



The Infonomics IT Governance Letter July 2006

Information, news and views on Corporate Governance of
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Welcome to the Infonomics IT Governance Letter

Dear Reader,

The Booz Allen Hamilton report on how the Australian Customs Service deployed its Integrated Cargo System ensures that Customs remains a centrepiece of our journal. The report confirms what many said – that the deployment caused “grave” impact.

But the report goes further. It offers clear advice for Customs that can be applied equally to almost any organisation that is undertaking an ICT enabled change – and in reality that’s most organisations anywhere, at some time. There are lessons to be learned, and improvements that can be made to the way most organisations evaluate, direct and monitor their use of ICT. Booz Allen Hamilton’s report makes it quite clear that Customs’ approach to governance was not up to the needs of the situation.

Customs’ own Michelle Kinnane gave a similar message when she addressed a conference in Sydney recently. Her frank briefing made it clear that the governance of change across the industry – what she calls “seamless governance” – was not happening. In effect, she marked the end of the line for IT Governance approaches that focus only on the delivery of the technology.

The timing of Michelle’s remarks could not have been better – as Gartner’s Mary-Ann Maxwell delivered a salutary message – 75% of organisations need to start over on their IT Governance. The Kinnane and Maxwell comments are summarised in our review of the IQPC IT Governance Summit, held in Sydney in May 2006. The July 2006 IT Governance Letter also concludes our summary of the Company Directors Conference held on the Gold Coast, in May.

Boardroom interest in IT continues to develop strongly. There are stories circulating of a board which, in effect, instructed the CEO to replace the CIO with somebody who could speak the language of the board. As we have already discussed, the Company Directors Conference included a forum specifically focused on the IT Governance topic, and the June 2006 issue of Company Director has an interesting article entitled “Coming to grips with IT”.

Against this backdrop of increasing interest, it’s not surprising that our second IT Governance Round Table for Non-Executive Directors, C-level executives and CIO’s was fully subscribed. Ben Scheltus reports in this edition on the outcome of that breakfast.

Sometimes our work leads to significant change in the way that organisations operate. We are delighted that one of our clients recently advertised for a top level leader who will ensure that the use of ICT is integral to, and absolutely driven by business direction. It’s our pleasure to carry a copy of the advertisement on behalf of Chisholm Institute of TAFE.

We hope that you find this month’s edition interesting, and that you will stay with us as we ride the wave of interest and build Infonomics reputation as the leading independent advisor on corporate governance of ICT.

Mark Toomey

25th July 2006



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Headlines and Contents – July 2006

Booz Allen Hamilton Reports on Customs

On Friday 9th June 2006, Customs Chief Executive Michael Carmody announced release of the findings of the independent review of the Integrated Cargo System. We've now had the opportunity to look at it in detail, as have a couple of our readers. Infonomics Associate Quentin Addison has prepared a discussion of some of the more salient points, with the overriding theme being that proper attention to the six principles of AS8015 from the outset would have saved Customs, and Australia's import industry, a great deal of trouble.

Company Directors Conference

Last month, we gave you a rundown on the IT related forum at the Company Directors Conference. This month, we wrap up our summary of the conference, focusing on the opening day presentations, which covered the advent of Conscious Computing, the State Of The World, the Global Economy and China.

IQPC IT Governance Summit 2006

This year's annual event drew an audience comprising mostly IT professionals – an imbalance lamented by experienced non-executive Director Chris Gillies. Chris was one of several speakers in a conference that contained a few interesting points of view.

The Round Table Forum on IT Governance

Infonomics and Oppeus hosted another very successful roundtable Forum on ICT Governance on the 15th June, 2006 at the Westin Hotel in Melbourne.

Spreadsheet Havoc

Spreadsheets started life as a really useful personal productivity tool (and that they still are) – unfortunately over time they have been extended well beyond their sensible limits to create some quite inappropriate applications.

Self Assessment Results

Earlier in 2006, Mark Toomey travelled with Borland to spread the word about AS8015 and the importance of IT Governance. Session attendees in Brisbane, Canberra, Wellington and Auckland took the opportunity to complete the 12 point quick-check of their organisation's IT Governance. The results should not surprise anyone.

Introducing Quentin Addison

One of our main stories this month was penned by a long term associate of Infonomics. Quentin's career in IT has been all about people – as a leader, mentor and change agent.

Events

We've done a great deal of information delivery over the past few weeks, and participated in some very important conferences, as highlighted in the body of the IT Governance Letter.

Sponsorship Arrangements and Opportunities

Last month we announced that Compuware, a long established software company, has agreed to support Infonomics with publication of The IT Governance Letter. Compuware's sponsorship is for every second edition over a 12 month window – so they will be back in the August edition. We would welcome further sponsorship.



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Booz Allen Hamilton Reports on Customs

As we reported last month, Customs Chief Executive Michael Carmody recently announced release of the findings of the independent review of the Integrated Cargo System. The 66 page final report is posted, with a press release, on the Customs web site (www.customs.gov.au/site/page.cfm?c=7198), and can be downloaded for viewing by all interested parties.

We've taken some time to study the report in detail. We've also perused some of the press commentary. Below, you will find Quentin Addison's discussion of how the report's findings and recommendations point, over and over, to the value of applying the six principles for good corporate governance of ICT set out in AS8015.

Of course, AS8015 was not published when Customs started its Cargo Management Re-engineering initiative. Indeed, AS8015 was only formalised in January 2005, when most of the ICS development work had been finalised. So it would be unfair for anybody to suggest that Customs failed to observe the standard.

Notwithstanding, the standard was developed by a highly experienced group of industry professionals and academics, who had enough experience of ICT to know what works and what doesn't, and to understand the areas where attention is needed to ensure that the use of ICT is successful. Their experience came from real situations and real learning. Their insight was not unique, and reflects much of the published literature available today. Unfortunately, that means that Customs, undertaking a massive business re-engineering initiative enabled by use of ICT, had access to enough widely available learning, and should have taken on board the lessons.

It seems fairly clear now that, while there were many flaws in the process from the beginning, the most significant flaw was that Customs viewed its responsibilities as ending at the boundaries of the Customs Department. The problem with that view was of course that the initiative was changing an entire industry, where Customs is the central governing agency. If Customs wanted to change the way the industry operated, it had a clear and continuing responsibility to govern that change across the entire industry. As with many failed software projects, the key failure was not in managing the technology, but in controlling and maximising effectiveness of the broader change.

For those organisations coming after Customs, there is no excuse for repeating the fundamental errors made in Cargo Management Re-engineering – and especially for federal government organisations. AS8015 is now well established, and if organisations consider the lessons from the Booz Allen Hamilton review of Customs in the light of AS8015, they should greatly reduce their risk of projects going awry.

The Price of Spin

Some readers will recall our comments in March, under the heading "Alternative Views Emerge", where we said "Fascinating stories appeared in the February 2006 edition of MIS magazine ([The Unforgiven](#)), and in the ACS Journal, Information Age ([Australian Customs – More Flak than Facts?](#)). Seemingly written by the same pen, or at least in the same classroom, these stories presented a view that the events of October 12th and beyond were not at all serious, and certainly did not warrant the criticisms levelled in the press".

Well, the Booz Allen Hamilton report puts a very clear perspective on those stories. In the executive summary, it says:

"The ICS Imports was implemented on 12 October 2005, with some transition problems for air cargo but with severe short-term consequences for the movement of sea cargo. In the first days after implementation, a large proportion of containers were held by Customs on the docks, resulting in delays in imports in the lead-up to Christmas."



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Many customs brokers and freight forwarders experienced grave difficulties interacting with Customs through their third-party software and attempted instead to use the ICS through the online Customs Interactive (CI) facility. CI proved difficult to use and very slow under the additional load, further exacerbating user frustration with the system. These difficulties were not general, some operators had relatively minor issues, but the problems were widespread”.

