

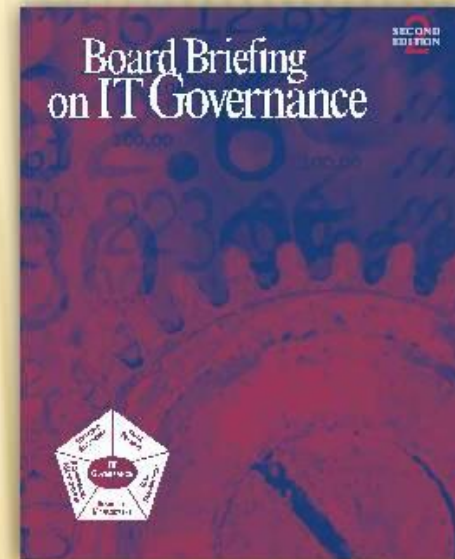
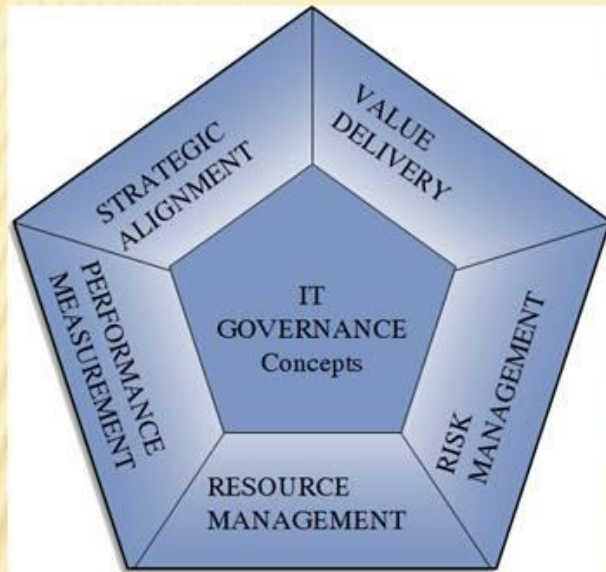
REFLECTIONS ON EDUCATION AND RESEARCH IN GOVERNANCE, AUDITING AND MANAGEMENT OF IT

A story of risk, value, uncertainty, aircraft
carriers, racing cars and sailing trips.

*Accounting Information Systems Conference
Fort Lauderdale, FL – Jan 12th, 2013*

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ENTERPRISE GOVERNANCE OF IT



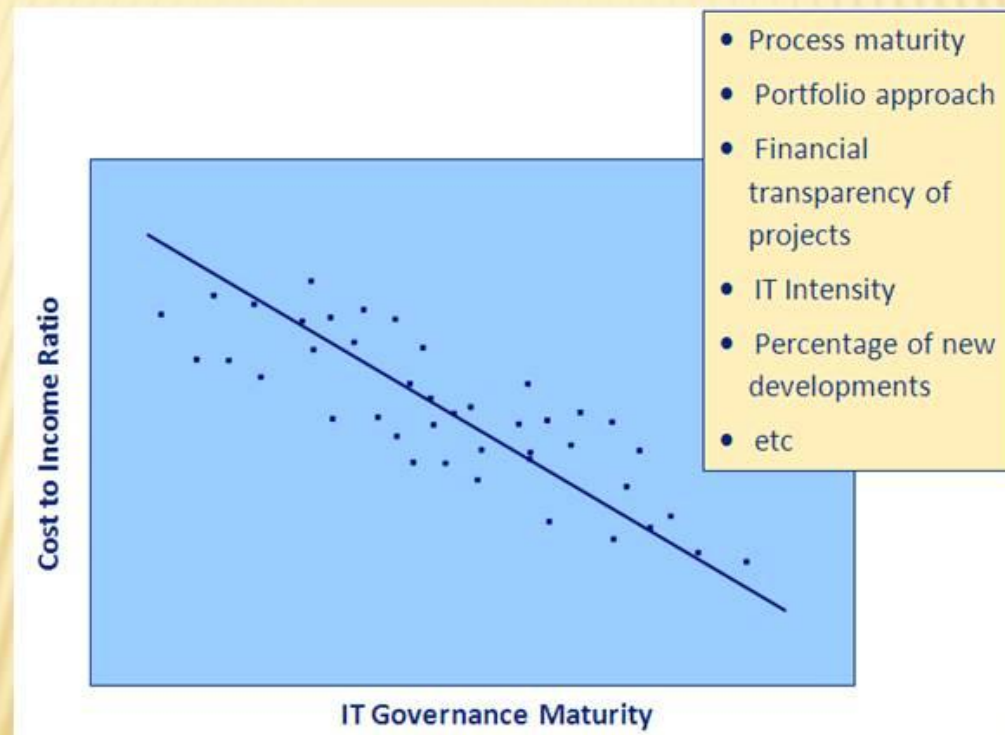
Five domains but really only two subjects

Risk and Value



ENTERPRISE GOVERNANCE OF IT








How are we dealing with Value ?



