Advisory and Tax

IT Governance in Practice

Insight from leading CIOs

Contents

01 Executive summary

PricewaterhouseCoopers has interviewed a number of CIOs worldwide to obtain their views on IT Governance, their experience in implementing IT Governance, and what it takes to make IT Governance work.

The major findings from the interviews can be summarised as follows:

- **IT alignment is the highest rated driver and outcome of IT Governance practices**. A large majority of our respondents recognise the importance of IT alignment in order to deliver sustainable business results, and feel IT Governance is the best means to achieve this.
- **IT Governance is still very much associated with fulfilling control or compliance requirements** rather than it being an overarching framework that can be used to enhance the value of IT for the organisation.
- **IT Governance is driven by top management**, and is often associated with 'strong' CIOs who have the full support of executive management, with a resultant reduction in the risk that the implementation effort will be faced with staff and business management resistance.
- **The benefits of implementing IT Governance are not measured and are difficult to quantify**. In many instances the desired benefits are not defined upfront, which makes it impossible to measure them. When the performance of IT Governance practices is measured, some organisations are measuring the Governance process and how it works (performance indicators), but only a small number of them measure hard benefits or the eventual outcome of the Governance practices (outcome indicators). The latter, although a clear minority, have reported the realisation of important benefits, such as cost reductions, improved customer satisfaction and enhanced alignment between IT and business.
- The IT Governance aspects of **outsourcing arrangements are almost exclusively centrally managed by the corporate CIO office**. However, most outsourcing arrangements lack appropriate IT Governance considerations.

Although the level of maturity and acceptance of IT Governance varies considerably across organisations, a number of critical success factors were identified from the interviews. These include the support of senior management, taking cognisance of the current culture of the organisation during implementation, continuous communication to overcome resistance to change, and measuring and monitoring the progress of the implementation.

Most CIOs indicated that the current maturity level of IT Governance is low and can still be improved. Depending on their current situation, focus should be on improving the mechanisms to take important IT-related decisions, and at a later stage on the automation of some of the IT Governance mechanisms.

From our interviews it is evident that most organisations recognise the importance of IT Governance However, a 'holistic' view that considers all dimensions of IT Governance is not widely found. The concept of IT Governance as an umbrella framework encompassing a wide spectrum of arrangements, including the measurement of benefits, has yet to emerge.

We have included in our report some examples of best practices we have identified.

02 Introduction

2.1 Purpose

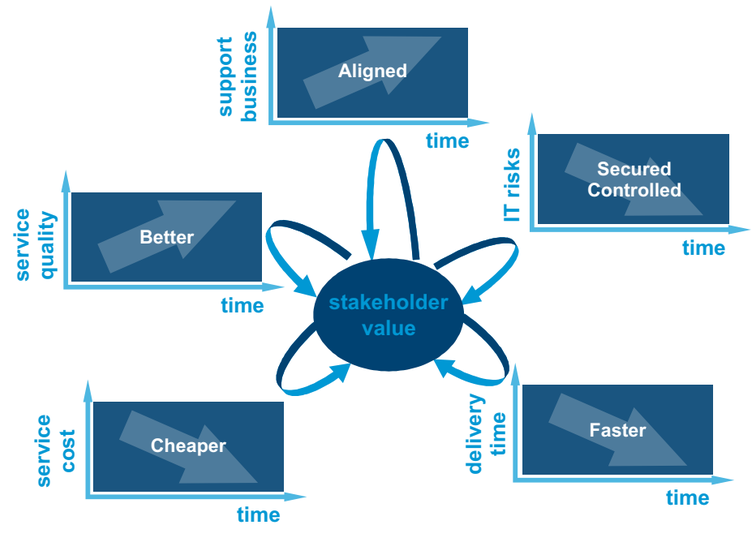
IT Governance is a much debated issue nowadays. The pervasiveness of IT within most commercial and public organisations has placed increased pressure on overseeing the effectiveness of IT. The current IT environment is entrenched in the business environment and requires regulatory compliance, cost control, availability, risk management, alignment with the business, timely project delivery, change and innovation in order to deliver stakeholder value.

The successful application of IT Governance principles can provide a mechanism to increase the effectiveness of IT and, in turn, meet the increasingly high demands from business for IT. As part of our survey we interviewed the CIOs of several global organisations in order to identify lessons learnt in implementing and embedding IT Governance.

The purpose of this report is to share this information with the wider IT and Business community to help them define improved IT Governance arrangements for their organisations.

2.2 Intended audience

For the purpose of this survey, we interviewed CIOs and IT Governance specialists in large organisations, who also constitute the primary target group for this report. In addition, we believe that this report will add value to the CEO, CTO, Risk Manager, Internal Audit or Board member, as well as other business executives.