There can be no doubt from these statements and the detail provided in the body of the report, that the problems arising on and shortly after October 12th 2005 were very serious, that they certainly warranted all of the press discussion that occurred then and subsequently, and that the Customs Department bears a great deal of responsibility for the situation.

We are left to wonder about the intent and effect of the spin-doctoring that lead two respected journals to publish articles that are now demonstrated to have been quite unrealistic in their representation of what happened. Of course, the unfortunate reality of life is that this sort of spin-doctoring happens, in all sorts of situations, and many anecdotes tell us that the phenomenon is certainly not restricted to government circles. It's human nature that we want to be seen as successful, and most will seek to refute and trivialise any suggestion that they are, or will not be, completely successful.

It takes a very mature organisation to look beneath the primitive emotions, and to face facts. Those that do will naturally have a very clear understanding of what success looks like, and will be able to consider dispassionately whether success is achievable at every point of the journey. They will be able to understand that the definition of success may, legitimately, change as circumstances evolve, and they will understand that sometimes the underlying justification for an investment may evaporate.

There are many questions that organisations can ask to help themselves ensure that they are in control of their ICT investments. The questions should address all six of the principles espoused in AS8015, and they should all be asked in such an open way that they demand full and comprehensive answers, underpinned by sufficient and relevant facts. Quentin's discussion below should provide those who need to ask questions with plenty of opening points.

The Press View

As we said last month, Simon Hayes of the Australian called the Customs report “damning” (<http://australianit.news.com.au/articles/0,7204,19416305%5e16123%5e%5enbv%5e,00.html>). In many ways it is. Though the report very carefully avoids naming any individuals, it does make it clear that there were many aspects of the overall project that were flawed from the outset, and that these flaws persisted over several years.

Selina Mitchell's discussion in The Australian on June 6 (<http://australianit.news.com.au/articles/0,7204,19373437%5E15319%5E%5Enbv%5E,00.html>), just prior to release of the report, reminded us that the Australian National Audit Office will deliver its findings early in 2007. And it reinforced the messages about damage to the import industry, with comments from the Customs Brokers and Forwarders Council regarding the productivity and cost impacts of the system.

On June 13, Simon Hayes continued his discussion (<http://australianit.news.com.au/common/print/0,7208,19450087^15415^15309,00.html>), highlighting key conclusions of the report, and quoting both industry and customs leaders in discussing the aftermath – an aftermath in which all parties are apparently positioning to work together in a more positive and well managed framework to achieve better defined objectives. Hayes refers to his conclusion that communication was the main issue, underpinned by now acknowledged lack of appropriate testing and the inappropriateness of the “big bang” rollout strategy.



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Of interest in the article is reference to \$9m of compensation claims that Customs is working through.

Independent commentator and Australian columnist Bruce McCabe wrote "No shortcuts to project success" on June 20

(<http://australianit.news.com.au/common/print/0,7208,19495069^15302^^nbv^,00.html>). He quoted the "scathing" Booz Allen Hamilton report in a wider discussion of big software projects that fail. He positioned his discussion around the views of two academics who have reviewed some 400 software projects. We are surprised when McCabe says that their findings challenge conventional thinking. The academics said that "many initiatives are doomed from the start because project managers work to a vision quite different from that of senior executives in the business". That, of course, is one of the major elements that we see time and time again. It results in projects being technically successful while utterly failing to deliver an intended business outcome – where the business change is forgotten in the intensity of the effort to deliver a technology based "silver bullet".

Roll forward to July 4th. Simon Hayes presents an extensive article discussing the same (<http://australianit.news.com.au/common/print/0,7208,19644392^24170^^nbv^24169,00.html>) research that underpinned Bruce McCabe's article. His article refers to "The roll-call of failures, problems and budget blowouts" – all of which are familiar to us, and now with Customs Integrated Cargo System at the head of an extensive list of Australian experience. He explores other aspects of the research, pointing out omissions in process that are often linked to failed projects – omissions such as failure to include project managers in the development of the project budget. But the emphasis in this story is on the extent to which the project managers understand the business, and the tendency of those with insufficient business experience to focus on the technology – leaving the business implementation at risk.

Hayes appears to have the view (and we absolutely agree with him) that a most fundamental pre-requisite for IT success is a clear understanding that there is no such thing as an IT project : there are only business projects that involve the use of IT. He quotes St George Bank as an organisation that clearly understands the broad base of accountability for success with IT initiatives. He also quotes Bendigo Bank CIO Vicky Kelly, who has a very clear view that IT projects are part of business projects and not separate activities. And he quotes Melbourne University's Linda O'Brien, who expresses the core view that IT is an enabler to process change in the workplace.

Discussion of the Report

by Quentin Addison, Infonomics Associate

The Booz Allen Hamilton Review of the Integrated Cargo System is a comprehensive and detailed report which identifies issues, causes, distributes responsibility and recommends a series of measures which Infonomics can only endorse. We might have preferred that it had been a little more hard hitting and some detailed root cause analysis had been performed. Similarly, we can only hope that Customs will take the opportunity and time to address the underlying issues. For example, we would have thought that an organisation with an appropriate and effective system of ICT governance would have testing as a core discipline and if adequate testing was not observed in the case of this project then we would want to know why.

In following the Booz Allen Hamilton recommendations to establish "... a sound governance base for the overall program of work, including clear business ownership:", Customs would significantly benefit from adoption of AS8015-2005 Corporate Governance of Information and Communication Technology to underpin its efforts.

For those not completely familiar with AS8015, it defines Corporate Governance of ICT as: "The system by which the current and future use of ICT is directed and controlled". It continues: "(Corporate Governance of ICT) involves evaluating and directing the plans for the use of ICT to



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support the organisation and monitoring this use to achieve plans. It includes the strategy and policies for using ICT within an organisation”.

AS8015 defines six guiding principles (see below), which we have used as the framework for presenting this Infonomics perspective on the development and deployment of the Customs Integrated Cargo System.

1. Establish clearly understood responsibilities for ICT (P1)

AS8015 recommends ensuring that individuals and groups within the organisation understand and accept their responsibilities for ICT. Significantly, business leaders in the organisation must understand that they are responsible for how ICT is used in the business.

2. Plan ICT to best support the organisation (P2)

AS8015 recommends that ICT plans should fit the current and ongoing needs of the organisation and that the ICT plans should support the corporate plans. Ideally, IT strategy should be an integral part of the business strategy process.

3. Acquire ICT validly (P3)

AS8015 recommends that ICT acquisitions be made for the right reasons in the right way; based on appropriate and ongoing analysis, with appropriate balance between costs, risks, long term and short term benefits. It is a good idea for ALL expenditure, even the recurrent type, to be explicitly linked to achievement of business objectives. The principle also seeks proper and appropriate practices in selection and engagement of suppliers, and for fundamental decisions such as outsourcing.

4. Ensure that ICT performs well, whenever required (P4)

AS8015 recommends ensuring that ICT is fit for its purpose in supporting the organisation, is kept responsive to changing business requirements, and provides support to the business at all times when required by the business. This should start with clear specification of the performance standards that are required - and not just for classical operational measures such as capacity and response time. Specifications should cover matters such as responsiveness in support of new business requirements, resilience against adverse conditions and reliable access to current and historical business information.

5. Ensure ICT conforms with formal rules (P5)

AS8015 recommends ensuring that ICT conforms with all external regulations and all internal policies and practices. Note that this principle is not merely about technical rules such as software licensing. In many organisations, ICT is entwined with and fundamental to compliance with general legislation (eg privacy, trade practices) and industry specific legislation such as for financial institutions. Directors should seek assurance that all relevant formal rules are identified, and that appropriate conformance programs exist.

6. Ensure ICT use respects human factors (P6)

AS8015 recommends ensuring that ICT meets the current and evolving needs of all the “people in the process”. The key word is “all”. The scope of human factors includes people who deliver and operate ICT as much as those who use it and depend on it. And, it includes the people who will be involved in the future as much as those involved in the present.