ITGI, ING and IBM – 2006 – in support of VallIT

ENTERPRISE GOVERNANCE OF IT

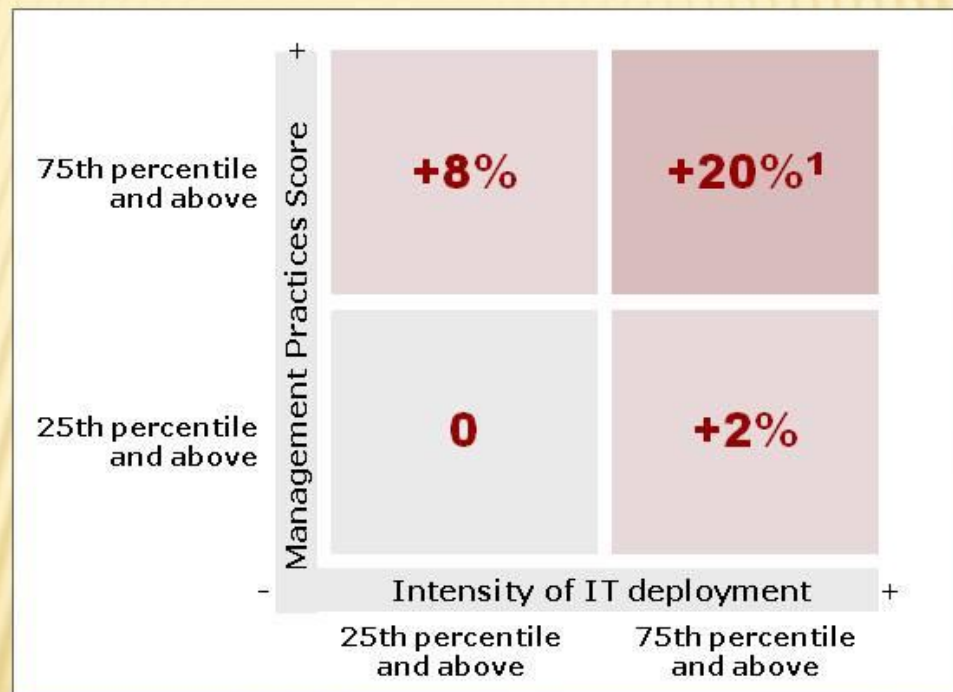
How are we dealing with Value ?

IT Value Principles	Results CIO Interviews
❑ IT-enabled investments will be managed as a portfolio of investments.	
❑ IT-enabled investments will include the full scope of activities that are required to achieve business value.	
❑ IT-enabled investments will be managed through their full economic life cycle.	
❑ Value delivery practices will recognize that there are different categories of investments that will be evaluated and managed differently.	
❑ Value delivery practices will define and monitor key metrics and will respond quickly to any changes or deviations.	
❑ Value delivery practices will engage all stakeholders and assign appropriate accountability for the delivery of capabilities and the realization of business benefits.	
❑ Value delivery practices will be continually monitored, evaluated and improved.	

ITGI, ING and IBM – 2006 – in support of VallIT

ENTERPRISE GOVERNANCE OF IT

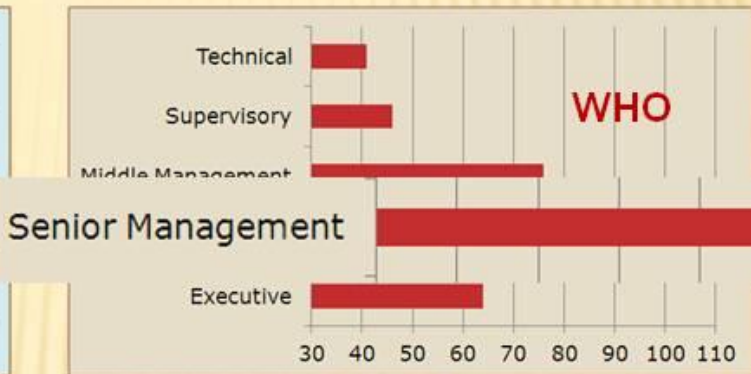
How are we dealing with Risk and Value ?



McKinsey & London School of Economics surveying 100 companies – Oct 2005

ENTERPRISE GOVERNANCE OF IT

How are we dealing with Risk ?



CIONet and ISACA – Survey of 56 CIO's – Aug 2009

ENTERPRISE GOVERNANCE OF IT

How are we dealing with Risk ?



CIO/CEO Discussion topics by priority – CIONet and ISACA Survey Aug 2012 of 90 CIO's

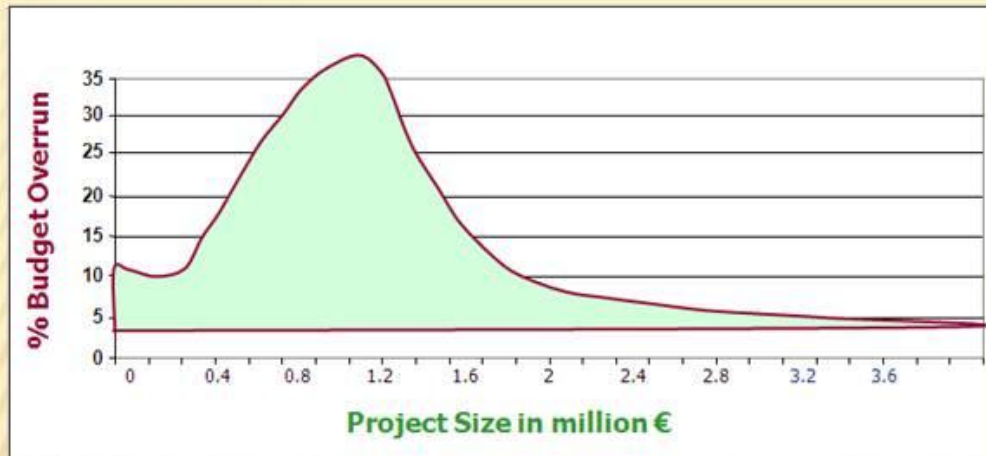
ENTERPRISE GOVERNANCE OF IT

How are we dealing with Risk ?

