



CEC Wrap: Making IT Governance Work

*Key points from the CEC
virtual session*



FROM IDG

The Wrap:

Making IT Governance Work - Key Points from the CEC Virtual Session

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One of the great contradictions in IT is that while business partners know technology services and support are expensive, they somehow also think these offerings are free. This is a problem because if IT today has such a defining and enabling role in the overall strategies of a business, then business consumers should have a better sense of the true costs of IT, total cost of ownership, maintenance, depreciation and so on.

CIOs have a responsibility to help transform business partners into informed co-investors of the IT budget,” explains executive recruiter and author Martha Heller, who refers to this duty as ‘sharing the love.’ At the core of this is education and accountability exercise is a governance process or framework, although designing and implementing a workable and accepted governance process can be a challenge.

Tackling that topic in in a recent CIO Executive Council (CEC) Executive Network virtual session are: **Michael Hites**, Senior Associate VP & CIO at the University of Illinois; **Thomas Kuczynski**, CIO of the DC Water & Sewer Authority; and **Alejandro Jose Reyes**, Director of IT Governance & Strategy of The AES Corporation. All of these IT leaders have designed and implemented successful governance structures. The discussion is led by columnist, author and executive recruiter **Martha Heller**, who admits IT governance is one of her favorite topics.

The following is a summary of key points made during that virtual session, which can be viewed in its entirety by clicking here: [Making IT Governance Work](#):

What Does IT Governance Mean to You?

Michael Hites

Senior Associate VP & CIO

University of Illinois:

‘We believe that the definition of IT governance is the who, what and how to allocate IT resources, and that IT governance defines the processes, components, structures, and participants for making decisions regarding the use of our enterprise IT.’

Thomas Kuczynski

CIO

DC Water & Sewer Authority:

‘IT governance at District of Columbia, or DC Water is actually four pieces. It’s actually approving the overall IT strategy. It’s authorizing the IT budget. It’s actually identifying, selecting, and prioritizing the initiatives within that budget, and it’s also responsible for ensuring that benefits that have been identified pertaining to the individual projects that have been approved are actually achieved.’

Alejandro Jose Reyes

Director of IT Governance & Strategy

The AES Corporation:

‘The way I define governance is providing the policy framework and guideline for making the right IT decision, and investing in the proper technology and the solutions that are needed by our business.’

IT Governance Structures

Martha: *I know it's tough to do without a whiteboard or an org chart, but how would you describe the governance structure at each of your organizations?*

Alejandro Jose Reyes:

- We have it structured as a series of councils in which we discuss IT solutions and IT strategy. That's within the IT groups, but we also have different councils where we work with the business, and we understand the strategies that they want to follow, and then IT, how can support it, or in some cases, even lead it.
- We have two councils that are very technical in nature. Business and IT participate, and then all the decisions that are presented into a more strategic council where we have senior leaders in the business and in IT. It is in this strategic council that we present which projects we should invest in, what are the benefits, and discuss how we should present them so that we can make a decision and approval to go into implementation.

Tom Kuczynski:

- We've established a two-tiered structure. At the top tier is the Executive Steering Committee, and they're largely responsible for approving the overall IT spend level, and then allocating that to the second tier, which is actually what we refer to as a Local Steering Committee. Those local committees are actually comprised of director-level and manager-level individuals, either in a specific line of business or aligned with a specific product. The extent of that product is broadly used throughout the organization.
- Those groups are actually the groups that identify individual initiatives for their areas, and then evaluate each of those initiatives and approve an initiative for funding, within the funding levels that they have. They

submit a portfolio to the Executive Steering Committee that is then approved. The Executive Committee doesn't get involved in the individual projects unless they are of a strategic nature.

- The Executive Steering Committee will individually evaluate those large system replacements or large new strategic initiatives that affect the entire organization. But largely they're evaluating the overall portfolio of the respective business areas, and approving that portfolio and that spend level. At that point, their main responsibility is then to monitor projects to make sure that they're on schedule and that they're achieving the results that were identified in the original business cases within those local steering committees.