Our review of the Booz Allen Hamilton report looks primarily at sections 3, 4 and 7 and discusses which of the six ICT governance principles are applicable. It seems quite clear that a more positive outcome might have been delivered, if AS8015 had been in place and used to guide Customs approach to IT governance.



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We hope that this approach to highlighting the value of AS8015 will help you to further appreciate the relevance of the standard to your organisation. (Extracts from the Booz Allen Hamilton report are shown in *italics*. Infonomics comments are in plain text – indented as bullets to improve clarity).

Section – “3.2 The Implementation of Imports” - page 9.

“Customs continued to introduce changes to the software up until 6 October, only one week prior to the go-live date. This required software vendors to complete their corresponding changes, conduct their final testing and release their software to their customers in a very short period of time. In some cases, this resulted in the customers of some software vendors receiving their updates for the launch of ICS Imports after 12 October.”

- This suggests strongly that the ICS system itself was likely to have been insufficiently tested and therefore likely to generate some unknown and unexpected problems when deployed, making it less likely to perform well, as required – let alone as planned (P4). Similarly, giving the software vendors insufficient time to make and test changes on their own interfacing systems, was likely to have a similar outcome (P4). This also suggests that Customs did not show an appreciation of all of the human factors (P6), which need to be considered. This includes ensuring that not only the systems for which Customs is responsible including ICS, are ready for use, but also that all interfacing systems and process have been rigorously tested and are known to be ready for productive use.

“Problems with some third-party software forced many companies to attempt to use the ICS directly through Customs Interactive. This showed very poor usability and very slow performance based on the unexpected number of companies attempting to use it and based on the fact that Customs Interactive was not designed to accommodate a large number of users;”

- Poor usability and very slow performance of the Customs Interactive (CI) facility and the fact that it was not designed to accommodate a large number of users, indicates a lack of consideration of matters of functionality, operability and capacity – all of which fit under P4. Poor usability also brings into question whether there was adequate consideration of the skills of the intended users (P6). The lack of resilience against adverse conditions in the third-party software (P4) might have been a trigger for the CI problems, but highlights further gaps in attention to ensuring that the entire system performed well whenever required. Being apparently unprepared for clients switching from third-party software to CI also suggests a failure to properly consider all of the relevant human factors (P6) particularly those over which Customs had no control (external agents and third party software vendors), yet upon which they have been demonstrably critically dependant.
- Both of the preceding comments highlight the fact that it is critical for organisations to understand and act to ensure that the systems and applications for which they are directly responsible perform appropriately and to look at the “whole system” end to end, including all of the interfacing elements upon which they are dependant.
- To step outside of Customs for a moment, consider the likely implications on the Australian financial system and economy if major changes were made to Australian Taxation Office ICT systems and they, like Customs, failed to look at “all of the people in the process”. If there was a failure to include the necessary changes and consequential testing and support of the hundreds of thousands of businesses, banks, tax agents and consumers, that interface with the ATO’s IT systems, what might be the impact? It doesn’t really bear thinking about, does it?

“Incorrect data matching as well as profiling of sea containers resulting in a large number of containers being held as high risk in the first few days after implementation;”



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- Although in this case, a set of conformance standards for data input were in place (P5), no apparent consideration had been given to the fact that they were, particularly from the end user perspective (P6), unexpectedly and unrealistically high. Again, little or no consideration appears to have been given either to the people who actually had to use the system or to the quality of data they were accustomed to providing or which was in fact available. For good ICT governance, these and other human factors (P6) must be incorporated into system design, development, testing, delivery and operation.

"Industry responded to these problems with calls to the Customs Help Desk. The Help Desk was overwhelmed by this additional traffic and was unable to handle the volume, resulting in many calls being unanswered."

- Inability of the Help Desk to deal with all calls suggests that the likely support requirements were not appropriately considered (P4). The fact that calls went unanswered demonstrates a lack of appreciation of the need of people (P6) to at least be heard, if not to actually have problems solved. Good ICT governance does not depend on good luck or the hope that it will be all right on the day. Rather it mandates that support for "all of the people in the process" (P6) and their reasonable needs for information, service and reassurance are met.

Section "4.1 Progress Against Planned Outcomes" - page 11

"In conducting this review we have been unable to locate a clear and quantified set of outcomes and benefits expected from the introduction of the ICS"

- We acknowledge that the report goes on to identify "... a number of consistent high-level objectives have been stated..", however in many respects, this opening statement by Booz Allen Hamilton goes to the heart of this particular project's near failure. These are also significant contributing factors to the failure of many ICT initiatives to deliver what was expected – or, as in some cases, the outright failure of projects. Such problems often reflect a lack of accountability and responsibility – an area where P1 recommends that individuals and groups within the organisation understand and accept their responsibilities for ICT. Significantly, business leaders in the organisation must understand that they are responsible for how ICT is used in the business. Further, failure to ensure that ICT plans fit the current and ongoing needs of the organisation (P2) almost inevitably leave the organisation exposed to risk.
- Effective ICT outcomes are more likely if organisations adopt an approach in which objectives are clearly defined, with all activity aligned to the intent of the project; value to be obtained is understood by all and all parties are focussed on delivering the intended result; there is a clear and sound approach which ensures that there are sufficient resources to design, build, test, deliver and operate the system; progress can be determined using appropriate performance measures and a continuous process of risk assessment monitors what could compromise success.

"Table 1 – Objectives of the CMR/ICS Implementation "- page 11

"Service effectiveness, as measured by efficient movement of cargo, is greater for some parts of industry (principally integrated air freight operators), and the same or less efficient for the remainder.

Some of the introduced functionality changes have been the cause of severe disruptions (e.g., matching of data on Ocean Bill of Lading) and has resulted in manual work-arounds and reduced process efficiency. Industry involved in the clearance of sea cargo has reported an increase in labour in order to meet new process standards".

- With the exception of air cargo movements which has seen some improvement in effectiveness, the impact on the remainder of the services indicates that there has been an apparent lack of consideration of the needs and potential impacts on "all of the people in the



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process." (P6) with the outcome that users external to Customs are working less efficiently and productively. Surely this was not a planned outcome of the system at its inception.

"The profiling engine is not currently "tuned" to be effective. The effect of this is to provide "overmatching" and incorrect matches in addition to correct matches.

Sorting the "wheat" from the "chaff" is proving to be a challenge _ The data provided by various industry sources in key matching fields is not consistently of good standard. This creates challenges for the profiling functionality."

- This appears to be a clear case of the use of ICT not meeting the needs of the business and performing well whenever required (P4).

"Table 2 – Expected Benefits from the ICS"- Page 14

"Use of the Customs Interactive facility takes considerably longer than the same process under the legacy system

- Principle 2 says "Plan ICT to best suit the business". A system that increases process time and cost without a manifestly valuable and agreed offsetting benefit cannot be considered to have met this expectation.

"The process to gain digital certificates is onerous. Many small companies use family trust structures that are not allowed under the certificate issuance rules."

- Again a failure to consider "all of the people" (P6) involved in the process, in this case the companies using family trust structures, has created problems which could probably have been avoided.

Benefits for Customs and Government – Page 14

The ICS requires a much higher standard of data quality than the systems it replaces. The data quality should therefore improve over time. However, the poor quality of data currently in the system is the result of combining four legacy systems and data therefore requires extensive "cleaning". For example, ICS reference data includes ~1,200 spellings of a major retailer's name.

The majority of the Corporate Research Environment (CRE) reports are currently not functional.

The high data integrity standards required for matching Ocean Bill of Lading (OBL) have not been able to be met by many companies, creating problems in gaining clearances for sea cargo.

The Customer Research Environment has substantial potential as a single source of client data. This potential is currently not being realised due to low data quality (see above).