	Depth	Frequency	Mechanism
Cost			
Effectiveness			
Agile/Innovation			
Risk			

Heatmap of depth, frequency and mechanisms when CIO's communicate about IT with Board and Executive

CIO/CEO Discussion topics by priority – CIONet and ISACA Survey Aug 2012 of 90 CIO's



- Delivering 85% functionality with a 25 % budget overrun, turns an ROI of +15% into and ROI of -30%
- Business case estimates should therefore consider past performance

Project failures and budget overruns have a **weak** correlation with



- Fit with strategy
- Reuse of the resources
- Commitment of top management

High-risk IT-projects do well and have a **strong** correlation with



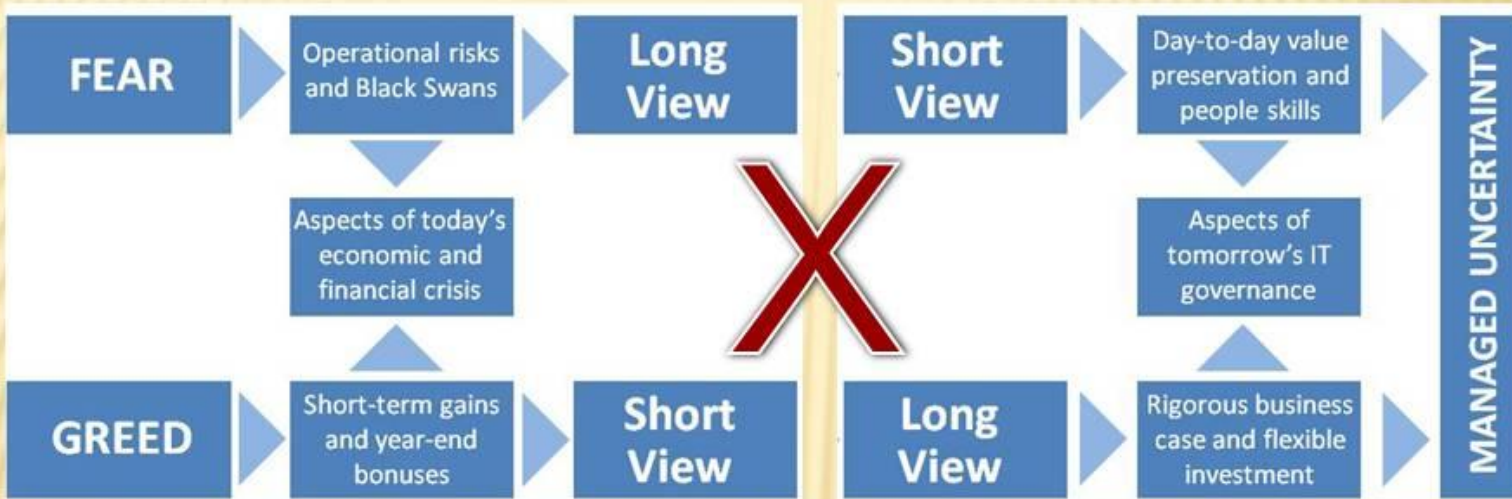
- Internal Rate of Return is high
- Business demand is high
- The solution is innovative
- Strategic impact is high

**Hope is
not a
method!**

IT VALUE RESEARCH

RISK AND VALUE

Risk



Value

For both risk and value, accept uncertainty and deal with it!

FAILURE IS NOT AN OPTION

- Where to get insights in dealing with uncertainty
- Learn from high reliability organisations (HROs)
- Lessons from the operation of an aircraft carrier

FAILURE IS NOT AN OPTION



1. When in port: Chain of Command

2. When at sea: Delegate one level down



FAILURE IS NOT AN OPTION



3. When the heat is on: delegate to the team leaders

4. A barely 20yr old seaman decides whether a billion dollar plane lands or not

FAILURE IS NOT AN OPTION

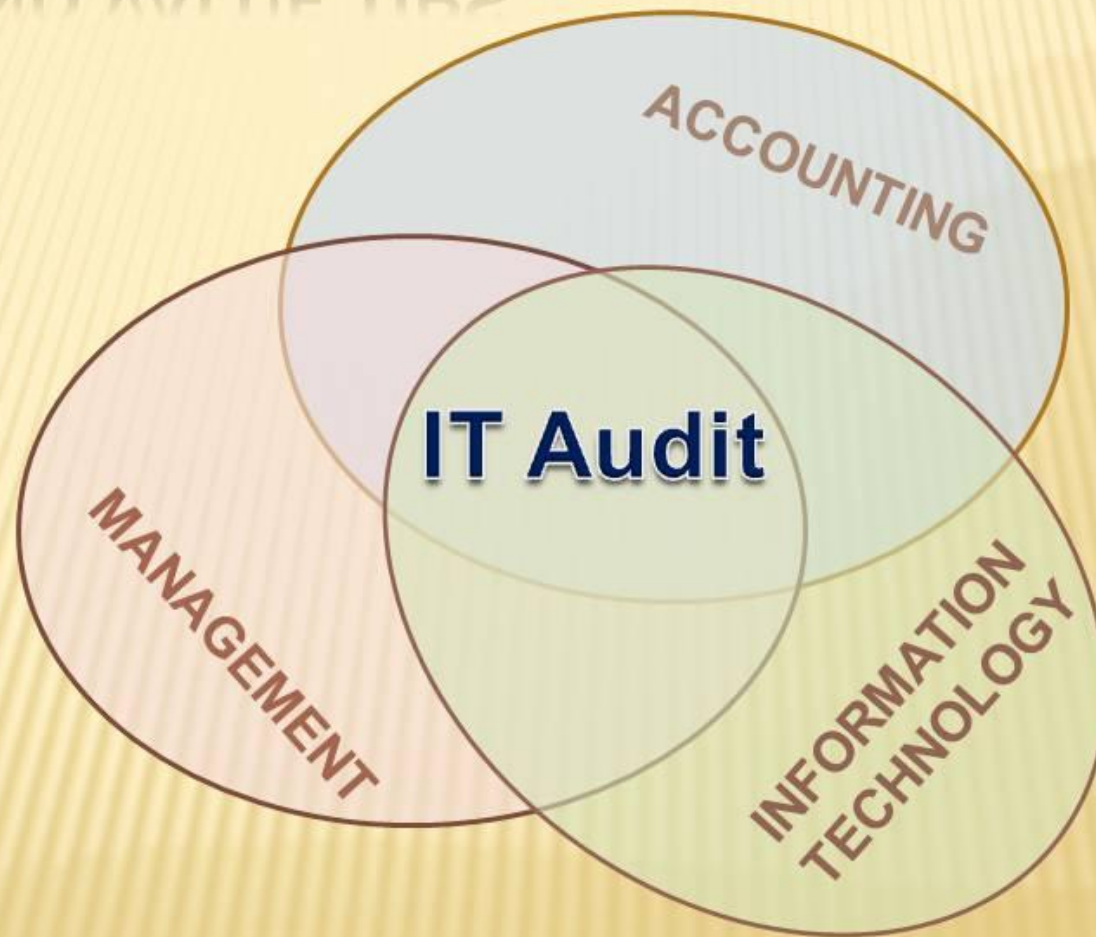
- Cascade instructions/strategy down and translate for the people at that level
- Delegate down in function of the situation
- Promote team work
- Constant coaching, testing, teaching each other
- Continuous communication



