like enough resources allocated to ICT. It is perhaps unsurprising in this environment that the demand for business innovation is not seen as being well balanced against risk. Again one organisation gets results as defined in a business case, though they could do better. The others all said clearly that results do not correspond to business





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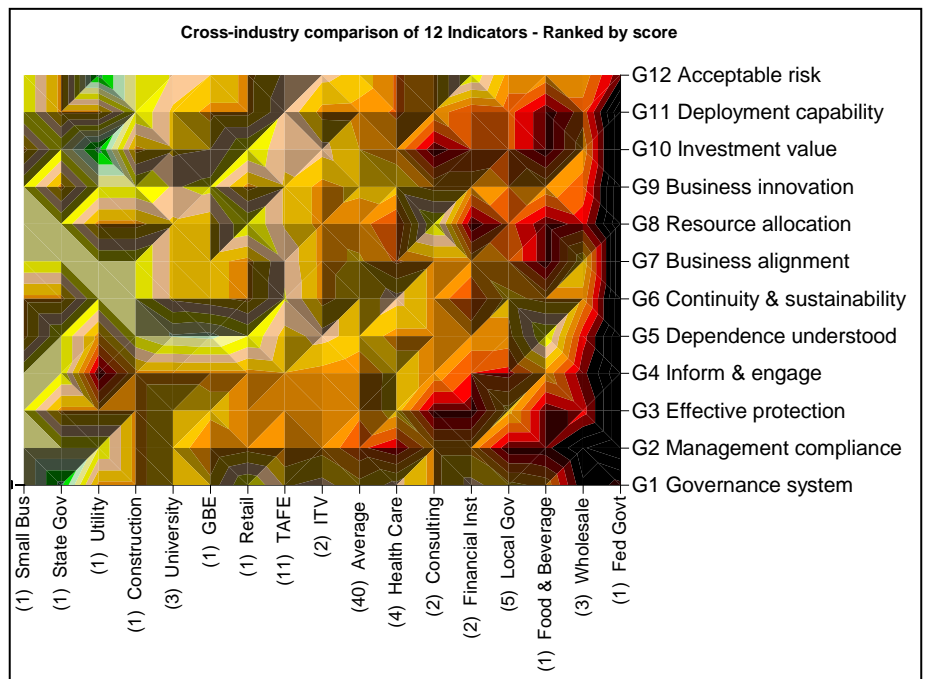
cases – though we don't know if this reflects a lack of business cases, or a problem with results delivered.

Two organisations appear to have trouble with the concept of deploying an ICT solution into production, and two plainly said that they don't have adequate capability to do so.

Given these results, it is hardly surprising that most respondents said that their organisations do not have a good understanding and effective management of the risk of failure in ICT.

## Broad patterns are emerging

Since the release of AS8015 in January 2005, Infonomics has conducted several surveys similar to the one at the ACS briefing. While not at this stage statistically rigorous, the data gathered gives us some idea of whether there is a performance difference across various industry sectors. Clear ridge lines at G2, G4, G5, G8 G 11 give some immediate indicators of where widespread improvement is indicated. With 40 surveys now collected, we see that 22 organisations are ranked above the average, and 18 below. But the average score is quite low – an aggregate of 25 out of 48, with individual indicators hovering between 1.6 and 2.3. In reality, any score below 36 should be considered unacceptable, and even then some indicators may not be showing satisfactory performance. To date, no survey response has achieved this target.



## What is your situation?

Few organisations can claim persistent long term success with ICT – and poor governance is a hallmark of failures. If you honestly assess your organisation with the 12 indicators, where will you rank? If you can't score a solid 36 of the possible 48 points, you may have an unacceptable risk, and you should consider a more formal assessment of your IT Governance performance.



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### Technobabble

Technobabble is what happens when people use technology oriented language, jargon and acronyms in circumstances where some of the people involved in the conversation do not have an in-depth knowledge of the technology. The IT industry is not the only one with acronyms and jargon – but many industries keep their jargon to themselves. Somehow, IT acronyms and jargon escaped into the broader community. Confusion about what the terms mean has been creating chaos ever since.