While the attention to compliance with standards (P5) might focus on formal industry, legal or legislative standards, it is equally applicable to system and data integrity standards as shown in the preceding three items. Attention to ensuring that existing data was of appropriate quality would have significantly reduced the impact on the new ICS system. Also as noted previously, recognition of all of the likely users (P6) and previously acceptable data quality standards should have allowed Customs to incorporate these potential and probable impacts into their planning of the ICS implementation.

No noticeable decline in costs has taken place yet. No benefits realisation plan exists to ensure capitalisation on cost efficiencies. Also, no specific cost savings have been targeted or reported against.

- AS8015 (P3) says "Acquire ICT Validly – for the right reasons, in the right way". In the case of a major investment, observance of P3 would demand that a comprehensive business case be developed, in which the exact objectives to be attained are set out, and in which there is a comprehensive assessment of the work required and the costs of achieving the objectives. In conjunction with clear objectives, there should always be a definite



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specification of benefits to be realised, along with a specific plan for managing the benefits through to realisation.

The legacy systems replaced by the ICS operated on a Unisys mainframe for which support would not have been available from March 2006.

- On a more positive note, this observation from Booz Allen Hamilton, clearly shows that Customs in compliance with P2 have at least with respect to equipment, ensured that ICT plans "... fit the current and ongoing needs of the organisation."

Table 2 – Expected Benefits from the ICS - Page 33

*In the case of the ICS, there does not appear to have been an effective structure or process to direct and control the project, nor to make suitable risk decisions. To fulfil this task, Customs has had at least 10 bodies responsible for different aspects of the management and governance of the ICS, including the interactions with industry (see Table 7). **These bodies overlap in their responsibilities and accountabilities, and overall the program has no single business owner and accountabilities for its delivery are unclear.** (Infonomics bolding)*

- The specific intent of AS8015, Principle 1 is to ensure clarity of decisions about the use and delivery of ICT and that the decisions correspond to the real needs of the organisation. Notwithstanding the considerable efforts that have obviously been made by all participants, during and subsequent to the implementation of ICS, it seems remarkable, given the above statement from the report, that Customs was able to deliver anything at all. It doesn't seem completely inappropriate to suggest that Customs has succeeded in spite of itself.

As noted earlier, the Booz Allen Hamilton report identifies governance gaps and makes governance recommendations that link directly to the six principles of AS8105. As Customs moves to implementing the recommendations and establishing a more appropriate and effective Governance Model, we strongly recommend that AS8015-2005: Corporate Governance of Information and Communication Technology be employed to guide implementation.



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Company Directors Conference

Last month, we gave you a rundown on the IT related forum at the Company Directors Conference. We also covered the very interesting pre-conference session where Phil Ruthven and Peter Sheehan explored the emergence of "Generation Y" as a force in the evolution of business.

In his opening address, AICD Chairman Don Mercer (one time CEO of ANZ Bank and now chairman of Orica) noted that forces for change are evident in the labour market, in convergence of Information Technology and Bio Technology, and in Climate Change. He said that there are greater pressures on Directors now than ever, but cautioned that the emphasis on compliance needs to be better balanced by a corresponding emphasis on the creation of wealth for shareholders and for the economy as a whole.

Conscious Computers vs Mankind

Technology was used to bring the thoughts of British Telecom's Futurist-in-Residence, Ian Pearson. A webcast of this session is available from the AICD website, at: <http://www.companydirectors.com.au/AICDMCMS/Templates/Events/Standard.aspx?NRMODE=Published&NRORIGINALURL=%2fEvents%2fConference%2f&NRNODEGUID=%7bEEB875AC-C3C1-4E5B-BADC-E53B88F4431E%7d&NRCACHEHINT=Guest#>. The webcast runs for 45 minutes.

Pearson started with his rendition of the facts of life:

- Everything is faster and faster, but everybody is on the same treadmill and we can't get off – or even take a rest;
- Inappropriate use of IT can destroy productivity, loyalty and commitment – especially if it leads to micromanagement and too much centralisation;
- Centralising destroys the value of previous business models;
- Everybody is stealing everybody else's lunch (ideas);
- Five year plans are a dead weight – agility is key and 6 to 12 month plans are appropriate;
- Tying IT to 5 year plans will guarantee getting IT wrong – things change too fast;
- Convergence is a major pressure and creates new fields of opportunity;
- Artificial intelligence is following an exponential development curve, in which early progress is miniscule and the most progress happens at the end of the curve.

Pearson depicted the evolution of ICT by plotting the growth of communications capacity to the typical home environment. He suggests that we are already transitioning from the "Broadband networked economy" to the "Ambient Intelligent World", beyond which lies the "Age of Simplicity" and "Virtual Worlds".

He went on to forecast developments we will see in the near future, based on the ongoing convergence of "Nano, Bio, Info and Cogno(tive)" technologies, where there will be extensive green field opportunity but it will be hard for established companies to make the change. His vision of the future includes:

- Dramatic evolution of portable computing by 2007, where the device assists in most aspects of the individual's life;
- Smart environments, that provide data that supports the casual information and processing requirements of these portable devices, thereby creating the capability for what he calls "Ambient Intelligence";
- An extension of this concept, in which individuals wear a "digital bubble" that makes available personal information. Digital bubbles would automatically exchange information



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when people meet. Of course, he went on to note the potential risks of such processes being uncontrolled and used inappropriately, referring to "cultural pollution";

- Active contact lenses, where users will see a synthesised 3 dimensional overlay of the real world;
- Virtual worlds, where digitally generated graphics become indistinguishable from reality. This is followed by Duality, in which physical and virtual worlds are overlaid, and individuals can select their "duality of choice" – adding new pressures in marketing and design;
- Digital mirrors, where what you see is not what you are, but an altered reality that shows you possibilities;
- "Active skin" where your own body becomes a place where digitally generated graphics come alive – opening up entire new realms of fashion as well as vast possibilities for modifying the way work is done.

Pearson went on to discuss the development of Artificial Intelligence, positioning AI as being quite inferior to human intelligence today, and growing to being vastly superior in the future. He said that this would lead to a reevaluation of human skills, in which people would cease working as smart machines, and instead would work as people. He foreshadowed a time, perhaps as soon as ten years hence, where machine intelligence will have completely changed the nature of work, and the world will enter the "Care Economy".

The State of the World

Associate Professor Bjorn Lomborg – author of "The Skeptical Environmentalist" – continued the forward-looking theme (Change is Inevitable: Adapting is crucial) of the conference with a wide ranging and refreshing discussion of environmental issues. Lomborg, reputed to be one of the world's top intellectuals, told us something we all know – that the NIMBY (Not In My Back Yard) syndrome is alive and well! In this discussion, he said that 70% of people believe that there are problems to be solved at a national level, but only 20% of people see the problems as being local. People believe that by and large, it's everybody else that gets it wrong! (*Now where have we seen the same syndrome? Of course – in use of ICT – nobody believes that their own organisation is fallible – they see the problems as prevailing only in "other" organisations*).

Lomborg noted that there needs to be wider perspective when discussing problems, including recognition of the problems that have been solved. For example, London's pollution levels are now vastly below the level of the 19th century, and are equal to what was experienced late in the 16th century.

He said that, as a result of substitution, many forecasts of resource availability are wildly inaccurate. For example, in 1999, the world's oil reserves were estimated as 43 years. But if shale oil is included (as the price of crude oil increases, shale oil becomes economically viable), the supply based on current usage trends will be good for 5000 years. He also said that solar energy is so plentiful that just 2.6% of the Sahara Desert can supply all of the world's current energy needs. He forecast that the price of fossil energy will rise to the point where renewable energy is competitive, around year 2050.