Management Practices that Work

- ✘ What makes companies perform well? To find this holy grail of management studies, a McKinsey team analyzed upward of 100,000 questionnaires to uncover the practices of 400 business units in 230 companies around the world.
- ✘ The team eventually arrived at one winning combination:
 - clear roles for employees (accountability)
 - a compelling vision of change (direction), and
 - an environment that encourages openness, trust, and challenge (culture).
- ✘ Nothing else came close in improving organisational performance.

RISK AND VALUE TIPS



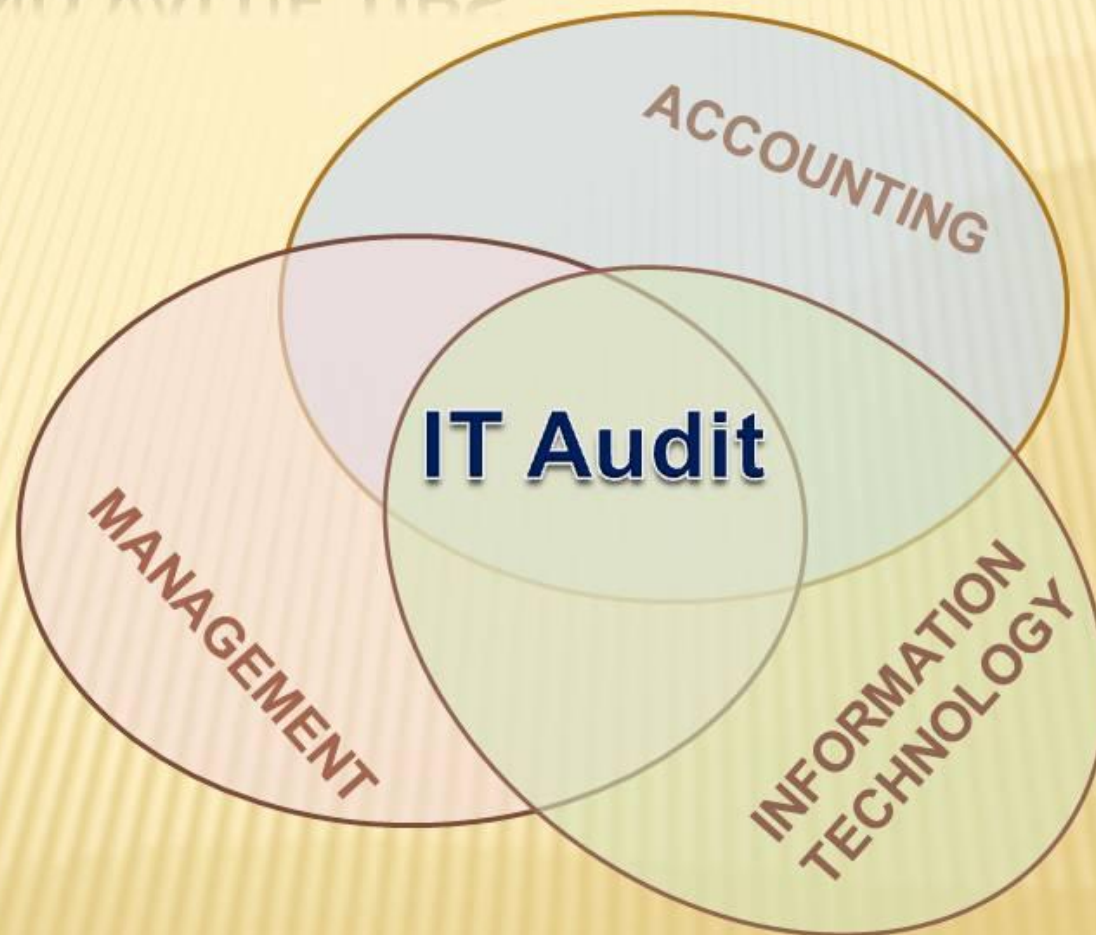
For Auditors and Accountants

RISK AND VALUE

Why does a car have brakes?