When IT people speak in tongues, they assume their listeners will understand. But there is fault on both sides – when users speak in IT language, they frequently get it wrong, and convey the wrong impressions.

One form of babble is the use of “Three Letter Acronyms”, or TLAs, such as CRM, ERP, B2B, B2C, and so on. While each of these acronyms does have a specific meaning, that meaning can often be trivialised by the use of the acronym. With only a little tongue in cheek, we generally advise directors to treat three letter acronyms with suspicion. In too many cases, we’ve found them to be code-words for massive business change underpinned by some new technology. In too many of these situations, the message about business change is lost in the focus on the technology, and the projects fail.

Complementing the acronym babble is the presentation of endless, meaningless statistics. To the technician, measurements in gigabytes, megahertz, function points and megabits per second may be useful and relevant. But it’s a bit like an automotive engineer knowing the rate at which coolant is pumped through the engine – when all the vehicle driver needs to know is whether it is at the correct operating temperature. Business leaders need to know whether there are enough resources to deliver the expected business load, and when a change in resource capacity will be required.

A third form of technobabble is the sort of double-speak that is sometimes used to explain the status of ICT projects. An old favourite is in an Australian Financial Review article of September 2002, which discusses a large organisation’s CRM (there’s another of those TLAs) project that had begun more than two and a half years earlier. The article quotes a senior IT manager from the organisation:

#### **What a senior manager said:**

- Currently we’re tracking to this year’s business plan. We are essentially on schedule for the rest of the year.
- If there is a gap it would be around what people expected from the original business plan
- One area where we are behind is with the call centres. There have been some issues in one of the dependent projects (to do with communications infrastructure). We are a bit behind schedule but we are going to be able to catch it up in the next three months. (We) will get the affected call centre components ... back on track by shortening the amount of time allowed to bed in the software.
- (The time taken to implement the project is) not a problem for us. Our build is very rich and it is also very integrated. If you were looking at CRM as stand-alone components comments about components being outmoded could be true.

#### **A (some might say cynical) translation**

- We replan the project every year, and that gets us out of trouble with overruns.
- What we set out to do was too ambitious, so we reduced scope and functionality.
- We didn’t have full control over all the activities needed to make our project successful. But, we can make up for lost time by reducing the allocation for testing the system. There may be some disruption as we sort out problems after the system has gone live.
- Faced with a choice between simplicity and complexity, we have gone for as much customisation and complexity as possible. Because of this, it will be very complicated and expensive for us to keep up to date with new releases from the vendor, and there should be people working on support and upgrades forever.



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Effective governance depends critically on clear communication. Technobabble clouds communication and may lead to poor judgement. It's essential that efforts are made continuously to eliminate technobabble from communication about how organisations use and deliver ICT in support. And remember – it's not just IT people who use technobabble. Frequently, non IT people fall into the trap of trying to use the specialist's language, and they sometimes do so incorrectly. Whenever directors and business executives experience technical language and jargon, and the meaning is not absolutely clear, they should ask questions to ensure that they do know exactly what is happening.



A young possum caught in daylight in Rutherglen, Victoria. This is probably how many project managers feel when governance of ICT is not up to scratch! Pic by Mark Toomey.





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### Ongoing Development of Australian Standards

#### Opportunity to participate

Standards Australia Committee IT-030 governs the development of the family of Australian Standards headed by AS8015: Corporate Governance of Information and Communication Technology. The development work is conducted by five subcommittees:

- IT-030-01 develops and supports AS8015;
- IT-030-02 is developing AS8016, which focuses on governance of projects that include ICT;
- IT-030-03 acts as a focal point for development of handbooks in support of the AS8015 family of standards;
- IT-030-04 is to develop a standard which will guide organisations in developing contracts relating to the acquisition and supply of ICT products and services;
- IT-030-05 is developing AS8017, which deals with governance of operations that use ICT. It also manages AS8018: ICT Service Management, which is the Australian adaptation of BS15000.

Participation in the committees and subcommittees is voluntary. At the committee level, members are sponsored by interested organisations. At the subcommittee level, no formal sponsorship is required, and membership is open to interested individuals, who form a team to develop and evolve the standard.