03 Context and objectives

3.1 Context

The IT Governance Institute (ITGI) published their second global status report on IT Governance in 2006[1]. The ITGI survey provides insightful numerical data and quantitative feedback on several IT Governance issues.

This report elaborates on a number of IT Governance practices and issues gathered through face-to-face interviews with CIOs and IT Governance specialists within large organisations worldwide.

3.2 Objectives of this report

The main objective of this report is to provide more detail to the survey statistics as presented in the second global status report on IT Governance.

Specifically, the following questions were elaborated on with the respondents:

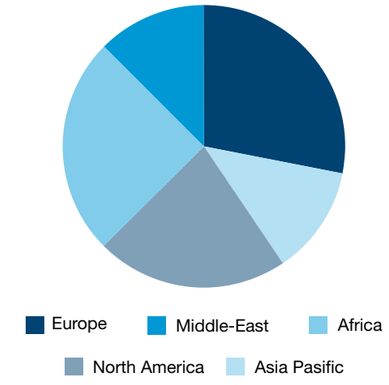
- According to the organisation, what is IT Governance?
- What are the main drivers to implement IT Governance?
- Are there tangible benefits to implementing IT Governance?
- What approaches are followed to implement IT Governance?
- What is the link between IT Governance and Corporate Governance?
- What are the organisation's specific experiences in implementing IT Governance?
- What are the critical success factors for an IT Governance implementation?

3.3 The interviewees

Some 50 CIOs were interviewed internationally. For confidentiality reasons we do not disclose the names of the participating organisations, but the sample contains interviews with CIOs from a range of sectors, such as financial services, manufacturing, IT, telecommunications, and Government.

Of the 50 CIO interviews conducted we have excluded 13 where we found the current level of IT Governance maturity to be too low. The decision to not use this data was made so as not to bias the results.

The distribution per continent is depicted in the graph.



[1] IT Governance Global Status Report – 2006, ITGI, www.itgi.org

04 Major findings and conclusions

This section of the report details the major findings and conclusions of our survey as related to the objectives defined above. For each stated theme we list the major findings followed by the conclusions we have drawn from the responses. A number of examples or quotes have been added to illustrate the IT Governance arrangements.

4.1 Alignment is the most important driver and anticipated result of IT Governance projects

Findings from the interviews

- Approximately 60% of the interviewees stated that alignment of IT with the business is a driver for, or a result of, implementing IT Governance-related projects.
- The importance of IT and business alignment is related to the current IT decision model:
  - Where the organisation has a predominately decentralised decision model, IT alignment as a driver for or a result of IT Governance is not mentioned.
  - In contrast, approximately 70% of the (IT) centralised organisations confirmed that they aim to improve alignment between IT and business within the organisation.
- Organisations that do not mention IT alignment as an important driver for IT Governance report an average maturity level of 2.3[2]. The reported overall average maturity level is 3[3]. When only taking into account the organisations that state alignment as a driver or result of IT Governance, the average maturity level is 3.3.

Conclusion

- There is a clear link between the awareness of the importance of IT and business alignment and the stated level of maturity of IT Governance within an organisation.
- Centralised organisations appear to be more open to the concept of IT and business alignment. This can be attributed to the fact that centralised organisations are more aware of the need for and benefits of alignment, most likely because:
  - They are managed centrally (e.g. by a CIO, CTO, IT director, etc.) and hence are often closer to the business.
  - IT and business alignment is a less important driver to decentralised organisations, probably because the business itself is diversified and not aligned.

[2] On a scale from 0 (None) to 5 (Optimised)
[3] We have provided comment on these numbers in section x.x. It is our belief that they are overestimated.

4.2 IT Governance is primarily viewed as a control mechanism and is operationally oriented

Findings from the interviews

- For half of the interviewed CIOs, IT Governance focuses on compliance, control and 'operational IT', and is less about organisational aspects, architecture and decision structures. More mature organisations include the responsibility of the board and highest management layers, as well as the related decision-making structures, in their definitions.
- The respondents in general reported a relatively low maturity level in comprehending IT Governance in its totality.
- As mentioned in 3.3, we excluded a number of interviews because those CIOs reported that there is (too) little understanding of IT Governance within an important part of the organisation.
- IT Governance has to stay in line with the company structure and principles of business (centralised/decentralised, in-sourced/outsourced, buy vs. make). Governance arrangements and processes need to reflect overall governance principles used within the organisation.

