Improving Control

Hello and welcome to The Infonomics Letter for October 2011. Life is becoming very interesting in the space around governance of IT. The fact that we need to improve control is becoming more and more tangible, but so too is the evidence that we are making some inroads.

There is a perception, seemingly wide spread in the market, that many company directors are reluctant to ask questions about information technology. As regular readers know, this journal and other Infonomics products, aim to help more directors deal with IT on their terms. This month, Technology in the Boardroom: Directors' Attitude – Again! exploits a conversation I kicked off on LinkedIn during August to reflect diverse views on the topic. Perhaps most telling in the discussion is that fact that 85% of the people who participated are, according to their LinkedIn profiles, expert in information technology. One wonders where the non-technology directors were, and how to engage them in the conversation, which aims to help them be more effective in their roles.

Since the last edition, much of my time was spent in the UK and Europe. While there were a couple of disappointments, mostly the trip was a huge success. I'll explain more in Mission to Europe.

During September, the UK Government announced the demise of the National Health Service National Program for IT. Launched in 2002, the program was intended to standardise the IT environment across the entire NHS in England. After nine years, and 12 billion pounds, it has apparently produced no tangible benefits, and while failing to even deliver many of the promised systems, has probably held back other IT advances in health care. Earlier this year, anticipating the demise of the whole program, I spent a little while browsing audit reviews of the project from the past few years. It struck me that the evidence pointing to the program's failure has been there for a long time. Indeed, when sharing coffee with a friend in London just a month ago, I learned that consultants engaged to start the project had been denied permission to meet with the "clients" – the people who run the various health trusts for at least six months.

An astute director would have realised right then that the program would fail!

Lessons about consequences of poor governance of IT continue. They are too numerous to explore in detail. Recent items include the global failure of Blackberry services and the extraordinary case of a person who reported a privacy breach and was promptly hit with a visit from the police and lawyers.

Mark Toomey   31 October 2011

Technology in the Boardroom: Director's Attitude – Again!

Last month I wrote about this topic, using a framework of questions put to me by a journalist researching for the Australian Institute of Company Directors monthly magazine. At that time a similarly titled discussion, started by me, was raging on LinkedIn. Over the course of six weeks, 28 members of the LinkedIn group posted 82 separate comments, ranging from a couple of lines to multiple pages in length.

The topic was originally triggered by another post that asked about how much IT risk directors are prepared to take. Only two of that discussion's 19 participants were clearly not "IT experts", so the aim with the new topic was to attempt to gain a wider perspective from directors who have less IT specialist expertise.

It didn't work! Only four of the 28 participants in the new discussion were people who do not have substantial specialist expertise in the IT field.

Notwithstanding, the topic did generate a considerable amount of useful input and perspective, and it's worth summarising.

A senior academic who has done extensive research in the IT field over many years says that boards should be concerned about any category of activity that could significantly damage the organisation if it goes wrong. She noted that with finance, there is very strong delineation in the roles of those who generate the money, those who spend the money and those who report on the money situation, whereas with IT there is a tendency for all three aspects to be addressed by the same individual, if at all. This is despite IT being pervasive, with wide potential impact on the organisation's systems, staff and customers, and the already established debilitating impact of IT failure. She advocates asking straight-forward questions about the worst things that could go wrong, and understanding the impact of such events.

An executive with both IT and marketing responsibilities, together with board roles in the Not-for-profit sector pointed out that IT decisions can have significant impact on the agility of the organisation – meaning that boards should be considering whether the flexibility of a proposed IT solution matches the organisation's likely need to adjust its operations.

A consultant with a diverse background agrees that directors should benefit from appropriate guidance and that an IT committee, or at least a director with IT expertise, would help provide the necessary focus and insight. He also emphasised the importance of IT strategy being considered in the context of

organisation strategy, with the strategic use of IT subject to the same level of oversight as the overall strategy.

