# Organization Governance

By Danny Maco: In conjunction with Harris Kern's Enterprise Computing Institute

For a business to be successful, it must grow; in order to grow, it must be proactive in establishing the proper infrastructure to support that growth, whether it is in the form of hard infrastructure (networks, systems, and so on) or soft infrastructure (decision-making bodies and policies). If executed or implemented properly, things that seem nominally necessary at the time of the decision ultimately end up being integral components in the company's ability to perform its daily operations.
In this article Maco explores:

- How governance provides a "soft infrastructure" that facilitates decision making.
- How governance allows daily operations to function with minimal supervision while allowing the CIO to focus on strategy and vision.
- How governance facilitates communication throughout the organization.
- Why successful governance is about building consensus.
- How governance typically addresses two dimensions.
- The types of governance models that exist, and why the "right" model is determined by the context—a specific company at a particular point in time.

## THE PARADOX OF IT

The beauty of being involved in the IT industry is that the technology and activities surrounding it permeate everything. Everything a company *does, is*, or *knows* flows through its information systems; information, with its underlying technologies, is the glue that helps tie together every function within an organization. Information is a language that is becoming common and universal, that lives in a pervasive form in every industry and discipline that exists. Indeed, the way we live our lives, and for some of us, even the ability to live, is intimately entwined with developing information technologies.

The paradox, however, is that when you are trying to provide general insights or how-to recipes in this field, these same wonderful attributes can be the source of great frustration. There are an infinite number of dynamic environmental factors within companies that make generalizations difficult. For example,

- Level of expertise in IT matters among user communities throughout the company.
- How technically-oriented the company is in general.
- Whether IT technology is integrated into the company's products.
- The company's degree of appreciation of the benefits of IT.
- Experiences the company has had with IT in the past.
- Maturity of the IT group within the larger company organization.
- The phase of evolution the IT group finds itself in.

- Infrastructure that already exists.
- Size of the company.
- How distributed the company is.

The list goes on. When you combine variables associated with technology implementations, business environments, and social/cultural practices, hard and fast rules are the exception. The only way to cohesively channel this concoction of energetic forces is through governance.

## SUCCESSFUL GOVERNANCE

Successful governance is not about control; it is about having and using the means to build consensus. This is a very important point that can completely change your perspective on how to approach problems. If you move forward with a plan in an attempt to control the environment, you are likely to fail. This becomes particularly true as the complexity and scale of an organization increases.

If you can provide compelling information to key individuals, you can watch as the people who could potentially halt a project become your advocates, creating a human snowball with momentum that can be quite powerful. The reduction in the effort required is really quite striking when you are successful in initiating this phenomenon.

Governance naturally involves politics. These days, many people shy away from the term "politics" because it is often confused with polemics. We also tend to grimace at the thought of being labeled politicians, but politics by definition is the art or science of governance. Politicians, if nothing else, understand the importance of relationships as the means of getting things done within an organization.

IT governance requires leadership in order to function. This concept seems obvious, but is often neglected. As CIO, you *must* be a leader. The bodies within your governing model must be seen by the organization as groups that can make tough decisions—and then follow through. By its very nature, the IT function exists within a turbulent and contentious environment. Your people need someone who will shelter them while they do their best work and provide direction in a sea of opinions. A CIO must be able to provide leadership at the executive level, understanding the business objectives and providing strategic guidance as to how information technologies can help reach those objectives.

## SKILLS TO HELP YOU GOVERN

Any professional who wants to succeed in his or her work needs to develop a suite of skills. Listed below are skills and attributes that, if mastered, can help you govern more effectively:

> **Earn trust:** This is the first on the list because it is the most important. Too many people start a new position as CIO believing that the title itself bestows trust and respect. It does not. Trust must be earned.

**Enable communication:** Governance's highest potential value is to serve as a soft infrastructure to facilitate communication throughout the organization. Make sure the lines of communication you put in place are always bidirectional.

**Define and communicate a vision:** During most complex, long-term projects, there are times when the stakeholder will see nothing but seemingly disjointed chaos. At such moments, the ability to communicate a final vision is all-important. This vision gives people the strength required to endure necessary pain until the objective is reached.

**Listen:** Many of us have lost this skill. I have seen situations in which individuals were dead set against a view but were able to change their position upon being listened to. Often, actively listening to the parties involved can cause obstacles to give way to solutions, even when positions don't change. People want to believe they are being heard and understood.

**Cultivate influence:** Guiding influence is another powerful concept. IT governance often involves affecting the actions and behavior of individuals and groups you have little if any formal authority over. As a result, you must often rely on your informal influence on others.