Conclusion

- There is no single definition or understanding of IT Governance. However, the common themes used include:
  - Compliance and control issues
  - Cost control
  - Timely project delivery
  - IT and business alignment
- With the exception of IT and business alignment, these are all operational-oriented drivers. In addition, these drivers are almost never mentioned in combination with each other, leading to a more narrow IT Governance approach. The "holistic view" of IT Governance is almost never used.
- Aspects such as 'who or which structure makes what decision by using what information via what processes and using which skills' are missing in most definitions and approaches, although the more mature organisations do recognise that establishing accountability is a key element of good IT Governance.
- Awareness of these aspects, i.e. decision mechanisms and Governance processes, should be increased. They are the cornerstone of good IT Governance arrangements and are required for achieving the right balance between cost control, regulatory compliance and control, risk and security management, business alignment, change enablement and innovation.

"IT governance is all about conducting business honestly and ethically in the IT environment."

"IT governance is about setting up accountability and responsibility, and setting up a demand-supply organisation."

"Doing the right things right"

4.3 IT Governance is mostly driven from the top

Findings from the interviews

Why are organisations implementing or improving IT Governance arrangements? What do they expect from the measures they take? The reasons for introducing improved IT Governance concepts are manifold, and the following were the most frequently mentioned drivers for introducing IT Governance:

- Need for IT alignment (60% of the participants);
- Regulatory pressure, e.g. Sarbanes-Oxley (40% of the participants);
- IT Governance is a natural follow-on from Corporate Governance projects and is enforced by Board/Executive management or head quarters (53% of the participants);
- An identified need for Performance Improvement, e.g. cost of IT, lack of effective solutions, efficiency gains (from a reduction in duplication) (56% of the participants); and
- Improved risk management (37.5% of the participants).

In addition, a majority (64%) of the participants stated that their IT Governance projects were controlled by both the business and IT.

Conclusion

- Most IT Governance improvement projects are initiated and driven by business executives or initiated as a result of external factors, with alignment, compliance and cost management being the main drivers. At the same time it is recognised, both by the CIOs we interviewed and other research, that this drive from the top is the single most critical success factor for implementing effective IT Governance.
- While the drivers for implementing IT Governance are diverse, when combined they represent a comprehensive view of IT Governance.

When comparing the findings with the previous sections (4.1 and 4.2), one could conclude that despite the right drivers being identified, a thorough understanding of IT Governance is still lacking at an important portion of the organisations that need to implement effective IT Governance arrangements.

"The emergence of new regulation and resultant compliance requirements is a strong driver. However, as a result, the emphasis (within IT Governance) is only on risk and compliance as opposed to a broader focus - governance is becoming more rigorous but also more mechanical"

4.4 The ultimate benefits of IT Governance are mostly qualitative and less quantitative

Findings from the interviews

- Organisations that have only recently commenced IT Governance initiatives often have no mechanism in place to measure the success or benefits of their governance efforts.
- When IT Governance performance measurement disciplines and practices are in use, they are mostly informal, subjective or based on qualitative measures only. Some organisations measure progress in terms of the performance of their IT Governance measures (process indicators) and less on the eventual outcome, e.g. cost savings.
- There are many reported benefits for IT Governance that are not quantified or measured, including:
  - Enhanced IT alignment;
  - Cost savings;
  - Improved customer satisfaction; and
  - Greater security
- Only in certain cases (approximately 16% of the participants) are hard figures on benefits available, e.g. in the area of budget savings or headcount reductions. In these stated instances, significant cost savings (of more than 30%) were reported. The main driver in these cases was indeed cost reduction, and a strong target and corresponding monitoring mechanism (in addition to several other measures) was implemented.
- It was, however, found that only a portion of the target benefits materialised in the short term, e.g. large-scale standardisation projects typically only deliver their benefits over a period of several years.

Conclusion

- Major companies are expected to be able to demonstrate measurement capability, but this has not yet fully occurred in practice.
- It is important to incorporate cost, desired benefits and performance tracking of IT Governance initiatives from inception in order to demonstrate the value of sometimes unpopular governance arrangements.
- Pragmatism in benefits management is required, namely:
  - Define a set of reasonable (in size and difficulty of measurement) KPIs or KGIs that are meaningful to IT and the business, and that are related to the drivers and expected outcomes of the IT Governance initiative(s).
  - Include the 'soft' or intangible side of performance management in performance measurement.
- Although we recommend that benefits tracking be part of IT Governance initiatives from inception, many organisations still view it as something to be done once a higher level of maturity has been reached, thus indirectly proving that overall maturity of these initiatives is still quite low.

> "Some progress is being made in terms of better alignment with the business, and in developing a more pro-active relationship between the IT group and the business. Benefits are qualitative and measurement is subjective."