RISK AND VALUE TIPS



For Business Managers and Executives

RISK AND VALUE

Which cars have the best breaks?



RISK AND VALUE

McKinsey Quarterly Aug 2012

AUGUST 2012



Overcoming a bias against risk

Tim Koller,
Dan Lovafo, and
Zano Williams

Here's a quick test of your risk appetite. Your investment team has approached you with two variations of the same project: you can either invest \$20 million with an expected return of \$30 million over three years or you can invest

might lead managers to overstate the likelihood of a project's success and minimize its downside.¹ Such biases were certainly much debated during the financial crisis.

Risk-averse midlevel managers making routine investment decisions can shift an entire company's risk profile. An organization-wide stance toward risk can help.

Much of the commentary about behavioral economics and its applications to managerial practice, including our own, warns against overconfidence—that biases in human behavior

the scenario above is based on the experience of a senior executive in a global high-tech company who ultimately chose the smaller investment with the lower up-front cost. That variation of the

RISK AND VALUE

Focus on Enterprise Value

Sir Brian Pitman
Chairman Lloyds TSB

The screenshot shows the Harvard Business Review website interface. At the top left is the HBR logo and the text 'Harvard Business Review'. To the right is a search bar with a magnifying glass icon and the word 'SEARCH'. Below this is a dark navigation bar with white text for 'THE MAGAZINE', 'BLOGS', 'AUDIO & VIDEO', 'BOOKS', 'WEBINARS', and 'COURSES'. Underneath is a grey bar with the text 'Registered | limited access'. The main content area features the title 'THE MAGAZINE' in red, followed by 'April 2003'. The article title 'Leading for Value' is in bold black, with 'by Brian Pitman' below it. A 'Comments (0)' section is visible with social media icons for email, Twitter, LinkedIn, Facebook, and RSS. The beginning of the article text is visible on the left side of the page.

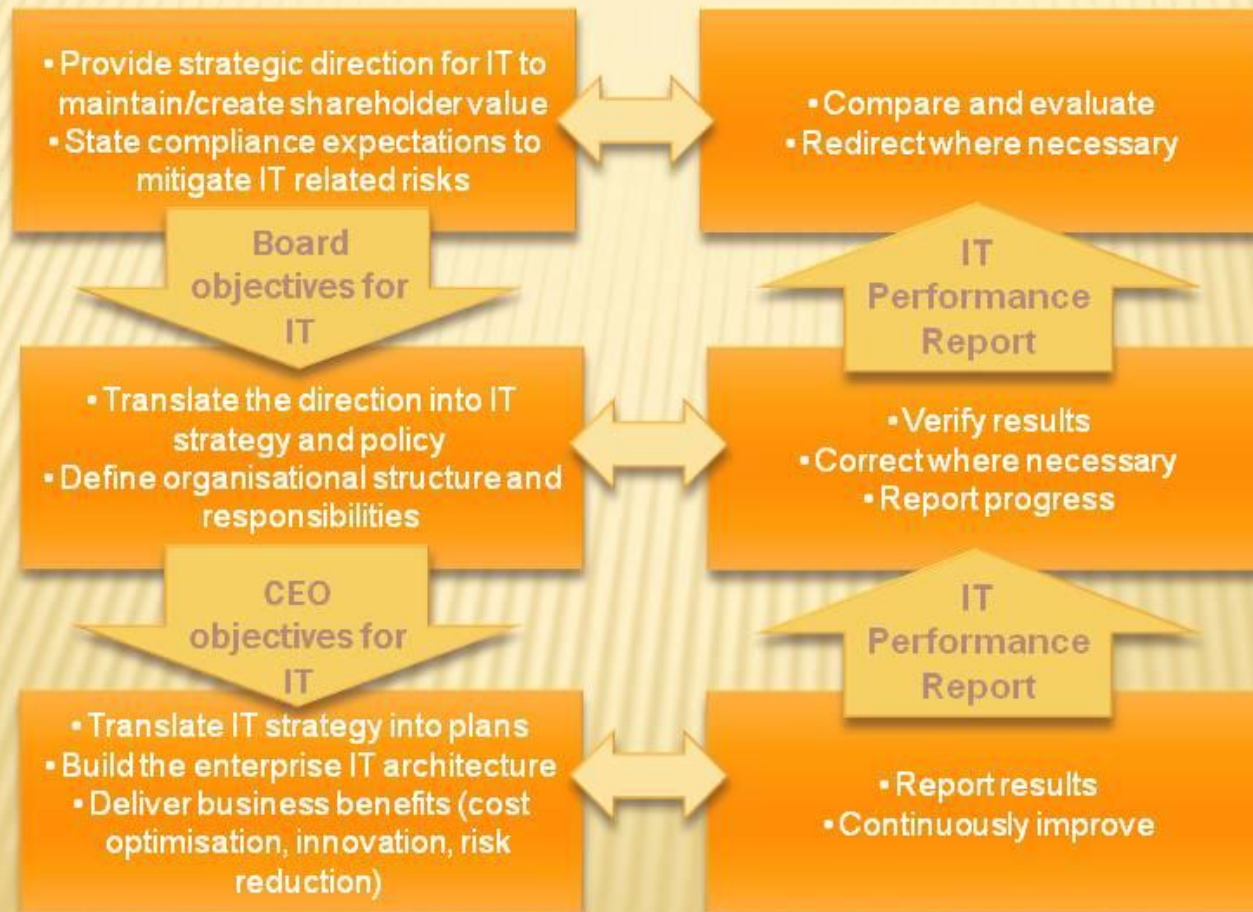
“Between 1983, when I was named chief executive of Lloyds Bank, and 2001, when I retired, Lloyds’s market capitalization grew from £1 billion to £40 billion.”

