Principles of IT Governance

Principles
- Responsibility
- Strategy
- Acquisition
- Performance
- Conformance
- Human Behaviour

The IT Governance Framework is a straightforward tool for helping organizations implement the ISO 38500 standard for IT governance in the real world.

The framework consists of six domains, each of which represents one step in the end-to-end process that starts with business strategy and finishes with IT operational support for delivery of business value against that strategy. Each segment is divided into three layers:

- The inner-most layers represent the board, which directs, evaluates, and monitors information technology support for business.
- The middle layer represents executive management, which is responsible for managing the activities that deliver the end-to-end process.
- The outermost layer represents the IT practitioners and IT governance practitioners, who use proven tools and methodologies to plan, design, assess, control, and deliver the IT support for the enterprise.

The framework can be used for Plan-Do-Check-Check cycle within each individual domain or across all domains depending upon the decision scope and impact.

References:
1. ISO 38500 IT Governance Standard
| IT Principles                        | How do the business principles translate to IT principles that guide IT decision making?  
|-------------------------------------|------------------------------------------------------------------------------------------  
|                                     | What is the role of IT in the business?                                                    
|                                     | What are desirable IT behaviors                                                            
|                                     | How will IT be funded?                                                                     |
| IT Architecture                     | What are the core business processes of the enterprise? How are they related?               
|                                     | What information drives these core processes? How must this data be integrated?             
|                                     | What technical capabilities should be standardized enterprise wide to support IT efficiencies and facilitate process standardization and integration?  
|                                     | What activities must be standardized enterprise wide to support data integration?           
|                                     | What technology choices will guide the enterprise’s approach to IT initiatives?            |
| IT Infrastructure Strategies        | What infrastructure services are most critical to achieving the enterprise’s strategic objectives?  
|                                     | What Infrastructure services should be implemented enterprise wide and what are the service-level requirements of those services?  
|                                     | How should infrastructure services be priced?                                               
|                                     | What is the plan for keeping underlying technologies up-to-date?                          
|                                     | What infrastructure services should be outsourced?                                         |
| Business Application Needs          | What are the market and business process opportunities for new business applications?       
|                                     | How are strategic experiments designed to assess success?                                  
|                                     | How can business needs be addressed within architectural standards? When does a business need justify an exception to a standard?  
|                                     | Who will own the outcomes of each project and institute organizational changes to ensure the value? |
| IT Investment and Prioritization    | What process changes or enhancements are strategically most important to the enterprise?  
|                                     | What is the distribution in the current IT portfolio? Is this portfolio consistent with the enterprise’s strategic objectives?  
|                                     | What is the relative importance of enterprise wide versus business unit investments? Do actual investment practices reflect their relative importance?  
|                                     | How is the business value of IT projects determined following their implementation?        |
# Governance Goals by Performance Criteria

<table>
<thead>
<tr>
<th></th>
<th>Performance</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Profit</td>
<td>Asset Utilization</td>
<td>Growth</td>
</tr>
<tr>
<td><strong>Strategic Driver</strong></td>
<td>Profitability via enterprise wide integration and focus on core competencies</td>
<td>Efficient operation by encouraging sharing and reuse</td>
<td>Encourage business unit innovation with few mandated processes</td>
</tr>
<tr>
<td><strong>Key Metrics</strong></td>
<td>ROI/ROE and business process costs</td>
<td>ROA and unit IT cost</td>
<td>Revenue growth</td>
</tr>
<tr>
<td><strong>Key IT Governance Mechanisms</strong></td>
<td>Enterprise wide management mechanisms (e.g., executive committee, Architecture process, Capital approval, Tracking of business value of IT)</td>
<td>Business/IT relationship manager, Process teams with IT members, SLA and chargeback, IT leadership decision-making body</td>
<td>Budget approval and risk management, Local accountability, Portals or other information/services sources</td>
</tr>
<tr>
<td><strong>IT Infrastructure</strong></td>
<td>Layers of centrally mandated shared services</td>
<td>Shared services centrally coordinated</td>
<td>Local customized capability with few required shared services</td>
</tr>
<tr>
<td><strong>Key IT Principles</strong></td>
<td>Layers of centrally mandated shared services</td>
<td>Low IT unit costs; reuse of standard models or services</td>
<td>Local innovation with communities of practice; optional shared services</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>More centralized</td>
<td>Blended</td>
<td>More decentralized</td>
</tr>
<tr>
<td></td>
<td>E.g., Monarchies and Federal</td>
<td>E.g., Federal and Duopoly</td>
<td>E.g., Feudal arrangements; risk management emphasis</td>
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## Decision Makers by IT Governance Type

### Governance Archetype

<table>
<thead>
<tr>
<th>Decision Domain</th>
<th>IT Principles</th>
<th>IT Architecture</th>
<th>IT Infrastructure Strategies</th>
<th>Business Application Needs</th>
<th>IT Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Input</strong></td>
<td>Chairman and CEO</td>
<td>CIO</td>
<td>EAO</td>
<td>EAO</td>
<td>TAC</td>
</tr>
<tr>
<td><strong>Decision</strong></td>
<td></td>
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**Legend:** EAO – Enterprise Architecture Organization; SSB – Shared Services Board; TAC – Technology Architecture Committee

### More Centralized
- **Business Monarchy:** A senior business executive or a group of senior executives, sometimes including the CIO, makes all the IT-related decisions for the enterprise.
- **IT Monarchy:** Decisions are made by an individual IT executive or a group of IT executives.
- **Federal System:** C-level executives and business representatives of all the operating groups collaborate with the IT department.
- **IT Duopoly:** A two-party decision-making approach involves IT executives and a group of business leaders representing the operating units.
- **Feudal System:** A business unit or process leaders make separate decisions on the basis of the unit or process needs.

### More Decentralized
- **Anarchy:** Each individual user or small group pursues his, her or their own IT agenda.