A key role in each subcommittee is that of the chair. The chair provides leadership to the subcommittee, and takes on responsibility for driving outcomes from the group. To ensure good governance and liaison, the chair of each subcommittee becomes an ex-officio member of the main committee, and reports to it on a regular basis.

From time to time, members of committees become unable to allocate sufficient time and relinquish their role – creating opportunities for introduction of “new blood”.

At the present time, subcommittees 3, 4 and 5 are all in need of new members, and particularly in need of new chairs. People interested in participating in this important work should contact:

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Projects Manager, Communications, IT & e-Commerce  
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GPO Box 476 Sydney NSW 2001  
P: +61 2 8206 6671  
F: +61 2 8206 6021  
E: [andrew.mckay@standards.org.au](mailto:andrew.mckay@standards.org.au)

When considering your interest, please remember that these are non-technical standards, for which the target audience is principally the directors and senior officers of organisations, and their advisors. It is therefore not essential that contributors have specific technical skills. Broad experience in top level management roles would probably be an advantage.

#### ISO Publishes IT Service Management Standard

Many organisations are aware of, or using the ITIL (Information Technology Infrastructure Library) framework to help them ensure that their delivery of IT services is properly managed.

ITIL originated in the United Kingdom, and was formalised, with some modifications, in BS15000. This British Standard achieved strong global recognition, and some organisations have invested in attaining formal certification of their IT service management. BS15000 was the model for AS8018, which was released during 2004. AS8018 is identical to BS15000, except for an expansion of scope to make it applicable to external providers of ICT service, as well as in-house arrangements.



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Global interest in BS15000 has driven a process of internationalisation, which climaxed recently in the release of ISO 20000. Like AS8018, ISO 20000 is based on BS15000, with modifications to suit its context as an international standard. To foster adoption of ISO 20000, the British Standards Institute (BSI) is withdrawing BS15000, and realigning the certification program to ISO 20000.

The Standards Australia response to ISO 20000 is now being considered. The governing committee, IT-030, with support of the development subcommittee IT-030-05, will decide whether to retain AS8018 in its current form, or to realign it to ISO 20000. A key step in this process is to acquire a clear understanding of the differences between BS15000 and ISO 20000.

### **Development of AS8016**

At its final meeting of 2005, Standards Australia Committee IT-030 considered the latest draft of AS8016, and provided further guidance to the developing subcommittee. Subject to the availability of contributors, it is anticipated that a public draft of AS8016 will be issued for public comment during the first quarter of 2006.



Autumn tones at Whitfield in the upper King River Valley, Victoria.

Pic by Mark Toomey.



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### Success Stories

2005 draws to a close with a flurry of ICT projects being delivered. One of significant interest was quite technical in nature, while others reflect business getting on with the effective use of ICT in support of the organisation's goals.

#### Qantas data centre relocation

For some 40 years, Qantas has run its main systems in a bunker deep beneath the city of Sydney. Changing conditions meant that it was appropriate to relocate them to a managed facility in the outer suburbs. The relocation task was immense, with several mainframe computers and about 300 servers to be relocated. The mainframes "carry many thousands of links to other systems". Without the systems, Qantas would be frozen in time, unable to sell tickets, operate flights, roster crew, maintain aircraft and do most other activities that comprise its complex business. The move had to be successful!

And successful it was – with no reports of related disruption to any Qantas business activities having been sighted following the four-hour final cutover. It is clear that Qantas CIO Fiona Balfour has learned from the experience of those who have managed such complex moves in the past (such as when your writer managed relocation of the ATM and EftPos hub for the ANZ Bank in the mid 1980's). In an Age article entitled "Balfour sends IT soaring" on November 22<sup>nd</sup>, Paul Edwards cites some of the important elements in Fiona Balfour's preparation:

- The relocation was scripted in great detail – the project had an atmosphere and approach not unlike that used by NASA to launch a manned space vehicle;
- Other similar relocations were studied – looking at both Australian and Airline experience;
- Strategic business partners were heavily involved;
- The transition was scheduled for the least critical time;
- The plan was rehearsed intensively, including full scale dummy-runs, to the point where "we were absolutely convinced it would switch over smoothly".