Stark contrast was provided by a technology specialist who was clearly very frustrated by his perception that Australian directors see IT as a necessary evil and a cost to be minimised. In a subsequent post he said that directors should have a good grasp of IT and that they need to be continuously learning. He illustrated his point with references to recent shareholder questioning of a major bank board, seeking to know whether the board could provide adequate oversight of a very ambitious IT replacement program.

Subsequent discussion on this point brought focus to the question of breadth versus depth: a board cannot be fully effective with a single top to bottom expert in each field – rather it needs to have members who are broadly aware across several relevant disciplines, with management support to provide the detail as and when required. However, an experienced accountant and business leader who has also ventured into the IT space suggested that many directors are concerned about jargon and feel unable to frame the right questions, making them reliant on a specialist to lead the questioning and interpret the answers.

A specialist with very deep IT expertise suggested that the long term history of technology evolution often results in problems due to new technology being managed using old-technology methods, and that a director's commitment to the best interests of the organisation demands complementing their established expertise with specialist knowledge about strategy and risk in the IT sphere.

This point was echoed by an IT-focused legal specialist with a broad portfolio of not-for-profit roles who said that directors may be unsure of who they can trust for an independent assessment of their organisation's IT situation. A second IT specialist opened the question of whether senior IT specialists even want to learn how to engage the board and top executives in their organisation.

Divided opinion dominated the discussion for some time, with some pressing a desire for boards to have a deep technical specialist who could dig deep to test the technologists, and others arguing for a broad spread of skill with access to specialists where needed. An independent adviser on governance of IT and change (they do exist!) pointed out the difference between "IT Acumen" and IT Expertise" – the former being more oriented to the use and impact of IT while the latter deals more with how IT works. She believes that such acumen is emerging, driven by interest for some directors, and bitter experience for others. She recommended that a strong set of questions should be developed as part of the director's toolkit.

Just how much the directors should be asking about IT is directly related to the relationship IT has with

the organisation's value chain, according to a senior member of a company specialising in project delivery. This can be ascertained through straight-forward plotting of the value chain, and identifying the extent of IT dependence at each step.

Taking a different tack, a leader in the IT profession pointed out that where there is a strong demand for proper professional credentials in accounting and legal matters, the same is not yet true for IT advice. He wondered why it is that boards seek advice on IT from people who do not have certified expertise. However, this generated a storm of debate focused on the distinction between certification and real proven expertise and the relevance of the professional organisations. Sadly, one thing that the debate proved is the propensity of some people in the IT space to get hung up on detail issues – a behaviour that would certainly detract from credibility in the eyes of directors. Notwithstanding, there is a clear message that many of the "certifications" available to IT practitioners do not have the relevance, credibility or standing of those established in longer standing professions, and there is opportunity for further development of credentials that will be well regarded in boardroom circles.

A senior academic with extensive experience in complex IT environments over many years identified a major challenge in assessing IT alignment and risk in the context of business strategy: the lack of a clear business strategy that properly defines the strategic goals. When strategic goals are properly defined, the assessment of IT risk should be an aspect of understanding overall strategic risk.

A senior executive from a major IT company suggested that the CIO must brief the board and executive on IT using business language, not technology jargon. There was no mention in this post of business leaders having any role to play in explaining the use or role of IT. Another major IT company executive agreed about the need to avoid jargon and argued that IT should get as much board attention as transport, logistics and other infrastructure assets, with management able to articulate the role of IT in similar terms. Another contributor, a government business executive with extensive IT experience added that proposed investments in IT should be refused unless they have adequate risk analysis and benefits identification.

Meanwhile, the MD of a company providing IT product for facilities management was amazed that the topic is still being debated after ten or more years. Clearly the issue continues, because companies are missing IT-enabled opportunities and competitive threats. His emphasis, as expressed by others, is for boards to focus on the "why" rather than the "how" aspects of using IT. One of the focused technologists then emphasised that directors and business leaders must realise that IT is no longer a back-room issue, but an enabler and driver of business change and growth.