Michael Hites:

- There are governance structures that are faculty focused, that look at education, and research, and the business of the faculty member. At the system level, we're looking at the business systems, those things that do the transactions.
- We have a three-layer or three-level structure where the subcommittees are aligned around the line of business. So we have a finance subcommittee, an HR subcommittee, our student services subcommittee, and then a business performance management subcommittee. And on top of that is a mixture of all of them. So basically those directors meet together to prioritize across the functions.
- Above them are the executives which, for us, is our Provost. The Provost is the highest ranking executive that's in charge of the academic enterprise, which is education and research. So even though we're not working on education and research project, the people that ultimately guide our highest level IT projects are those executives.
- In 2007, we did overhaul of our IT governance. And one of the things that we found was we didn't quite delegate the decision making rights for the smaller projects well across the levels. So you'd have to escalate things

from level one to level two to level three, and it really started to annoy people that they had to go through all of this bureaucracy. So we started to establish levels of dollars and human resources that a subcommittee could approve.

- So right now if something is between 250 and 850 hours and doesn't add anything to the budget, the subcommittees, they can approve them right away. If it's over 850 hours or it consumes cash, then our cross functional group, it can do it. And if it's over 250,000 or 5,000 hours of time, then it really executive approval for the project.

IT Governance Strategies and Objectives

Martha: *What strategies have you used to understand the strengths and weaknesses of your existing IT portfolio in order to use that as a baseline to establish the goals and objectives for the governance system?*

Michael Hites:

- We have our portfolio project management office manage the governance process, called the Governance Portfolio Project Management Office (GPPMO). They run the strategic planning process for our group. They're also the one that does the quarterly and the monthly reports back to our governance structure.
- The GPPMO provides a packet of information that lists all the projects that are in flight, all the projects that are in the queue, where the resources are going, and spotlight reports for everything. And that actually goes to the governance group meeting on a regular basis, so they can take a look at our strategic plan, our strategic alignment, the list of the projects, and actively reprioritize them if they want to.
- Over the past decade there have been about 500 projects that have gone through the process, and about 60 or 70 of them have been rejected or withdrawn based on that kind of active management methodology.

So, we try to use the Portfolio Project Management Office to inform the governance group so that they can actively reprioritize our portfolio.

Aligning IT Governance with the IT Process

Martha: *How do you integrate IT governance with enterprise architecture and standards? How does it align with the IT decision process?*

Alejandro Jose Reyes:

- First, we define all the different technologies that can be integrated through our existing solutions, and also provide guidelines as to new purchases of IT. An example of that would be knowing all the different applications that we have, knowing the different versions, how it's supported, and publishing and discussing this in one of our tactical councils so that people with IT knowledge know what types of solutions we have out there, what's compatible with our environment.

Then, when we need to make a decision, they can easily get access to the information or know how to bridge to the architect, in this case.

Tom Kuczynski:

- We take inventory and publish all of our standards, and also publish the functional capabilities of our existing portfolio of applications. As we're considering new initiatives, one of the first things we do as part of the business case is look at existing solutions that are currently deployed to see if any of those can actually meet the requirements that are being asked for in the new initiatives. To the extent that it can, that's typically where we'll initially invest our time and evaluating that alternative to meet the requirements of the business.
- If it doesn't meet those requirements at a sufficient level, then we go into a more broad evaluation of other alternative. To the extent that from a functional perspective, two products are identified that could meet the

requirements of a particular business case, and one meets or one is consistent with our architectural standards. At that point, we would actually require them to use that particular solution because it fits within our architecture.

- If there is not a functional match with a solution that is part of our architecture, then we adapt our architecture to meet the requirements of that particular business solution. But again, the first evaluation is really on the business requirements that are been asked for, and the secondary check is against our existing standards.

Keeping Stakeholders Engaged in the Governance Process

Martha: *What is one approach you've taken toward not only getting people to attend a governance meeting, but get them engaged and active?*

Alejandro Jose Reyes:

- First, define the process of how we're going to get the budget approved and funds allocated to IT initiatives. In doing this, I am leveraging a group that manages the stakeholder relationship with the business in order to understand directionally where the business wants to go.
- Then, develop roadmaps and develop artifacts that would interest the business community and motivate them to participate in some of the meetings. When you look at the roadmap, and look at all the different projects coming from all parts of the business, they get interested in knowing what other parts the business is pursuing. IT then presents how all of the solutions are interconnected and how they will benefit the overall objective of the corporation.