4.5 IT Governance projects are often driven by and/or integrated with Corporate Governance arrangements

Findings from the interviews

- There is a general recognition that IT Governance is an essential part of corporate governance.
- In 53% of cases, Corporate Governance projects were a driver for IT Governance projects.
- With regard to regulatory issues (e.g. Sarbanes-Oxley), 40% of the participants state that this is an important driver for implementing IT Governance.

Conclusion

- IT Governance can often leverage from Corporate Governance projects to kick-start its own development.
- IT Governance can be implemented in many different ways, depending on the organisation structure, strategy, industry, compliance requirements, etc. This is confirmed by the relevant management literature.
- There is an opportunity to better integrate IT Governance practices with corporate governance arrangements. Indeed, Corporate Governance (when interpreted in its correct broad definition) requires good management of the organisation's assets, whereby IT and information are now often the major asset of an organisation.

4.6 IT Governance arrangements include centralised decision-making for IT architecture and decentralised for applications

Findings from the interviews

- With regard to IT decision-making it was observed that the following arrangements are the most common:
  - Centralised decision making for IT technology choices, as well as for infrastructure and budgets; and
  - More decentralised decision processes when it comes to application development and projects.
- Governance structures include the following aspects:
  - Many organisations have, as one of the main Governance mechanisms, created Committees of all sorts and flavours involving different levels of business and IT management.
  - In a number of cases there is more practical guidance in place, such as a top-down enforced set of policies and practices for IT Governance.
- In a number of instances, cost transparency and charge-back are used as an important IT Governance mechanism by raising the awareness within the business of the true cost of IT and IT demands, and by enforcing proper business cases for any IT investment.

"Business units have decision rights around the applications specific to their environment and some business units have some internal IT capability (e.g. customer care has a new and dedicated IT function to support them). Most other decisions are made centrally."

Example: The decision-making structures at a major financial services organisation

The organisation is currently in the final year of a three-year recovery programme, with a significant focus on cost, efficiency and revenue growth. IT is centralised, and the major priorities include business/IT alignment (including increased process support and enablement); service delivery excellence; controlling and optimising IT spend; and building IT skills and competencies. Significant drivers for the IT governance efforts in this organisation have been the emergence of new regulations and the resultant compliance requirements, as well as increased pressure for business clusters to ensure the effectiveness and efficiency of IT. A number of decision structures have been implemented, and these are described below:

- The Board-SIMCO (Strategic Investment Management Committee) has overall responsibility for ensuring the effectiveness and efficiency of IT, as well as the approval of spending of about $8m.
- The Exec-SIMCO is responsible for the prioritisation of initiatives (keeping a 'wish-list' from the business clusters). Business clusters are hence responsible for initiating requests and completing the required business case, which is (amongst others) independently assessed by Group Finance.
- Within the IT group, there is an IT-EXCO that is responsible for endorsing key IT decisions and represents the highest level of authority within the group.
- The Strategic IT Governance Forum will typically review proposals and recommend key decisions (which are then submitted for endorsement to the IT-EXCO.
- The Tactical IT Governance Forum monitors the execution of key decisions.
- The IT Strategy and Architecture MANCO reviews all designs and ensures compliance with strategic and architectural principles.

4.7 Experiences in implementing IT Governance

Findings on organisational issues

Implementing IT Governance is a long journey, where obstacles and pitfalls abound. The most frequently mentioned include:

- Obstacles:
  - The three Cs: Culture (societal/company), resistance to Change, lack of appropriate Communication;
  - Internal politics – IT Governance often brings a shift in decision rights and associated power;
  - Resistance to acceptance of standards/policies;
  - Resistance to accept accountability – some organisations report strong resistance by the business in accepting accountability for IT-related investments as part of newly introduced IT Governance arrangements; and
  - Obtaining sufficient business involvement in governance initiatives.
- Avoidance measures:
  - People circumvent IT Governance processes and practices, e.g. by trying to introduce unauthorised exceptions to the architecture or by enforcing decisions outside the committees put in place. Rather provide a regular 'exception-handling' process to deal with the inevitable items that will not fit the chosen architecture or standards;
  - Structuring IT too low or in the wrong place in the organisational structure; and
  - Not including the business in IT Governance improvement projects.

By anticipating some of the critical success factors, the interviewed CIOs believed the following were very helpful in their governance efforts:

- Defining a sound set of performance indicators (SMART measurements are an absolute must in order to provide evidence of benefits);
- Good communication and change management initiatives;
- Strong personalities able to overcome resistance;
- Visible senior management support and drive; and
- A well-defined and strongly managed process for exceptions.