This point was also made by an IT entrepreneur who has clearly seen and seized upon opportunities to develop new IT-enabled (albeit also IT-centric) businesses.

Emphasising this point, a veteran consultant to business in the food industry gave focus to the business and brand risk that attaches to technology change that is far beyond the control of individual organisations – such as social media. Further illustrations emerged of how organisations of all shape and size are exploiting new IT capability to enhance their business – reaffirming that issues of "how" are being supplanted by "what for" and "why".

Coming from a different perspective, another contributor lamented the potential impact of Australia's tendency to not regard IT as a key strategic enabling issue. He intimated that we are likely to be swept away by a wave of IT enabled change while we are still pretending that IT is a cost to be contained and controlled. Several others agreed that today's technology changes are simultaneously our greatest threat and our greatest opportunity.

Discussion then drifted to an important, but off-topic issue – that of the difficulty small Australian IT companies have with winning direct engagement contracts from larger Australian companies and government. This was highlighted as being quite different to the US situation where it is said that the focus and agility of small specialists is valued, and the fact of their engagement promotes their survival and growth. The question arises – does the reluctance of Australian companies to govern their use of IT lead them to avoidance of situations where they will patently have to exercise proper oversight, leading them instead towards the (all too often undelivered) assurance of success from large providers where unwarranted confidence manifests in a lack of oversight and directly allows problems to develop?

This theme continued, with several participants highlighting evidence of Australia's lethargy in understanding and exploiting new technology to advance business performance. One very succinct post from an IT specialist argues that there is a substantial need for programs that enable directors to build awareness of the way IT enables profound change in business models and capability.

Finally the discussion reverted to the strategic role of IT. The only CIO to participate in the discussion opined that it is rare for technology to supply a strategic value on its own. He suggested that it is not the technology, but the information that has the value, and the value comes from availability and speed. Several participants disagreed – and a consensus emerged that strategy is about the fact that, while information is important, it is the investment in the technology that makes the difference. It is the discussion in the boardroom

about the use of technology as an enabler of the value of information that needs to be developed.

Of course, I contributed a few thoughts to the discussion as well – but repeating them is not the point of this article. This is about what other people think, and say, when given the opportunity. It is good to know that AICD does have a broad cohort of IT-experienced members who may be able to help boards with their oversight of IT matters. However, it is a matter of some concern that the directors without IT experience are not participating. Perhaps that is because they are not using the new world of social media – which means that they are not experiencing one of the tidal waves of evolution where technology is enabling radical change in the way we conduct business. Perhaps it's because the majority still believe, whether mistakenly, or obstinately, that IT is not a matter of importance for the board. Whichever way it goes, there is almost certainly a need for further effort to enhance director awareness and skill in this arena.

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Mission to Europe

Whenever I travel internationally for a standards meeting, I endeavour to maximise the value of the trip by arranging briefings, workshops and other events at which I explain and promote adoption of ISO 38500. In September, the primary task was to attend the sixth meeting of the working group (WG 6) that manages ISO 38500 and related standards, at the BSI Headquarters in London. This was followed by a series of workshops and lectures, and climaxed with a milestone delivery of the Infonomics ISO 38500 Foundation Class in London.

The Standards Meeting

This four day meeting also included a working group (WG 40) from another branch of the ISO world that also develops standards in the governance space.

WG 6 has three current projects. Following its establishment mandate, project 38502 is to develop a document that further explains the difference and relationship between the concepts of governance and management, and provides a model that will help more people understand what ISO 38500 is saying. Development of this document has been ongoing for some time, and several drafts have been reviewed. While it is inappropriate to go into detail, it is fair to say that the task is challenging, and a good deal more work is required.

Project 38501 to prepare an implementation guide for ISO 38500 has also proven challenging, and several avenues of guidance have been explored. A skeleton framework tabled for the meeting seems promising, and there is some hope that we will have a workable guide in the relatively near future.