Infonomics congratulates Ms Balfour on a job well done. Her attention to detail and rigour should stand as an object lesson to all who are planning and managing major change in organisations that depend on ICT.

We are reminded of a proverb: Good pianists practice a piece until they get it right. Great pianists practice until they can't get it wrong!

#### More Success

Although somewhat delayed, CSIRO's new website has gone live. The site will progressively absorb all of CSIRO's websites, bringing all of the organisation's knowledge and information resources together for the first time. It is reported that the site contains up to half a million pages of material and that migration process would continue for up to 18 months. A major feature of the changeover is to align the information structures to scientific lines, rather than organisational lines which had been confusing for general public users. See "CSIRO golden site goes live" in The Australian, 6<sup>th</sup> December

Commonwealth Bank finished its CommSee Customer Relationship Management project on budget and ahead of schedule, according to Kelly Mills in "Big remake beats clock" in The Australian on 6<sup>th</sup> December.

We have previously reported on the advantage Cabcharge has gained from its strategic investment in technology for collecting fares. In "Cabcharge hails bright start to year" by Joyce Moullakis on November 24<sup>th</sup>, we learn that the "new payments technology (helped) make double-digit earnings growth achievable in 2005-06". Continuing its theme of exploiting technology, Cabcharge is now making progress to becoming independent in processing of its transactions, disintermediating the banks.



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### IT Does(n't) Matter.

Mary Ann Maxwell's article "He's back!" in The Age on November 18 talks about the profound May 2003 statement of Nicholas Carr, who said "IT doesn't matter" in the May issue of the Harvard Business Review. Carr's assertion, based on the analogy of the railroad, is that there is no sustainable advantage once IT infrastructure is widely available, affordable, and standardised.

Apparently, Carr also sees the evolution of electric power utilities as analogous to the development of IT. He uses this analogy to predict "The End of Corporate Computing". Ms Maxwell argues that Carr's thinking is flawed, and suggests that the utopian notion of "utility computing" was never meant to be taken literally. She continues by developing several themes that distinguish IT from electricity.

Like Maxwell, we see problems with Carr's analogies. In the case of electricity, Carr makes no distinction between how electricity is generated and how it is used. He bases his analogy on the unimportant consideration of where electricity is generated, and neglects entirely the question of how electricity is used. While technical advances made it possible for generation to be concentrated in a relatively few utility power stations, the real advances that drove economic growth were in the ways that electricity could be exploited – to drive ever more intricate and complex machines. Taking this line of thinking into ICT, we can appreciate that the infrastructure of computing is not the critical factor. What is important is the means by which the infrastructure is employed to enable new and more effective ways of doing business.

When we look at the question of whether IT matters, it's very clear that the critical issue is more and more the one of how IT is used by organisations in support of their business, and less one of the actual technical infrastructure.

That's why it's vital that organisations govern their use of ICT from the top.

Does any more need to be said on this topic?

### Events

2006 promises to be a busy year for sharing of ideas and experiences about ICT Governance.

Infonomics will be speaking at the 9th Australian International Performance Management Symposium, from 1-3 March, in Canberra.

We will be facilitating a workshop on "The A to Z of IT Governance: How to Craft a Strong Governance Framework for Your Organisation" and participating on a discussion panel during IQPC's IT Governance Summit from 22<sup>nd</sup> to 25<sup>th</sup> May in Sydney.

Several other events are anticipated, including briefings with Australian Institute of Company Directors, various IT industry bodies, and Standards Australia.

### Sponsors

Infonomics welcomes sponsorship enquiries. Our monthly IT Governance Letter is evolving in scope form, and circulation base. Our readers range from senior members of the company director community, through senior business and IT executives, consultants, project managers and business change agents. We have 681 names on our mailing list, and are expanding it rapidly as it is forwarded to interested parties. Our subscribers range from senior company directors through large company executives, consultants, business change agents and technology specialists.

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To learn more about Corporate Governance of IT, or to gain a clearer view of what is happening with your organisation's IT, please contact Infonomics now. Email: [info@infonomics.com.au](mailto:info@infonomics.com.au) Web: [www.infonomics.com.au](http://www.infonomics.com.au).

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