“Getting people to concentrate on things that really create value for the company demands something else: the transformation of their beliefs.”

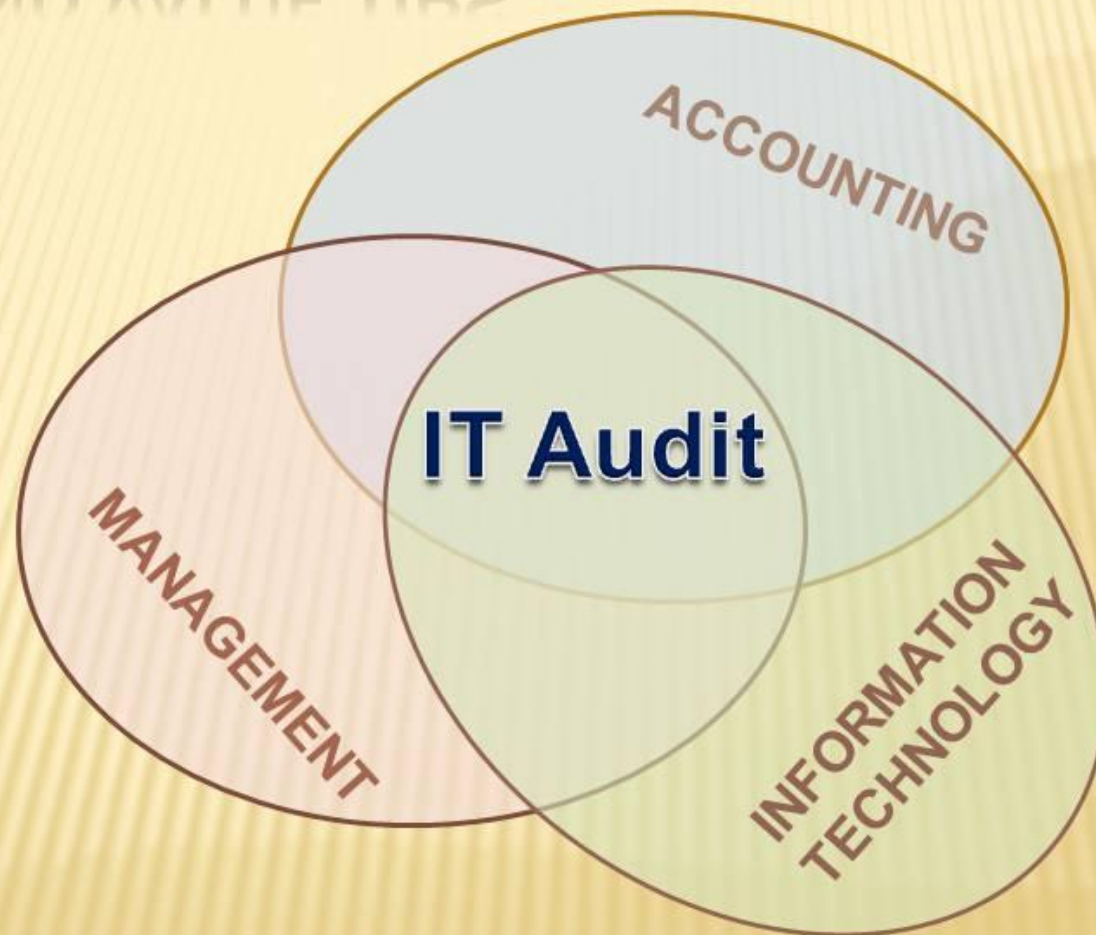
Harvard Business Review Apr 2003

RISK AND VALUE

Invest in Enterprise Governance of IT



RISK AND VALUE TIPS



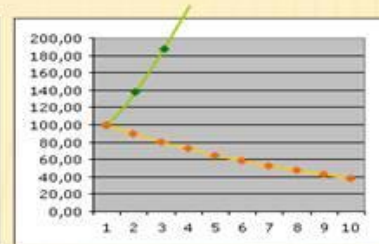
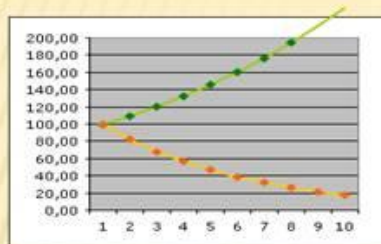
For IT management and professionals

RISK AND VALUE

Focus on Effectiveness

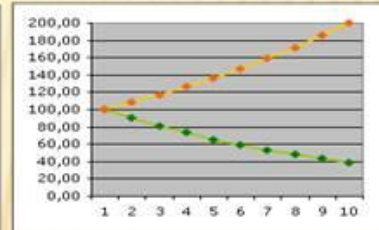
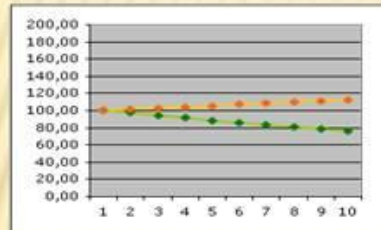
Effective?

YES



IT Alignment = IT fully understanding business priorities and has adequate staff to respond to those needs

No



IT Effectiveness = getting projects done as specified, on budget and on schedule

No

Aligned?