Clarity on where there is need for further development of guidance on governance of IT should be a key outcome of the gap analysis – a document that builds on the project 38502 model. Work on the gap analysis is happening in parallel, but the final outcome is clearly dependent on the resolution of the model itself.

Having a model and gap analysis should enable resolution of what seems to me to be a bizarre situation – the fact that standards and other guidance on governance of IT are currently emanating from several disparate groups. A common view on what governance of IT actually involves, plus a commitment to work within that common view would seem to be two of the essential ingredients for producing a rational, workable, harmonised set of guidance.

From the outset of my involvement in standards development – when I joined the team working on the original Australian Standard for Governance of IT (AS 8015), there has been a challenge with regard to balance. Fundamentally there are two sides to the IT discussion – the supply side, where much has been invested in the effort to improve outcomes and value, and the demand side, where there has been much lament about the gap between anticipated and actual outcomes and value. The original Australian team was entirely populated by people drawn from the supply side (there were people from government, academia and other companies, but they were drawn from the "internal supply" parts of those organisations and tended to have similar outlooks to those from the IT industry organisations. On the international front, we see the same pattern. The people involved, while knowledgeable, talented and committed, are from the supply side. They are experts in the supply of IT.

What we need in the international process for advancing guidance in governance of IT is a balanced representation of people who know how to make IT work and people who are involved in exploiting IT – the people who plan and run businesses.

Getting the right organisations to participate is one of the big challenges for the coming year. It must be solved, because until it is solved, we will continue to be handicapped in delivering the message that success with IT is not merely a problem with improving supply. Success with IT depends as much, and now perhaps more, on the ability of business leaders to visualise and realise new value that is fundamentally a product of new innovation in the use of IT.

Workshops, Lectures and Meetings

It was a pleasure to work with Mark Duddy of PMOworks to arrange a program of workshops on ISO 38500 across Europe.

Built around the theme: "Business Oriented Governance of IT"; these sessions aimed to deliver an intensive introduction to the ISO 38500 guidance in a single short day session. After an introduction to key concepts such as the demand and supply perspectives for use of IT; the relationship between governance and management; and Leavitt's model for organisation change, the session explained the key messages, the model for governance and the six principles. Interspersed through the session was a 30 point diagnostic for which the results will soon be modelled and sent to the participants. As is generally expected, reaction to the assessment points and the responses given suggest that, as in most other geographies where the assessment has been used, there is a significant opportunity for improvement.

For reasons we are yet to comprehend, the workshop planned for London attracted insufficient registrations and was cancelled. Dublin made up for this though, and we ran the workshop with a full room of ten customers, from a variety of government, academic and industry sources (covering the demand side – organisations that depend on IT and the supply side – organisations that provide IT products and services).

The Amsterdam workshop was very compact, but significant in that its participants were from the "big end of town" – senior people from large organisations, again on both the demand and supply sides.

Madrid was the venue for the final workshop, where seven consultants, academics and in-house specialists engaged in extended and animated discussion about every aspect of the standard's messages.

The workshops were interspersed with other activities. In Dublin, I was most interested to learn more about the activities of the Innovation Value Institute (IVI), founded in 2006 to help advance techniques for realising the business value from IT investments. IVI is the home of the IT Capability Maturity Framework, and continues to undertake research and development while also providing services to organisations that seek to improve the value of their IT investments.

The Dutch Tax Office holds an annual "Week of Inspiration" event for its IT personnel. As part of this year's event in Apeldoorn, I was invited to speak for 90 minutes on governance of IT. As luck would have it, the session was timed to compete with a session hosted by one of the Netherland's leading television personalities. Guess who had the bigger audience. However, we seized the opportunity for a more intimate discussion, with the dozen participants in my session clustering around the stage (we had been allocated a 300 seat auditorium) to discuss governance of IT. The group agreed that the session had been worthwhile – and several promised to advise their colleagues that they had made a poor choice.