Lombard's message was not that the problems are over-dramatised – but that in prioritising attention, we need to take the big picture into account. He said that the Kyoto Protocol is estimated to cost \$150billion – twice the estimated cost of resolving all global problems with water supply, sanitation, health care and education. In another graphic illustration, he said that global warming (his forecast is 2 – 3degrees by 2100) will have most of its impact in the "third world". He noted that in the United Kingdom, such temperature changes would see an increase of 2,000 heat-related deaths per year – but this would be more than offset by a reduction in cold-related deaths of 25,000 per year.



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Again, Lomborg's messages are very much akin to the messages we think organisations need to take on board about IT: It's vital to look at the big picture and act in that context, and it's vital to understand and manage the relative trade-offs that come with investment in IT. For further information relating to Bjorn Lomborg's thinking, we suggest browsing the Copenhagen Consensus Centre website at: www.copenhagenconsensus.com.

The Global Economy: The Dangers and the Risks

Professor Ian Harper from the Melbourne Business School opened his briefing with a note that we are enjoying a "golden age" of low inflation economic growth driven by expanding supply, supported by firm monetary policy, Japan's emergence from 10 years of recession and China's investment in the US. Along with the growth comes change, such as in China and India where living standards are improving appreciably (*and we note with interest recent press that suggests Indian firms are coming under cost pressure as the salaries of their domestic workforce move up toward international parity*).

On Oil, he noted that Alberta (Canada) has more oil reserves than the Middle East, and that escalating prices are now driving development of these resources. He said that oil pricing is mostly driven by short term political issues that cause problems with supply, and that even in May 2006, real oil prices are only 60% of the 1979 level. He forecast that a price of US\$100 per barrel is unlikely.

Harper suggested that the main risks would come from an untidy rebalancing of global trade, and from politics. In global trade, China is the key engine, with an economy that may be slowed by short run supply constraints (electricity and, rather intriguingly – cement – the most fundamental building material) driving up cost inflation; or by losing its exchange based competitive advantage (floating the Chinese currency would overwhelm the undercapitalised Chinese banking system). On the political side, in addition to the widely recognised risk areas of Iraq, Iran and North Korea, he cited India as being at risk, while its economy transforms from one based on its large, impoverished agriculture sector to one based heavily on manufacturing (14% of GDP in 2002, and now running at 16%) and services.

Ian Harper's forecast for the future is for 2 to 3 years of strong global growth, with low value manufacturing declining and increased emphasis on adding value. He sees services continuing to rise, commodities becoming cheaper, and living standards linked strongly to knowledge and skill.

One might ask: What does this have to do with IT Governance? On one hand, the answer is – very little – it illustrates the breadth and depth of content that is delivered at the AICD conference. On the other hand, it contains pointers to matters where ICT governance needs to be effective – such as in managing the risk to major business change investments based on ICT that might come from an unexpected shift in economic conditions. With India being referenced as an area of risk, organisations contemplating, or currently using India as a source of cheap, well educated IT specialists might identify a warning that there are new or increasing risks to be monitored.

China: The World's Most Watched Economy

George Beader, a senior consultant with the US based Monitor Group spent an hour bringing the audience up to date in its perceptions of modern China. He said that since 1976, there have been four profound shifts in the Chinese economy:

- Economic reforms opening the door to joint ventures since 1978;
- Inflation under control from the late 1980's;
- Reliance on foreign investment since 1992; and
- Entry of China into the World Trade Organisation.



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He says that China should not be considered as a mere cost-shifting and cost reduction opportunity. It is much more significant to consider China's enormous domestic market as an aid to playing on the world stage. He cited a range of statistics to illustrate his point:

- China has 670 cities, and 17,000 hospitals.
- The largest 4 cities have a population of 31million, and an annual household income of US\$7,700.
- The next 91 cities house 161 million, with an average income of US\$4,200;
- The next 270 cities house 230 million, with annual income of US\$2,200 per capita;
- The remaining cities have 870 million people each earning around US\$500 per year.
- By 2020, more Chinese people will speak English than the rest of the world combined.

China presents diverse opportunities for Australia in natural resources, food, education (tertiary) and tourism (inbound to Australia). The challenges China faces in environment, energy, water, food and health demand innovative solutions. For example, to meet its energy demand (forecast to be 300 Gigawatts in 2050 – which is near total global electricity production of 350 Gigawatts), China has little choice but to develop nuclear power. The key to this, according to Beader, is Pebble Bed technology, in which there is no core, no steam, and straight-forward modular expansion.

Again – what does this have to do with ICT? On the surface, perhaps nothing. But consider the potential for an Australian organisation to enter, and then expand its Chinese market. What will be the role of ICT in supporting such a move? Will current processes and systems be adequate? Will the move create demand for new systems and capability? What aspects of new and emerging technologies might be useful in developing a plan for expansion into China?



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IQPC IT Governance Summit 2006

This year's annual event drew an audience comprising mostly IT professionals – an imbalance lamented by experienced non-executive Director Chris Gillies. Chris was one of several speakers in a conference that contained a few interesting points of view.

Defining IT Governance: Past, Present and Future Potential

Gartner's Managing Vice-President of Executive Programs, Mary-Ann Maxwell, delivered a comprehensive discussion of the evolution in thinking about IT Governance. She opened by suggesting that the conference attendees would encounter a barrage of definitions of IT Governance (*thankfully, there were relatively few*).

Maxwell said that IT Governance reaches beyond the traditional sphere of IT to engage the whole organisation, involving new stakeholders, new principles for decision making, and new processes to drive the decisions. In this light, she said, many CIO's are struggling with how to craft an effective system of IT Governance, and she emphasises that IT Governance cannot replace organisational leadership.

Gartner's research appears strongly linked to that of Peter Weill (Author of IT Governance: How Top Performers Manage IT Decision Rights for Superior Results) and his colleagues at MIT's Sloan Business School Centre for Information Systems Research. It considers, among other things, Decision Domains, Decision Rights and Governance Mechanisms.

Gartner says that more than 75% of organisations have ineffective IT Governance in 2006. The firm's clear, but perhaps surprising (for some) advice is that, for most, it is not practical to evolve the current approach – it would be better to discard and rebuild. This advice is given against a strategic outlook of accelerating pace of change, raising the stakes several orders of magnitude. Ms Maxwell provided a five point self-test where organisations scoring less than 15 out of a possible 25 should start over, those with scores between 15 and 19 should evolve their current approach and those scoring 20 and over should consider themselves very well placed (gold standard). (*Infonomics uses a 12 point quick-check to assess IT Governance performance- see our discussion of the Borland Briefings for further information*).

One of several Gartner predictions shared at the conference, is that the performance gap between leaders and followers will widen. The leading organisations will be those "that understand how to generate real business advantage from fusing technology, business process design and business relationships". Maxwell said that this translates directly into a need for a changed IT Governance, that operates on a broad and inclusive basis to drive IT priorities for the organisation. As part of this, she identified three new areas (domains) in which decisions need to be made – Sourcing Strategies, Enterprise Architecture and Business Processes. The changes will see the business take greater leadership and the governance emphasis shift from technology to business process.

Optimising Business Change Through Effective IT Governance

SENSIS CIO Chris Stevens reviewed the essentials of his organisation's IT Governance. Against a plan to double the company's revenue in five years, he said that 80% of Sensis capital investment plan is based on IT. He described Sensis approach to IT Governance as focusing on eight points: Business strategy, Portfolio investments, (IT) Strategy and Architecture, Relationship, Pipeline, Planning & Design, Proper execution and Operational performance.

Governance and the Australian Customs Service: Lessons Learned

Michelle Kinnane, National Manager of the Applications Branch in Customs gave an overview of the scope of activities within the Customs umbrella, described current governance arrangements, and advanced her view on the events of October 2005.



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She described Customs approach to Governance as being "about decision making to control, direct and influence the likelihood of successful business outcomes. Customs IT governance defines the accountability framework to determine the IT services, architecture, standards and policies that assist in delivering our successful outcomes".