"One of the major difficulties has been communication - obtaining end-user buy-in. Users always need to be educated on the reasons for specific measures, and sometimes react negatively when some policies are enforced."

4.7 Experiences in implementing IT Governance *(continued)*

Findings on standards and frameworks used

- More than 95% of the participants use one of the major IT Governance frameworks. A small number of them use their own (or consultant-defined) frameworks. The major frameworks used include:
  - CobiT: accounts for 63% of the frameworks in use; and
  - ITIL: is used by 60% of the participants.
- Other frameworks used to a lesser degree include CMMI, Prince II, COSO, and ISO17799.
- In 65% of the cases, organisations use CobiT and ITIL in combination with each other or with lesser-known frameworks.
- A small minority of participants use no framework at all. These are very often organisations with a very low IT Governance awareness.
- Few strong negative or positive perceptions exist around specific frameworks. Organisations generally view these frameworks as beneficial but not as a panacea. They get inspiration but do not follow them to the letter.
- When strong perceptions exist, it is a favourable opinion: some organisations mentioned CobiT as a very important element and success factor in their IT Governance efforts

"You need someone in the driver's seat who knows the business processes as well as IT processes – someone who's been there and done that at the detail level. CobiT is the critical success factor – without it I can't achieve IT Governance."

"I use frameworks and standards for inspiration, and we use what we think is useful and relevant for our organisation. We have no intention to get ourselves certified or to follow standards to the letter."

4.7 Experiences in implementing IT Governance *(continued)*

Conclusion

- Many organisations report very high maturity levels whereas the facts (their other answers) do not support this view. Education/awareness is much needed here in order to understand the different maturity levels of Governance arrangements.
- They consider IT Governance as a project to be managed, namely:
  - Emphasis on change management;
  - Communication;
  - Sticking to the chosen standards; and
  - Strong and visible senior management support.
- They assess the organisation in all its relevant aspects (culture, informal organisation, key business priorities, etc.) and adapt the implementation (ambition, pace) to the company environment and resources available.
- The choice of different frameworks is a confirmation that one framework is not supporting IT governance from a holistic perspective and that different frameworks need to be used in order to establish an overall IT Governance solution. Since a majority of the interviewees use a combination of frameworks, one could think that this can be seen as an intention towards a holistic IT Governance initiative. However, as already discussed in 4.2, these intentions are often not translated into real-life projects.
- We expect, with maturity levels and awareness growing over the coming years, to see a shift in frameworks used for structuring IT Governance arrangements (some mentioned ValIT), and an improved ability to actually implement those broader-scoped IT Governance projects.

"Although a number of governance structures and bodies exist, the maturity is not yet where it should be and some of the mandates need to be revised. The focus has become more tactical and needs to be changed to become more strategic"