Tom Kuczynski:

- We tend to schedule them on a regular quarterly schedule with the Executive Steering Committee. So we have them on the calendar on a

regular basis. At the end of the day, their approval or their rejection of a particular portfolio directly impacts their line of business. So people are motivated to be at those meetings because those meetings are really designed to authorize what work the IT group is actually going to do for them.

- We make it very clear in our communication that we're here to facilitate the decision-making process, and to offer alternatives and help you define your requirements. But, IT is not going to make the decisions on which projects move forward and which don't.
- The Executive Committee is the one that makes that final decision on the portfolio that's been presented by their area. So, if they're not at that meeting to vote on their portfolio, they share the risk of certain initiatives not moving forward that they may actually feel are essential to the organization.

Establishing IT Governance Goals; Integrating with the IT Decision Process

Martha: *What strategies have you used to understand the strengths and weaknesses of your existing IT portfolio in order to use that as a baseline to establish the goals and objectives for the governance system?*

Michael Hites:

- We have our portfolio project management office manage the governance process. We actually call it GPPMO for Governance Portfolio Project Management Office. And they are the ones that run the strategic planning process for our group. They're also the one that does the quarterly and the monthly reports back to our governance structure.
- A packet of information comes from the GPPMO, and it lists all the projects that are in flight, all the projects that are in the queue, where the

resources are going, and stoplight reports for everything. This goes to the governance group meeting on a regular basis, so they can take a look at our strategic plan, our strategic alignment, the list of the projects, and actively reprioritize them if they want to.

- What we found over the past decade is that there's been about 500 projects that have gone through the process, and about 60 or 70 of them have been rejected or withdrawn based on that kind of active management methodology. If not withdrawn, it will be prioritized so low that it's never going to get worked on again, essentially dying in committee.

Martha: *How do you integrate IT governance with enterprise architecture and standards? How does it align with the IT decision process?*

Alejandro Jose Reyes:

- It's all about defining all the different technologies that can be integrated through our existing solutions, and providing guidelines as to new purchases of IT.

An example of that would be knowing all the different applications we have, knowing the different versions, how they are supported, and publishing and discussing this in one of our tactical councils so that people with IT knowledge know what types of solutions we have out there, what's compatible with our environment. Then, when we need to make a decision, they can easily get access to the information or know how to bridge to the architect, in this case.

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to see if any of those can actually meet the requirements that are being asked for in the new initiatives.

- That's typically where we'll initially invest our time and evaluating that alternative to meet the requirements of the business. If it doesn't meet those requirements at a sufficient level, then we go into a more broad evaluation of other alternative. If two products are identified that could meet the requirements of a particular business case, and one meets or one is consistent with our architectural standards, then we would actually require them to use that particular solution because it fit within our architecture.
- If there isn't a functional match with a solution and our architecture, then we would adapt our architecture to meet the requirements of that particular business solution. But again, the first evaluation is really on the business requirements that are been asked for, and the secondary check is against our existing standards.

Martha:

My next question is about shadow IT. What do you do about projects and business cases that are rejected or managed outside the governance structure? How do you keep it on your radar and maintain a solid governance structure, and what do you do about it?

Michael Hites:

- If it's a student-centered application like a student relationship management system, it eventually has to get to the admissions data, or the registration data, or the financial aid data, which means they've got to align with the governance process. So, actively working with them to understand, even if you outsource it, where is it going to interface with a major business system is one way that we've been able to work on the projects in tandem.
- Promote using project managers and our expertise in doing a software development life cycle, even if they do their specific projects. We've seen

an increase in people bringing projects to the governance group, that have external funding, or they have other human resources and they want to participate in the project management shared services.

- Get actively involved. If the CIO or the head of project and portfolio management isn't working directly with those so-called shadow IT people, then they will perform a project in a vacuum with very little awareness about the governance process.