Customs' list of IT Governance challenges is extensive – the multi-divisional structure; organisation wide project prioritisation; multi-sourcing; b2b service delivery and interdependencies; and changing business and security landscapes are just some of the points.

In discussing Cargo Management Re-engineering, Ms Kinnane explained the background to the initiative, the dimensions of the Customs workload; and the statistics of the project. She identified six governance lessons:

- **Seamless Governance:** This is about going outside the organisation's borders. Customs was driving industry wide change and should have set up an appropriate governance framework across the entire scope of the change.
- **Governance is not discrete:** There are levels of governance, and it must be ongoing. Governing IT well within a poorly governed overall program of business change will not lead to a good outcome. Set and forget does not work.
- **Competing priorities:** Governance is not necessarily consensus. Hard decisions sometimes must be taken.
- **Conscious compromise:** The initial emphasis on trade facilitation was overtaken by a greater emphasis on security in the wake of the September 2001 terrorist attacks. Effort is needed to ensure that governance processes are not undermined by opinion shopping.
- **Business alignment:** Business governance must drive IT Governance. It can be too easy to retreat to domains where IT is in control – losing sight of the big picture.
- **There is no panacea for change:** it takes particular and persistent effort which must attend to all aspects of change – nothing happens of its own accord.

In summary, she said that the governance model was not right for the initiative. Each entity governed its own part of the initiative, but there was never any overall governance to resolve the fragmentation.

Infonomics comment: We congratulate Michelle Kinnane on her open discussion of the governance problems that contributed to the problems of October 2005. Her messages are entirely consistent with our understanding of the Booz Allen Hamilton report, and should be heard by all Australian organisations – not merely those dealing with the business of government.

*Reading between the lines to some extent, and taking into account press reports and other comments we have seen, we have formed the view that Customs IT Governance has been, to date, very much focused on the **Delivery** of ICT, with the matters of **Use** and business process being the responsibility of others. Clearly, this is an inappropriate arrangement and could be described as a fundamental contributor not only to the disastrous disruptions of October 2005, but to the overall litany of failings in the overall program, as set out in the Booz Allen Hamilton report.*

In addition to the very clear messages in AS8015, the advice of Gartner as delivered by Mary-Ann Maxwell on day 1 of the conference reinforces that narrowly focused approaches to IT Governance are well past their use by date and are inappropriate.

The bottom line is that, no matter how smoothly your system of governance operates, if it's established on the wrong underlying principles, it won't work – and if it won't work, it needs to be changed – and fast!



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The Round Table Forum on IT Governance

by Ben Scheltus, Infonomics Business Development Manager

Infonomics and Oppeus hosted another very successful roundtable Forum on ICT Governance on the 15th June, 2006 at the Westin Hotel in Melbourne (the first Round Table was reported in the June Edition).

The breakfast was well attended by Directors and senior executives, representing a broad spectrum of industry and government.

The Round Table is designed to provide a stimulating atmosphere where senior people can have a candid exchange of ideas. We have no doubt that this objective was achieved. To launch the discussion, we picked on a frequent journalistic observation that objectives and success criteria for projects need to be very clearly articulated. The discussion traversed several related points for more than an hour, and would have continued far longer had we not maintained our commitment to finishing on time. Attendees commented on the value and relevance of the session. It was particularly valuable to have Directors, CEO's and CIO's in the room discussing the issues from different perspectives.

Although we had a total of six issues, we found the conversation flowed so naturally that it was better to let it run!

The consistent themes that came from the discussion were:

- It may be inappropriate for Board members to rely too heavily on the opinion of one Director who is IT literate. It behoves all Directors to ask the hard questions. *Infonomics recommends that Directors who are unsure of the questions they should ask start with our Executive Briefs and ask the 12 AS8015 Indicator questions. If the answers do not give sufficient comfort, Infonomics can help with range of questions to ask in various situations.*
- The people who carry out the traditional Audit function are generally not suited to carry out an effective audit of IT. New, specialist expertise is required to meet this need.
- It is difficult for a Non Executive Director to effectively absorb information about more than one large IT project. More effective Board reporting methods are needed to inform Directors efficiently. Better methods of prioritising projects are needed. Under no circumstances should "techno-speak" be used to justify a project.
- Large IT systems and infrastructure should be treated in the same manner as other depreciating assets. Provision (in this case meaning prudent reservation and allocation of resources) must be made for regular and timely renewals that are not disruptive to business operations.
- New Non-Executive Directors who are experienced in IT and understand wider business issues can add value to Boards' capabilities and executives with these skills are becoming increasingly available.
- It is critical that there is a common, shared understanding of the business strategy that an IT project underpins. A business executive should sponsor the project – whether the project is a new initiative or an upgrade.
- There are no "IT Projects". There are only Business Projects that use IT.

For our next Forum, Infonomics is going regional! Planning is under way for an Infonomics/Oppeus IT Governance Forum to be held in Geelong during September or October. Please email bscheltus@infonomics.com.au if you wish to receive an invitation.



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Spreadsheet Havoc

by Ben Scheltus, Infonomics Business Development Manager.

Spreadsheets are endemic today. Used by all levels of management, they are employed for the most banal tasks; for data entry into transactional business systems; and for supporting critical decisions, such as helping your stockbroker decide whether you should buy or sell an equity. They started life as a really useful personal productivity tool (and that they still are) – unfortunately over time they have been extended well beyond their sensible limits to create some quite inappropriate applications.

The reality is that in the corporate environment:

- People develop spreadsheets which are seldom checked by anyone else for integrity or quality;
- People inherit spreadsheets from predecessors and colleagues and assume that they are correct;
- Some people (especially stockbrokers and advisers) see "their" spreadsheets as their competitive advantage - ensuring that they are never sighted for QA by third parties;
- People almost never do any sort of validation checks when entering data;
- Available statistics indicate that the incidence of badly written spreadsheets is most disconcerting (an article in the May 24, 2004 issue of Computer World indicated that anecdotal evidence suggests that 20% to 40% of spreadsheets have errors, but recent audits of 54 spreadsheets found that 49 (or 91%) had errors according to a research by Raymond R. Panko, a Professor at the University of Hawaii.);
- It is almost impossible to work productively if spreadsheets become large or consolidation of results is required - eg. Large budgeting systems just do not work efficiently with Excel;
- It is very difficult to enforce version controls and properly document assumptions;
- If a spreadsheet is shared across an organisation, there is no simple method to ensure that definitions for variables such as "sales" are consistent across the enterprise.

AS8015 Principle 4 states: *Ensure that ICT performs well, whenever required*

Unfortunately, many spreadsheet systems being used by organisations today have grown into a position of respectability and too often are taken as being infallible. Consumers of information emanating from spreadsheets should ask some hard questions to the suppliers of the information:

- Who is responsible for the quality of logic and data of this spreadsheet?
- When was it last checked?
- What checks and balances are in place to ensure it stays correct?

A more recent and perhaps more disconcerting development is that many organisations are now also beginning to use PC based simplified programming tools such as Visual Basic and Access databases. The end result is too often software that has been elegantly crafted by people who have no understanding of the technical characteristics and limitations of the tools. Unfortunately, such software often fails at the most inconvenient times, as a direct consequence of the development process having lacked adequate rigour.

Our advice is that if you are making critical business decisions based on the results from spreadsheets or small, user built applications, make sure that the logic and data used is appropriately checked in a professional and auditable manner.

Useful resources to guide those concerned about the appropriate use of spreadsheets can be



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found at: <http://www.eusprig.org/stories.htm>. Another view can be found in CFO Magazine at: http://www.cfo.com/article.cfm/3014023/1/c_0?f=related. In part the CFO article says: *"What are the root causes of these problems? Respondents indicated that human factors such as collaboration among planning participants and uneven technical proficiency were primary causes. "Over dependence on key personnel" was cited by nearly 50 percent of respondents, "version control" by more than 35 percent, and "collaboration, consolidation of users' work" by nearly 35 percent of respondents. These issues add time to the planning, budgeting, and forecasting process, thereby reducing the amount of time left to actually analyse data on operational performance."*



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Self-assessment Results – The Borland Briefings

A broad spectrum of results from a diverse and open audience

During March & May 2006, Borland held a series of market briefings throughout Australia and New Zealand, at which Infonomics Principal Mark Toomey discussed the intent of the Australian Standard for Corporate Governance of ICT (AS8015).