4.8 What is still needed to progress further?

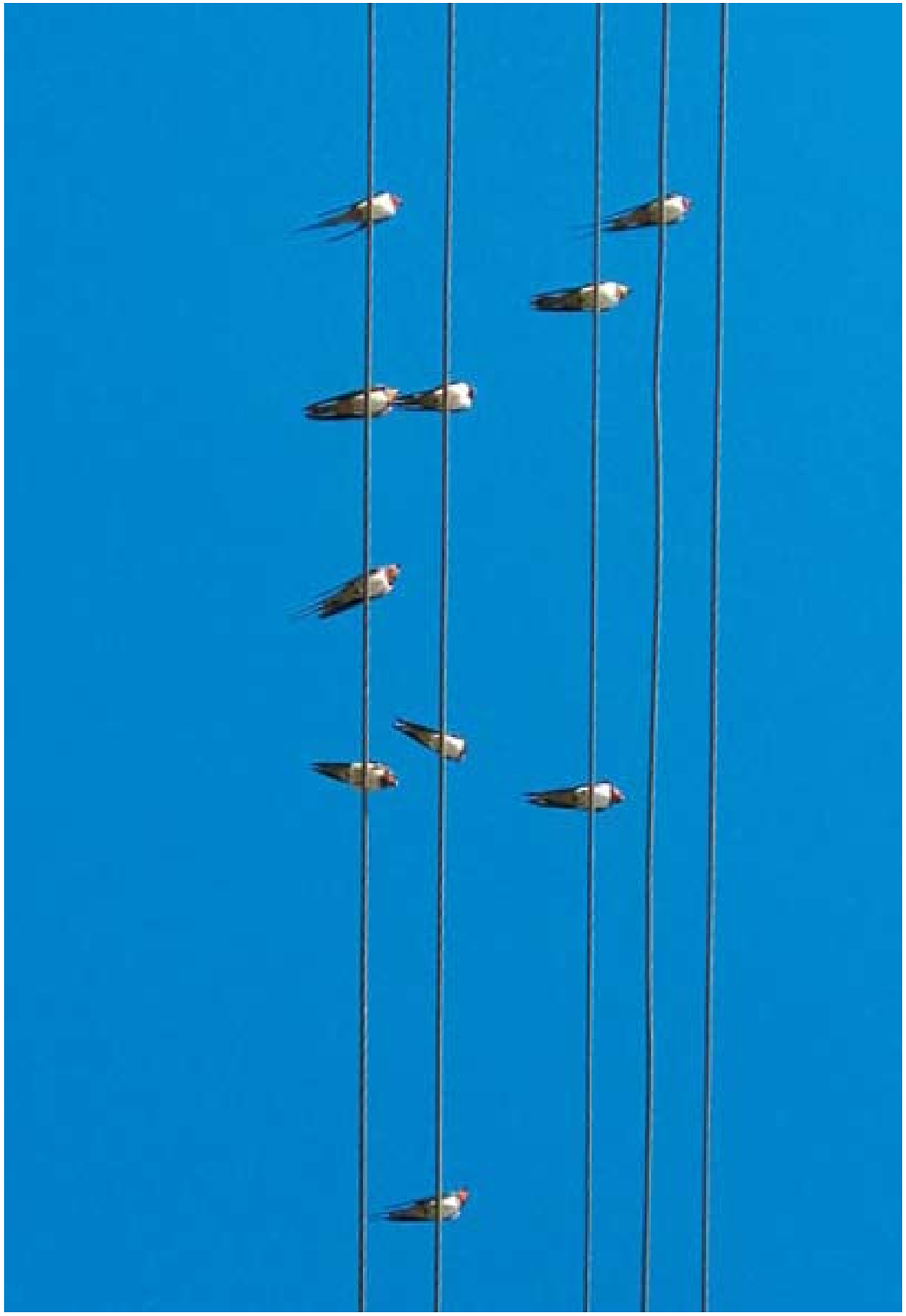
Findings from the interviews

Our interviewees saw several areas for further progress when it came to IT Governance, including:

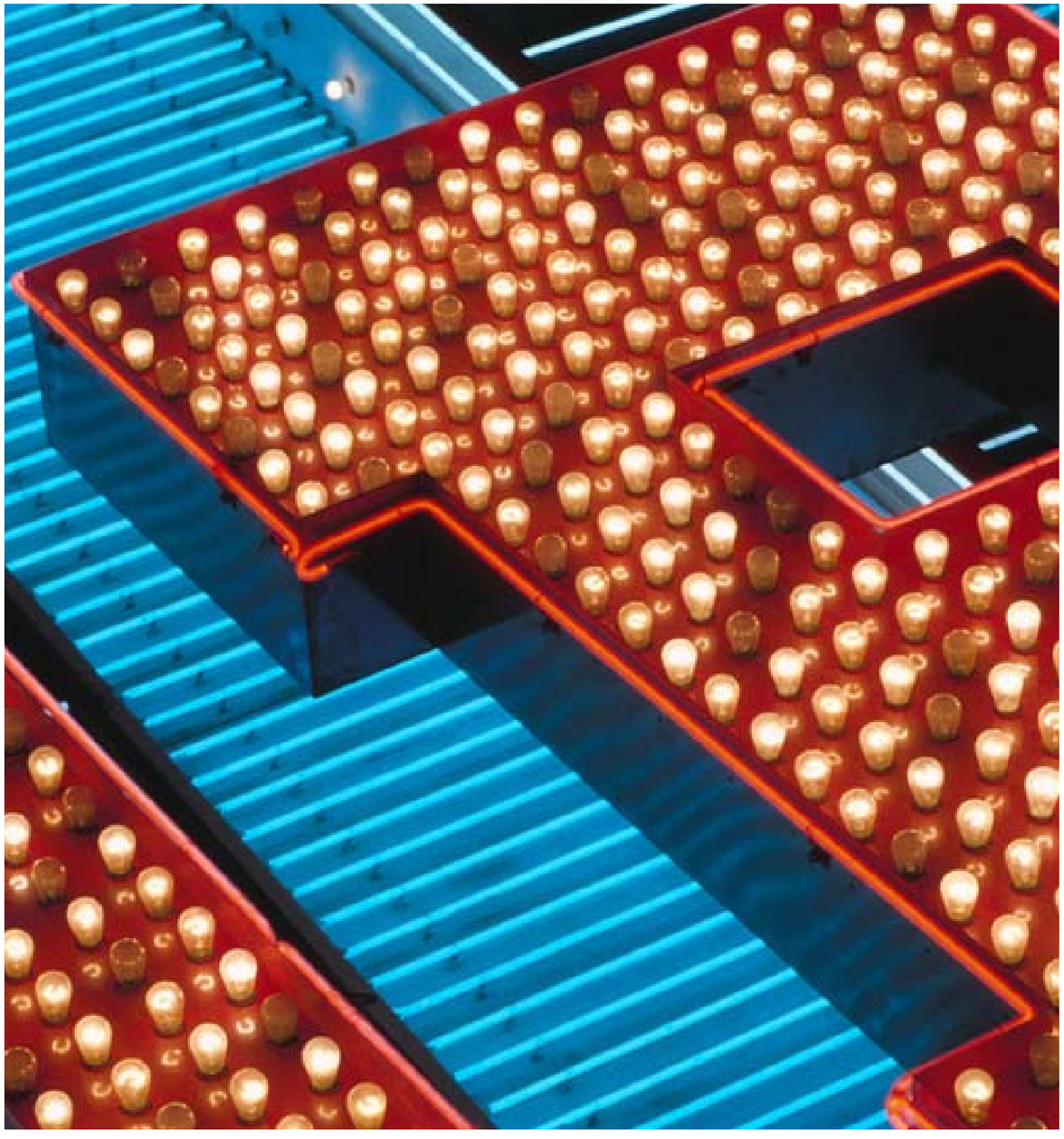
- Improving the clarity of the current overall governance model in their organisations;
- Defining and executing specific operational/tactical governance activities;
- Enhancing performance management and measurement;
- Automating some of the data gathering and reporting to support IT Governance processes;
- Sustaining the current strong drive to further improve; and
- Communication and monitoring.

