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IT Governance Evolution

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As technology becomes ever more critical to business success, changes are coming in IT governance that tighten its relationship to strategic objectives. Here, analysts discuss the business basis for the shift.

For at least a decade, IT governance has changed how companies make decisions about investing technology resources, and now IT governance itself may be evolving, according to top analysts in the field. Look for tighter integration and better alignment of IT issues with business strategy. That seamless connection can better deliver value in the challenging, competitive marketplace most companies face today.

"The maturity of IT governance adoption is all over the place," says Craig Symons, vice president and principal analyst at Forrester Research in Mantoloking, N.J. "Clearly, there are some organizations that have done a good job, but there are many organizations that still struggle with it. A good reason for that is confusion about what exactly IT governance is. Because the phrase has 'IT' in it, they assume it is an IT thing, and therefore, it gets delegated to IT. But IT governance is not about IT really. The decisions organizations make about investing in IT are not IT decisions, but business decisions. To have effective IT governance requires a very strong commitment and engagement on the part of the business. A governance committee should be made up primarily of business executives, not IT executives." For this reason, Forrester advocates using the term "business technology governance" and migrating toward integration of business and technology.

Michael Gerrard, vice president and distinguished analyst at Gartner Inc., sees a similar evolution of IT governance as a crucial, yet complex element in maximizing the value of IT for a business. "If you go back over the past 20 years, you could tolerate less-than-perfect decision making related to IT," says Gerrard, who is based in Laguna Beach, Calif. "It was important, but not critically important. As IT has become more and more critical to businesses, you can't get away with sloppy decision making, especially in an environment like we face now, coming out of a recession."

To explain governance in more detail, Gartner relies on its demand/supply model.

"Demand governance resolves what a company should be working on when it has limited resources and wants to do more than it has resources for," Gerrard says. "It's basically business-investment decision making, not an IT process at all, even though it is regarded as one. That's the root cause of problems CIOs have with demand governance.

"Supply side governance is how should we do what we do, what are the rules, policies, standards and methodologies so that we do things in a secure, consistent and productive fashion. It's very different than demand governance, and it's important to understand both. If someone uses 'governance' as a group noun, it confuses the issue because the nature of them is so different."

Gerrard reports that CIO surveys place demand governance among their top challenges. "One of the reasons is that decision making, if it's not done well or doesn't integrate well, causes problems for the CIO and impacts IT's performance as perceived by the business. Progressive CIOs are trying to influence the business itself to change the decision-making process to make it more effective."

The desired future state has everything to do with better integrating IT with the business. "Our conclusion is that governance of individual disciplines, such as information technology or business processes is a failed concept that has never been made to work properly," Gerrard says. "We see a more successful model emerging around governing business change, not the disciplines that create and effect change, but the business change itself. Companies now make demand decisions about what it takes to create change, and that encompasses all the different disciplines that are going to make the change happen, such as IT, BPM or training. The best term that we can come up with is business change governance. If you look at the highest-performing companies, they have integrated IT governance into business governance and business management. They don't treat IT as some separate entity anymore."

Symons says that MIT's Sloan School of Management researched IT governance and profitability and found that businesses with superior governance practices generate 20 percent greater profits on average than other companies. Those superior practices are characterized by joint decision making by business and IT managers. "Once you implement governance in this way, you typically find that the relationship between IT and the business improves significantly," he says. "The overall value of IT increases, because what IT does is much more tightly aligned with what the business needs. There is end-to-end visibility and accountability."

Taking the integrated approach breaks down silos and speeds progress toward goals, Gerrard says. "If you practice business change governance, then it's likely you will make better decisions quicker, because you're not down a rat hole of making all the business decisions and making all the IT decisions on two independent paths and hoping they come together. You are making decisions, all at one time, and then with good demand governance, socializing those decisions as well."

In simple terms, Gerrard boils down the concept: "Governance is about wanting to govern the change, not the department. To use an analogy, you want to govern the project to get your kitchen remodeled, but you don't want to govern the plumber."

There are two drivers of this evolution, Gerrard says. "First, IT is becoming more pervasive," he says. "It is starting to affect the revenue side in many businesses, and IT itself is a strategic component. The thinking moves from having to watch IT spending to looking for ways where IT can have a real impact on revenue. Second, there is growing pressure on CIOs to become business executives and not just serve as the heads of IT. We see some CIOs coming out of the business side, so they are able to engage more strategically with the business than might have been possible before."

The impact of such changes in IT governance will elevate the role of project managers, Gerrard says. "The effect should be that the project scope will expand to being business project management, not IT project management, including everything associated with implementing the change and realizing the business investment that was intended," he says. "They are not so much IT project managers anymore, supporting the business project owners. Now, they are very much providing business project management services, handling all aspects of the change, all the way through implementation and benefits realization. They should see themselves expanding horizontally in what they are associated with and now looking at the whole picture of the project, not just the IT-related components."

By extension, shifts may also happen at the PMO level when a company broadens its approach to governance. "It takes the PMO and really elevates it to being an enterprise PMO," Gerrard says. "If what we are managing is business change, not IT projects, then the unit we want to manage and measure through PMO activities is a business investment project." In this environment, project portfolio management remains an essential tool that executes on governance objectives by aligning what the organization wants to do with the resources required to get it done: budget, hours, people, time and equipment.

In summary, Symons says, the catalyst for governance improvement efforts must come from the top down. "If the CEO, COO and CFO don't buy into it and aren't committed, it's never going to happen, because ultimately good IT governance means good business engagement, and the business leaders aren't going to get engaged unless they have to," he says. Still, some influence from the bottom up is possible. CIOs, PMO execs and PPM leaders can work closely with their executive leadership teams to help them understand the role that business has to play in first-rate governance.

Governance's evolution will not be easy, analysts agree, and the shift to Symons' business technology governance or Gerrard's business change governance is just beginning. "It will be challenging because we are talking about organizational change, cultural change, and the need to redefine roles and responsibilities," Symons says. "Businesses should be investigating this right now. It's a matter of do you let it happen ad hoc, or do you try to be more disciplined about it."

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