Consultants from several firms are honing their skills by studying for the Master en Consultoria en Gestión

de Empresas (Master in Business Management Consulting) degree at Univesidad Politécnica de Madrid (Madrid University of Technology). It was a pleasure to accept the invitation of their course leader, Profesor Titular José Carrillo, to lecture the students on the morning of Saturday, October first.

By prior agreement with Profesor Carrillo, I left the students with a challenge, and am delighted to say that the students have subsequently accepted the challenge. Using the Infonomics ISO 38500 Alignment Diagnostic (under license), the students will engage a broad range of Spanish businesses and government entities, to build a profile of how effectively Spanish companies govern their use of IT. This will be the largest single assessment against ISO 38500 to be conducted to date, and will provide a powerful benchmark against which to promote the benefits of improving governance arrangements.

In addition to the educational value of the exercise, the insight that should come from engaging organisation leaders to test their views on 84 points describing good governance of IT should provide the students' consulting firms with a valuable resource from which they can discern future business opportunities. I hope that as a result, consulting services can be better targeted at resolving the real gaps in capability of organisations to control risk and extract value from investing in IT, rather than focusing on blandly following a generic, one-size-fits-all framework prescription that may not actually address any of the key gaps in a given organisation's performance.

The final events for this tour were scheduled for London. However, the sudden disinterest in London struck again, and the public foundation class promoted by IT Governance Limited was cancelled due to insufficient bookings. In the past, London has provided several very enthusiastic audiences for sessions on ISO 38500 – but this time it seems that the budgets were just too tight.

Fortunately, that was not the only event scheduled for London. Later in the first week of October we experienced another milestone – for the first time, a major IT consulting and services company invested in building its internal understanding of ISO 38500. Nine senior personnel from Britain, France and Germany gave up two days of client-facing time to complete the ISO 38500 Foundation Class. Feedback from those who attended shows that they are already extracting value from the session. One participant said: "*As it happens yes it has already come in very useful in explaining to a client how I expect the governance of a service we are delivering to a client to fit in with their governance of IT. I could see from their reaction they understood they have some clear responsibilities, but they probably need some help in understanding how they fulfil them*". Not only has it been useful in building a better, clearer relationship, it

may also have generated some additional consulting revenue.

And a Product Viewing

From 1985 to 1996, I had the privilege of working with what many of its alumni recognise as one of the world's great consulting firms, DMR. Sadly, the company no longer exists, having been absorbed first into Amdahl, and subsequently into Fujitsu. In its heyday, DMR attracted many extremely talented individuals and fostered a powerful team spirit that helped drive great advances in understanding of technology opportunity and value, and consulting techniques. In the first half of the 1990's, one significant area of focus for DMR was benefits realisation. The techniques that were developed and deployed then have stood the test of time. For example, I have seen people from an organisation which adopted the DMR Benefits methodology score the organisation significantly higher on an ISO 38500 assessment than representatives of other organisations attending the same event.

Part of the DMR Benefits toolkit is a modelling technique called Results Chain Mapping. This technique helps one identify and plot all the actions, risks, dependencies and conditions involved in moving from a current situation to a desired new situation. I've used it in past consulting engagements and have found it extremely powerful, and I know that others of my past DMR colleagues use it effectively in numerous situations.

Now a small company in the UK has taken the Results Chain technique to a new level. I spent a couple of very interesting hours with Trevor Howes, who is Managing Director of BRM Fusion Limited. Trevor showed me BRM's very new product, Realisor. Until now, planners using the Results Chain technique have been limited to drawing the models by hand, or using a generic drawing tool like Visio. Realisor takes the Results Chain technique up to an entirely new level, adding and automating many smart and relevant new capabilities to the basic technique. Analysts can, for example, now easily test and explain the impact of alternative approaches to delivering change. They can explore the impact of risk mitigation that alters the probability of particular events. They can show the impact of adjusting the speed of change.

Keep an eye open for Realisor – it's going to become a valuable aid to organisations planning an IT-enabled future.

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