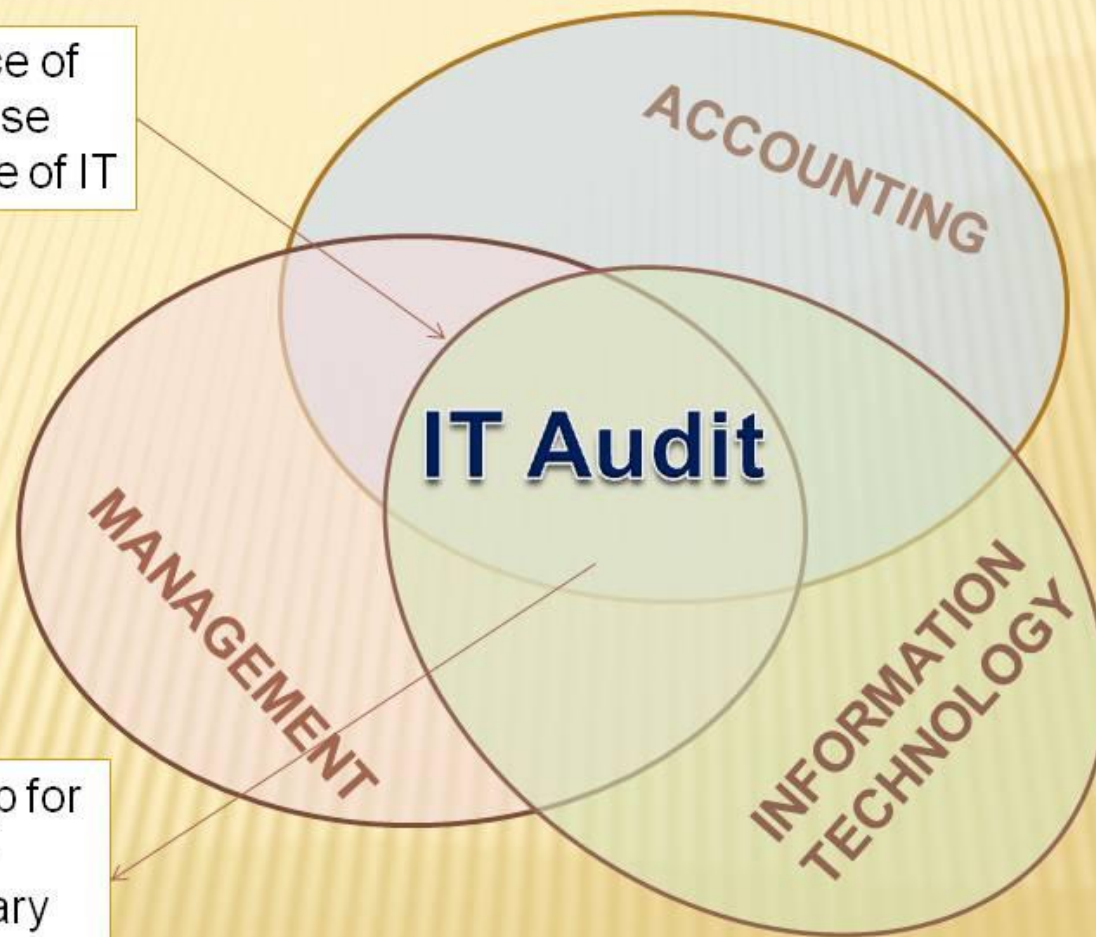
YES



From a Bain survey, polling technology and business executives at 450 publicly-traded companies on IT Alignment and IT Effectiveness and what the effect is on Growth and IT Spend. (From CIO Insight, September 2007)

WHAT WITH RESEARCH ?

Birth place of
enterprise
governance of IT



Leadership for
multi-
disciplinary
research

High-impact COBIT Processes

- Define a strategic IT plan (P01).
- Manage the IT investment (P05).
- Communicate management aims and direction (P06).
- Assess and manage IT risks (P09).
- Identify automated solutions (AI1).
- Acquire and maintain application software (AI2).
- Acquire and maintain technology infrastructure (AI3).

High-impact Val IT Processes

- Define and implement processes (VG2).
- Establish effective governance monitoring (VG5).
- Continuously improve value management practices (VG6).
- Establish strategic direction and target investment mix (PM1).
- Update operational IT portfolios (IM7).

High-impact IT Goals

- Align the IT strategy to the business strategy (IT_Corp6).
- Provide service offerings and service levels in line with business requirements (IT_User1).
- Acquire, develop and maintain IT skills that respond to the IT strategy (IT_Fut1).
- Ensure that IT demonstrates continuous improvement and readiness for future change (IT_Fut3).

High-impact IT Goals

- Improve IT's cost-efficiency (IT_Corp5).
- Align the IT strategy to the business strategy (IT_Corp6).
- Translate business functional and control requirements into effective and efficient automated solutions (IT_User3).
- Accomplish proper use of applications, information and technology solutions (IT_User4).
- Provide IT agility (in responding to changing business needs) (IT_Oper4).
- Seamlessly integrate applications and technology solutions into business processes (IT_Oper5).
- Acquire, develop and maintain IT skills that respond to the IT strategy (IT_Fut1).
- Ensure that IT demonstrates continuous improvement and readiness for future change (IT_Fut3).