Tom Kuczynski:

- We don't necessarily see folks trying to backdoor an initiative. It's being rejected by their peers, not by IT. Individual directors and/or vice presidents are bringing initiatives forward and they're evaluating them against all of the other things as an organization, we need to accomplish, and they're picking the ones that they feel are the most important. So if something doesn't get approved through the process, we typically don't see it coming back as an initiative outside of IT.
- We do still have some things that don't go through the process. I think part of that is because people are still getting used to the process because it is dramatically different than what existed prior to my arrival at DC Water.
- The reality is that almost everything we do today has some level of integration that's required to make it work. And at some point they're going to come in and they're either going to need a connection to another major system or they're going to need a physical environment, or a hosting service to run it on. We found that if you have a transparent process, you have a fair process, and you have a process that's owned by the business, then the business self-polices it for the most part.

Finding the ROI in IT Governance

Martha: *How do you know that your governance process is working?*

Tom Kuczynski:

- Well, I think it's evident in the fact that when things change, or need to change with respect to the priorities that have already been set, that there's an open dialogue about what the options are to make those changes.
- We've created an environment where there is dialogue from start to finish with the initiatives, and that dialogue starts in the business and doesn't start with IT saying, "We can't do that because we're doing A, B, and C." The business is coming to us now, and they're saying, "I need to make a change, and I need to understand what that means to my portfolio, and whether I can accommodate it within the portfolio, or whether something else has to be moved. And if something has to be moved, what's the general impact?"

Michael Hites:

- If it's a repeatable process, a transparent process, and it's a well-known process, and the customers can reflect that, you know it's working. In addition for us, we also have a charter that we wrote for our governance process, and we revisit that every single year and make changes, and then get it approved by our executives every year so that we're constantly revisiting the governance structure.

Post-Implementation Audits as Part of the Governance Process

Martha:

How do you make sure you got everything promised in terms of revenue, cost savings, and so on once everything is implemented and has been adopted? And, in doing so, hopefully get smarter in terms of your overall governance process?

Alejandro Jose Reyes:

- It would be by making sure that the project is part of our portfolio. Having the PMO function manage that portfolio and keep track of those costs and the number of changes that have occurred to that project is the best way to make sure that we are providing whatever cost the projects end up costing.
- I think the critical piece of all that knowledge is being able to share it as part of the process. Portfolio management would be the best way for feeding that information back to the governance team and then having those councils share the status of the portfolio as well as some lessons learned that could be applied in other projects.

Tom Kuczynski:

- All of the business cases that are produced require a benefits statement, as well as specific KPIs that can be measured with respect to that particular business case and depending on the size of the case. With our larger initiatives which are dealing with some major system replacements, we've got very specific benefits targets that we'll be measuring against, and we'll be reporting against those on a quarterly basis once the projects are implemented.
- You need to be able to learn from the implementation as to whether or not the quality of the business case was accurate or not. Missing a particular target may not be a result of a failed implementation. It could have just been a bad estimate up front. So if the business case was flawed, then you need to feed those results back into the business case process to make sure that your business cases are sounder as they're developed, so that you've got a better chance of getting those estimates.

Michael Hites:

- Part of it is driven by the resources, and part of it is driven by the appetite of those that requested the project. But, we have to go back and actively talk to them and use their time to figure out did it make any change?
- Many of our projects do not get seen in the university administration that I work for. When we make a system-wide business change and I implement the new system, the cost savings takes place in a college, or in a campus, or someplace that's not in the direct reporting line for me. So, yes, we can say that we've saved that money, but I'll never recover it, and it's very difficult to understand if the college was able to recover it because of the change.

Final Word:

Martha: *What is one single piece of advice you can give to another CIO, in a single sentence, who may complain that no one is channeling things through the governance process or even coming to meetings, and as a result the governance process is not working well?*

Alejandro Jose Reyes: “Align IT executives, all the executives.”

Tom Kuczynski: “Be persistent and communicate, communicate, communicate.”

Michael Hites: “Make sure that you have a clear purpose and scope. Know what you need to govern, and you also know what you do not need to govern.”

The [CIO Executive Council](#), an IDG Brand and a business unit of IDG Communications, was founded to serve the evolving, challenging and demanding role of the Chief Information Officer (CIO). Now in its eleventh year, the CEC has expanded its highly regarded leadership services beyond the realm of the CIO to include professional advisory services for any executive charged with strategic technology leadership.