Conclusion

- Approximately 80% of the organisations have identified further steps to improve IT Governance arrangements. This proves that there is a need to progress further, and at the same time we see that the identified steps forward are pointing in the right direction.
- Many organisations (65% of the interviewees) have, in their initial IT Governance efforts, made very little use of software tools. They have focused rightfully on getting the basics right, i.e. their IT decision model, defining accountability, etc., supported by sometimes very basic tools like spreadsheets or small databases. Only now, when maturity is growing and IT Governance practices are established, has the need emerged for software tools to support the ongoing efforts.



05 ‘Best-In-Class’ IT Governance arrangements



During our round of interviews we were informed of many IT Governance practices in different degrees of maturity. We were able to deduce what at this moment probably constitutes best practice, i.e. what it is that distinguishes best IT Governance practices.

In our view, the following IT Governance arrangements qualify as the most important best practices:

- Approach the various dimensions of IT Governance in parallel, but focus on the ’weakest link’ or ’quick win’ to show results and obtain further project acceptance.
- Link IT Governance to the key business themes, such as cost reduction, innovation, agility, simplification, customer satisfaction, and compliance. Only then will there be a open ear at the business side, when IT listens and speaks the same language. IT should show that it is ready to walk along the same lines as the business. This will ensure that the business appreciates and provides active support to the initiatives.
- Take advantage of a merger or acquisition, Corporate Governance project or outsourcing contract. Any major event should be an occasion to question the IT Governance arrangements in place.
- Cost transparency and charge-back are key elements of IT Governance. The cost of IT is very often a hot topic of debate, and much of the negative feelings around IT come from a lack of understanding of how the IT cost is compiled. Transparency and making business users aware of how much their projects and ideas will cost will allow better decision-making and prioritisation.
- Standardisation is another key element of a successful implementation. Although this is usually an uphill battle against culture and legacy situations, there appear to be significant benefits in harmonising the architecture and standardising technology platforms. For instance, costs are better controlled, new initiatives can be implemented much quicker, and cost and effort for support and maintenance reduced.

06 Critical success factors for IT Governance

The analysis of the data gathered in this survey and the IT Governance status report survey, combined with our experience, demonstrates to us that there are some very important critical success factors required for a successful IT Governance initiative.

1 **Senior Management commitment and vision**

IT Governance initiatives are very often instigated by top management of the organisation, hence they certainly have the initial support of senior management. It is important that this support is sustained, and that IT Governance is part of the strategic vision of senior managers. Through this continuous support, expressed by regular follow-up, adequate available resources and support for good IT Governance practices during conflict situations, IT Governance arrangements have substantially better chances for success.

2 **Communication and change management**

In most cases where stronger IT Governance practices are introduced, some level of resistance is encountered. The instances where IT Governance has succeeded, all paid great attention to continued communication, especially when strong resistance was encountered or when exceptions needed to be dealt with.