High-impact Business Goals

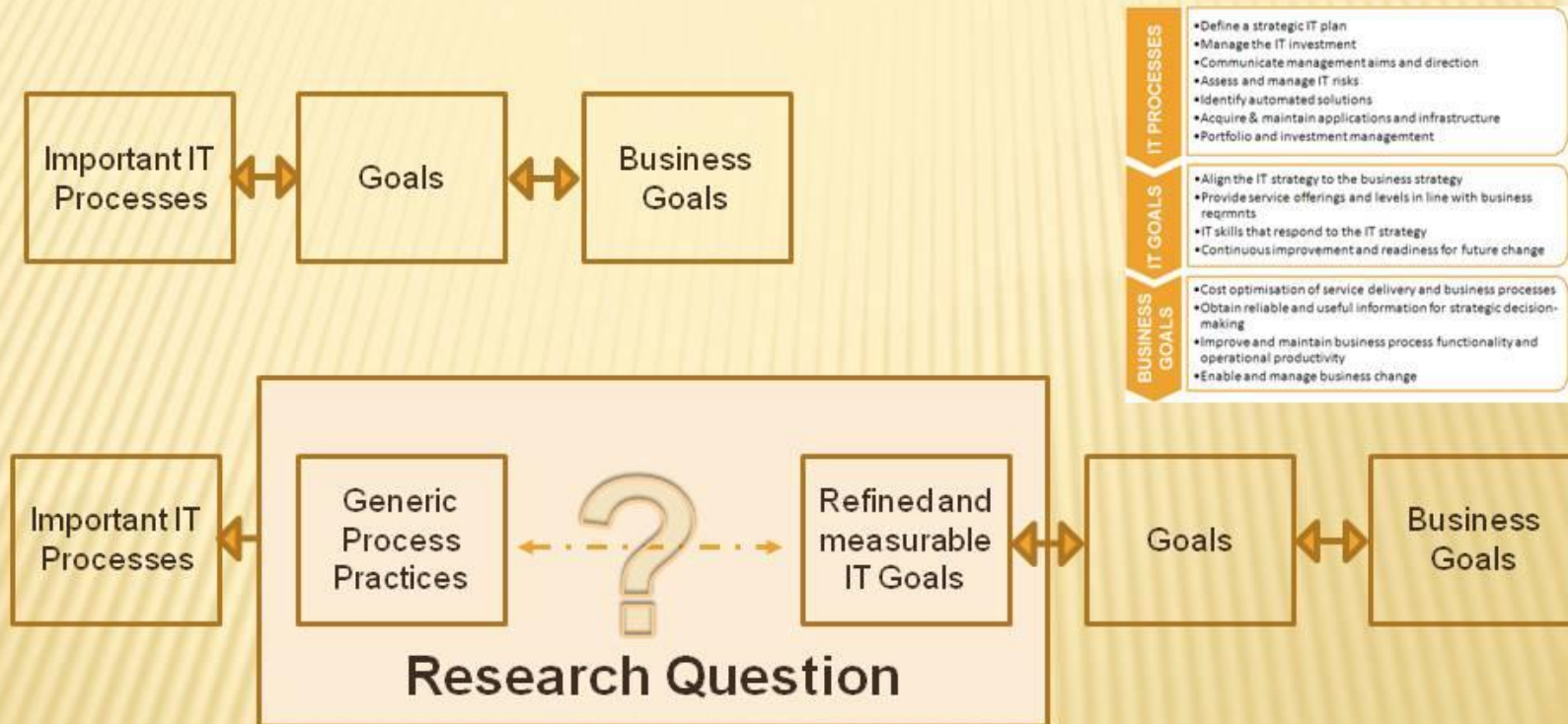
- Achieve cost optimisation of service delivery (B_Cust4).
- Obtain reliable and useful information for strategic decision making (B_Cust6).
- Improve and maintain business process functionality (B_Int1).
- Improve and maintain operational and staff productivity (B_Int2).
- Enable and manage business change (B_Int3).
- Optimise business process costs (B_Int5).

See the accompanying Research Report from the IT Governance Institute and the University of Antwerp Management School

Cluster correlations simplified and summarised



LEVERAGING ISACA RESEARCH



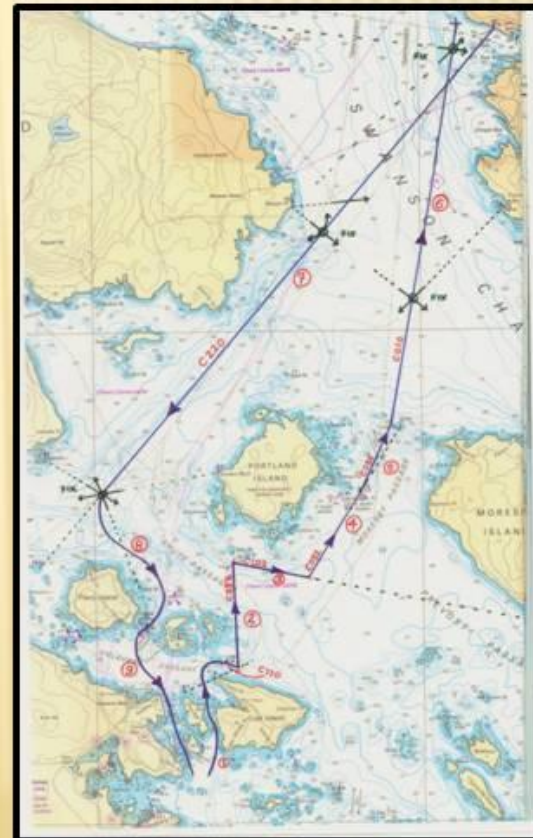
- Better information on ROI of practices in IT
- Knowing-Doing Gap
- High Tech -> High Touch

CONCLUDING ON RISK AND VALUE



Kubernán (gr): to steer a ship – the process of *continually orienting and adjusting*

“Managing an uncertain journey to an uncertain destination”



**...others
build windmills.**

**When the wind blows,
some will build walls ...**