During the session, Mark asked participants to briefly assess the IT Governance performance of their own organisations, using 12 high level indicators of good governance performance. The indicators reflect behaviour and performance. The test assertions are:

- | | |
|---------------------------------|---|
| 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 indicators were ranked on a simple scale that translates into colours on the charts:

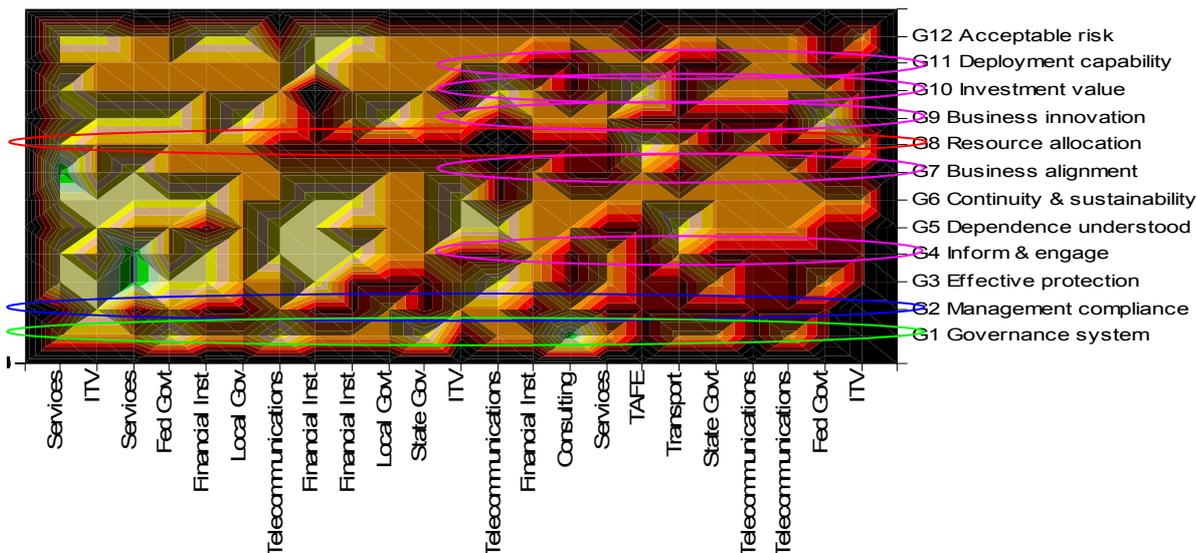
4 - ■ "Absolutely!" (Very well). 3 - ■ "Yes..." (Reasonably well) 2 - ■ "Sort of" (A little)

1 - ■ "No" (Definitely not) 0 - ■ "huh?" (The organisation generally does not understand this concept)

The 23 completed responses give some insight into IT Governance effectiveness in a number of diverse organisations. Organisations providing input included local government (LG), state government department (Gov), telecommunications providers, transport/services companies and consulting/IT Services companies. Three responses identified their industry but not their company.

A Key Performance Indicator shows persistent weakness!

History shows that many IT initiatives are technically successful, but fail to deliver business outcomes. 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. The "thematic map" above ranks performance from best (left) to worst (right). Its



design provides a quasi 3 dimensional profile where lower scores appear as red and orange peaks and ridges, while higher scores appear as yellow and green valleys. Most attendees at these sessions agreed that they had a system of IT governance (G1) and scored it on average as a 2 - see green ellipse.

Similarly and (consistent with Weill's research), they ranked management compliance (G2) as being low (average 1.3) - see blue ellipse. Resource allocation (G8) received the next lowest score at average 1.5 - see red ellipse.

The next group - see pink ellipses - by average scores each also less than 2, for assertions G4, G7, G9, G10 and G11 are consistent with organisations in which IT governance is typically poor and also with the findings in KPMG's biennial Global IT Project Management Survey, released in September 2005, which highlights a lack of confidence in business innovation and whether IT investments always deliver value.

Size makes little difference

It might be thought that because smaller organisations have fewer managers who could generally be presumed to be across most of what's happening and that formal and informal links would ensure that IT governance should be successful. However smaller organisations often experience limitations in areas other than day to day operations. Note the weak scores around Dependence understood (G5) deployment (G11) and particularly Management Compliance (G2) and Resource allocation (G8), for small and medium organisations.