3 **Focus, execute and enforce**

Introducing or improving IT Governance practices requires a well-defined plan. Success will only be achieved if focus is maintained and agreed practices are executed as planned. If technology standardisation is introduced as one of the cornerstones of IT Governance, it is important to stick to this measure against any resistance. Set up a strict exception management process for relevant deviations from standards. This can be seen as a documented and structured mechanism for stakeholders (e.g. project sponsors or business unit management) to state their case and request exceptions.

4 **Define a benefit management system and set achievable targets/expectations**

IT Governance is about improving value of IT for the organisation and reducing risk. It is only natural to define the targets of the new or improved IT Governance practices and to measure whether they are achieved or not. Introduction of IT Governance practices without having a system that includes definition of expected benefits and how to measure them is a contradiction in terms.

5 **Evolution, as opposed to revolution**

Introducing or improving IT Governance arrangements takes time. Quite often cultural changes or significant changes in procedures (e.g. more formal measures and processes, less discretionary power, more centralisation) have to be introduced, and these require time. It is important to plan carefully and to allow adequate time for the implementation of such measures, as well as allowing sufficient time for the organisation to absorb the changes.

6 **Don’t over-engineer IT Governance**

IT Governance measures are key to the success of IT within the organisation. However, it is important not to overdo the effort with elaborate multiple committees, overkill in terms of monitoring and reporting, overly complicated processes and templates. An over-engineered solution may create more resistance and ultimately be circumvented and consequently less effective.

07 Specific findings

7.1 Findings relating to smaller/local organisations

The bulk of the organisations that participated in this survey are large multinational organisations. However, some smaller entities also participated.

The findings and conclusions reported above remain valid for these smaller organisations, but some specific remarks on IT Governance in smaller environments can be made, namely:

- The balance between creativity/agility/innovation and restrictive governance arrangements needs to be found in smaller organisations.
- Leverage corporate governance arrangements that were introduced mainly for regulatory reasons to introduce enhanced IT Governance practices, and hence improve IT performance.
- Knowledge and awareness of frameworks that could help to improve IT Governance arrangements, and how to use them in the most flexible manner, is needed. There may also be a need for frameworks adapted to smaller environments.
- There is a higher occurrence of informal arrangements for IT Governance in smaller organisations.

7.2 Specific findings relating to IT Governance frameworks and tools

The use of frameworks is widely accepted when considering our interview results. Ninety five per cent of the organisations seek aid and guidance from the major and well-known frameworks such as CobiT and ITIL. The fact that these frameworks are seldom separately used but rather combined with each other and/or other lesser known frameworks (such as CMMI, and PRINCE II) leads us to believe that most organisations do tailor the standards to their own needs.

In addition, we have observed that many organisations focus first on getting the basics of IT Governance correct, i.e. installing the right governance bodies and committees, assigning accountability, and opening communication channels between business and IT. Some very basic tools (office automation based) are used, including for cost charging and budgeting.

Only when these practices have matured does there appear to be a real need for software tools to support ongoing IT Governance efforts. It was felt that starting IT Governance efforts by installing a tool without doing the foundation work first would be the wrong approach.

7.3 Specific findings relating to sourcing

We discussed the issue of outsourcing and off-shoring with our interviewees. Although it is a much debated issue nowadays, opinions seem to be polarised. Not everybody agrees with the outsourcing or off-shoring route, and those who oppose this approach feel quite strongly about it, i.e. 7% of the participants do not outsource at all. In addition, another 7% only agree to outsource some very limited IT tasks. The other 86% have all outsourced at least one part of their IT environment.

When the organisation does outsource, we see that:

- Various models of governing outsourcing have been used:
  - Tendency to decide upon outsourcing at a central level:
  - By IT: IT Manager or CIO is the central decision point for sourcing.
  - By business: through steering committees or other comparable structures.
  - One organisation uses business in order to approve outsourcing agreements.
- Outsourcing Is controlled in a number of ways:
  - Committee oversight;
  - Performance indicators (KPI/SLA/terms and conditions); and
  - Relationship management is more important than contracts and SLAs, i.e. a move towards the ‘trusted partner’ concept rather than ‘legalising’ the relationship.

PricewaterhouseCoopers

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- Integrating them into current operations
- Enhancing performance
- Improving management and control
- Dealing with crises
- Restructuring and realising value

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IT Governance Institute

The IT Governance Institute (ITGI) (www.itgi.org) was established in 1998 to advance international thinking and standards in directing and controlling an enterprise's information technology. Effective IT governance helps ensure that IT supports business goals, optimises business investment in IT, and appropriately manages IT-related risks and opportunities. The IT Governance Institute offers original research, electronic resources and case studies to assist enterprise leaders and boards of directors in their IT governance responsibilities.

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