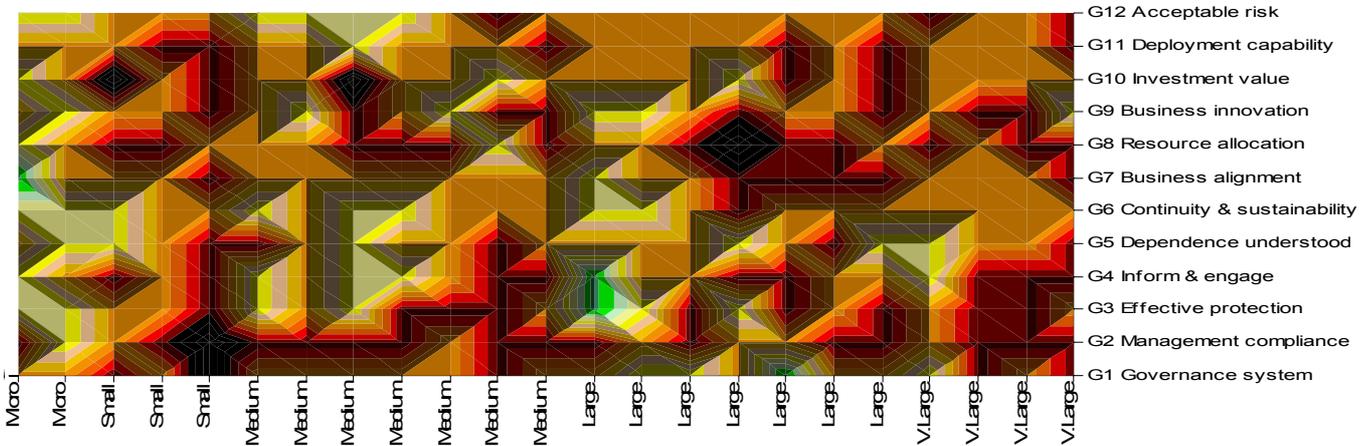


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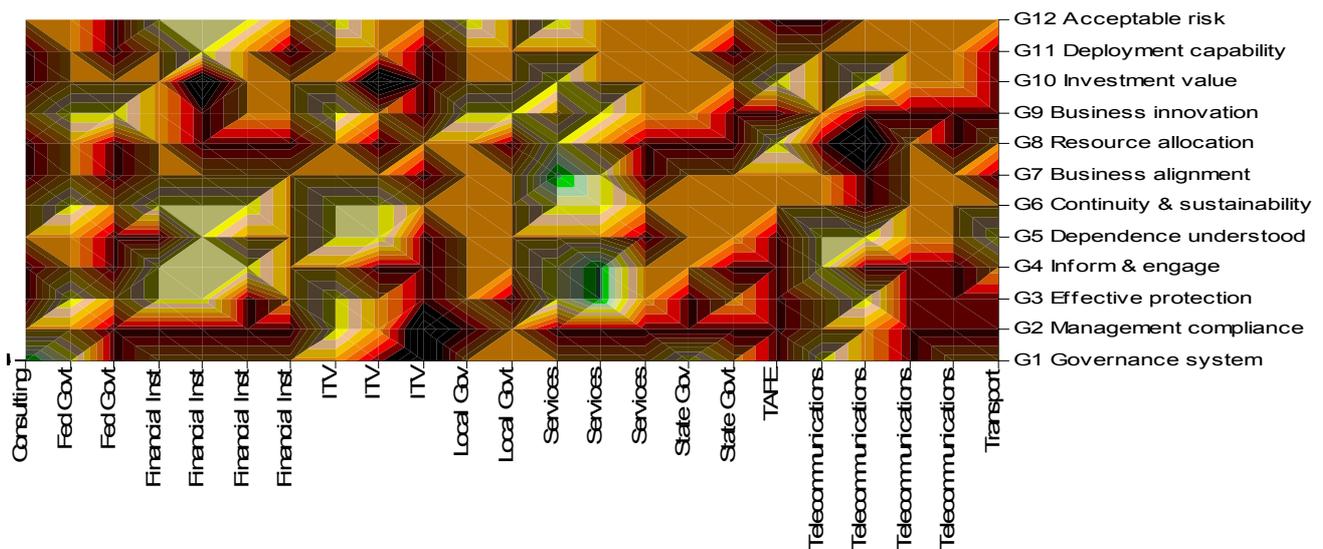
A quick scan across the chart will show that they are not alone.



Diverse scores across the rest of the assertions as shown on the thermal chart, indicate that organisation size probably has little to do with IT Governance performance. Most organisations appear to have uneven performance – good in some areas, not so good in others. What does appear to be consistent is that the areas we highlighted to demonstrate problems for smaller organisations are similarly consistent across all groups. Not surprisingly, based on our experience to date, there are consistently low (poor) scores across most groups for; Management compliance with IT Governance (G2), keeping management and directors properly informed of ICT status (G4)Business alignment(G7) and Resource Allocation (G8).

Neither Industry, reporting lines, package use nor method of sourcing IT show themes.

In this chart the data is clustered according to the industry from which the response emanated. Each individual response is plotted, and there is no levelling to reflect that several people may have responded in respect of a single organisation.



Similar plots were developed (but are not presented due to space restrictions) for IT reporting lines, the use of packages vs custom solutions for the main IT systems, and insourcing vs outsourcing. Across all of these views, the patterns remained quite scattered, with high and low scores in all categories.



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Introducing Quentin Addison

Quentin has 25 years experience as a Manager and Consultant in Operations and Service and Support roles, in ICT environments over 34 years. He has made a successful career out of improving operational and service support areas in education, public and corporate sectors including University of Wollongong, Department of Land Administration (W.A), Bank of Melbourne and Telstra.



The foundation of Quentin's organisation improvement expertise is his experience of managing large operational and technical support teams responsible for availability and performance of business-critical systems.

In these roles, Quentin has developed an intimate understanding of the dependence business has on technology, and of the issues facing business as technology enabled change is deployed.

Through formal study, Quentin has extended his natural skills in developing people and helping them to understand and respond to the responsibilities and opportunities in their job roles. His strong organisation improvement and people development skills are founded in:

- A belief in and continuing effort to successfully encourage acceptance of responsibility by individuals and teams to achieve jointly agreed goals;
- Coaching and mentoring, to create an environment in which individuals are able to acquire skills and knowledge and recognise the value of continuous education;
- Counselling and communication based on an empathetic approach to organisational, group and individual issues, focused on creating a conflict free space in which they may be addressed. Quentin's over-riding objective is to enable consideration of alternatives and the development of effective solutions.

Quentin's well developed management skills and attributes include:

- **Action:** Quentin is action oriented, with an analytical and direct approach to problem resolution that addresses the immediate issue and also seeks to determine the underlying causes or processes requiring improvement.
- **Evaluation and Problem Solving:** He responds positively to challenge and has an analytical and direct approach to problem resolution. He evaluates all elements to provide a comprehensive and detailed picture, which focuses on the immediate difficulty and also seeks to determine the underlying causes or processes requiring improvement. His attention to detail is an asset.
- **Observation:** Quentin has learned much from observing environments, interactions and individual and group behaviours. His studies at Swinburne and Group Relations consultancy workshops and programs have added to his understanding, awareness and ability to work positively with individuals and groups.
- **Coaching and Mentoring:** Quentin regards this as a very important component of his style of working. He aims to create an environment in which individuals are able to acquire skills and knowledge, both directly (teaching/learning) and indirectly by suggesting strategies from which the individual or group may choose.
- **Service:** Quentin focuses on understanding the primary task or objective and has a strong commitment to achieving goals and providing a level of service commensurate with the task objective. He expects and achieves similar commitment from all involved.



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Events

IT Governance: The Business and Boardroom Perspective

What does an aeroplane running out of fuel have to do with IT Governance?

On June 30, a select group of specialists in IT management, general management and boardroom (non-executive director) roles identified the extensive parallels as part of our a full-day seminar on IT Governance.

To set the scene, the IT Governance Seminar explores the fascinating tale of Air Canada Flight 143 on July 23, 1983. Known throughout commercial aviation as "The Gimli Glider", this near-new Boeing 767 suffered from a compounding series of organisational and individual errors in judgement and process that led to its mid-flight disaster. But when all aboard seemed doomed, a hero emerged, with the right skills and knowledge to put the aircraft safely on the ground, and back in service only a few weeks later.

Expert assessment of major IT failures in every sector and many countries have identified organisational and individual errors in judgement and process, and heroes, that bear remarkable similarity to what happened with The Gimli Glider. There are few more effective case studies from which leaders can learn about asking questions without detailed knowledge of the internals.

People who have participated in IT Governance: The Business and Boardroom Perspective have rated the day as highly worthwhile and interesting. They have said:

- *"I enjoyed the process and the presentation of information in a way that made it directly applicable" (a CEO);*
- *"Thought provoking examples" (a CFO);*
- *"Good content and great guidelines" (a CIO);*
- *"A good seminar with a lot of helpful tips" (a CFO); and*
- *"Excellent!" (a Non-Executive Director).*

The June 30 session in Melbourne was part of a series promoted by Infonomics and Borland. Further events are being planned, and we would be most interested to hear from individuals and organisations that would like to expand their awareness of IT Governance.

AFR Banktech.06

The 7th Annual Banking Technology Summit is scheduled for July 27 and 28, at Dockside in Sydney. Infonomics founder Mark Toomey will continue the theme of recent briefings, providing a short discussion on how better IT Governance and leveraging of standards can contribute to improved business performance.

Government Technology Evolution 2006

This major conference addressing IT leaders in federal and state government takes place on August 29 and 30, in Canberra. Due to conflicting engagements, Dr Ed Lewis, chair of the Standards Australia committee responsible for AS8015 is unable to deliver his scheduled briefing on the standard. Mark Toomey will fill the vacancy, delivering his own version of Ed's topic: "Managing the Risks of ICT Governance: How AS8015 Can Help You Keep Out Of Trouble".



The Infonomics IT Governance Letter July 2006

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

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Opportunity?

Sponsorship Arrangements and Opportunities

Last month, we announced Compuware, a long established software company, as a sponsor of The IT Governance Letter. Compuware's initial commitment is to sponsor every second edition over a twelve month period. As part of its sponsorship, Compuware is providing topical information, advice and case studies relating to IT Management and Governance for your enjoyment.

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 started in August 2005 with 450 names, and this edition marks a doubling of the mailing list to 900 names. Much of the expansion is coming as readers forward their copies to their colleagues and friends both local and international. Our subscribers range from senior company directors through large company executives, consultants, business change agents and technology specialists. We have modest and increasing global reach, with subscribers in Europe, Great Britain, America, Canada, New Zealand, Asia and the Middle East.

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 Web: www.infonomics.com.au.

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19 Stratford Square, Wantirna 3152. Phone/Fax : +61-3-9801 1237

Edited by Mark Toomey FAICD. Copyright © 2006 Infonomics Pty Ltd