**Make your initiatives and ideas infectious:** One way to initiate the human snowballs is to find ways to make people excited about your ideas, so they in turn will share them with others. This allows your ideas to be spread on your behalf. In essence, make your proposals and initiatives infectious. A fascinating book by Malcolm Gladwell titled *The Tipping Point: How Little Things Can Make a Big Difference* expands on this idea.

**Foster transitions to self-governance:** Governance requires a large investment of time and can divert the energies of IT resources whose skills are best used elsewhere. The best way to minimize this workload is to always try to transition centralized governance into self-governance. Work to educate the organization, so that people within it understand the importance your policies and become not only capable of governing themselves but willing to do so.

**Maintain your integrity:** There are many times when the approval of an initiative has nothing to do with "understanding the numbers" or "getting the concept." More often than not, your people and peers will accept risk and take blind leaps because they trust you. Mistakes will be made, deadlines missed, but whatever happens, take care to always keep your integrity intact; it is the key to your support.

**Improve your social skills:** As previously stated, governance is a social tool, which naturally requires social skills. Actively work on these abilities as you would any other skills. Train on techniques for improving them.

**Verify information:** Before you act, get your facts straight. Check, double-check, triple-check. Never assume.

**Build consensus:** Human snowballs again. Resistance and differences of opinion are expected in all cultures, corporate or otherwise. Where opposition to your ideas, beliefs, or initiatives exist, it can be easy to feel that this resistance may be insurmountable. But if you are able to focus on building a consensus, and your cause has merit, you will often find that a strange thing happens: Time becomes a

friend, and over time, people naturally want to be part of the majority. Be patient and let that momentum do some of the work for you.

**Start governance at home:** Lead by example. Make sure your people can live with the policies being set for others, and live by them religiously. Don't be fooled by the misconception that "people won't notice if we bend the rules a bit within our group." You can be sure they will notice and will discuss it with others. Negative communication spreads through an organization as fast, if not faster, than positive communication.

**Pursue education:** There is no better opportunity to build momentum and plant the seeds of self-governance than through education. Full-blown education initiatives are fine, but remember that every single time you or one of your people comes in contact with someone, it is an opportunity to be educated. I remember a speaker at a Gartner Group Symposium using the analogy of the way in which gas diffuses itself within a confined space. If you have a bottle full of a clear gas and introduce a blue gas at the mouth of the bottle, over time this blue gas will distribute itself throughout the entire bottle. You can understand this phenomenon by imagining the gas molecules as active spheres constantly bumping into each other, imparting bits of energy to each other each time they make contact. This is a wonderful way of describing how you can work to distribute ideas, concepts, and initiatives through an entire organization.

**Practice patience:** Remember that most knowledge is not common knowledge; you must work to make it common knowledge. Go out of your way to help transfer knowledge, and accept that learning usually requires repetition and patience.

**Network informally:** This is last but not least; it is very important. Informal networks are the communications that pass among friends, next to water coolers, via informal emails, and so on. Recognize the power of informal networks; tap into them and *listen*. They are incredible sources of feedback. If you can't personally monitor such networks, make sure there are people in your group who can. While working for a company that literally spans the globe, I have been amazed at how much information fails to reach its destination through formal communications, and how much detailed information is passed along informal networks, information which more often than not "isn't supposed to be common knowledge"

## TYPICAL GOVERNING BODIES

Regardless of the governance model you choose for your organization, there are some basic components that are included in most models.

**Executive Level Management Committee (ELMC):** The highest operational decision-making body in the organization (beneath the board of directors), this body provides the following benefits:

- An opportunity for the CIO to be exposed to overall business decisions, strategies, and issues

- A venue for providing high-level IT project status
- Direct access to those empowered to decide on strategic priorities and to commit required resources
- A venue to enable the CIO to communicate and provide education on technology issues which affecting the organization
- An opportunity for the CIO to act as liaison between the committee and the IT organization

**Operational Information Steering Committee (OISC):** A high-level group that may be a subset of the ELMC, this body is generally a cross-section of the primary functional groups within your organization. OISC members must have the authority to make decisions regarding resources within their respective functional areas. This group's role must be explicitly defined, and it must try to operate under that definition at all times. The OISC provides the following benefits:

**Comment [RCB1]:** The third word is "Steering" so I have changed the acronym OITC (used throughout) to OISC. If OITC is correct, this heading can be corrected, and OISC replaced with OITC.

- A conduit by which relevant IT-related information can flow from the executive level to operational levels, via the CIO
- An opportunity for functional stakeholders to participate in the decision-making and prioritization processes
- A pathway for bidirectional transfer of information to the lower operational levels of the functional groups via the functional stakeholders
- Provide A venue for group education on information technology issues
- The ability to assign priorities and perform conflict resolution at the operational level

The structure of this group can be scaled up or down and used efficiently at different levels throughout the organization among business units, divisions, even down to a project level. The factor that varies most drastically among different organizations is the answer to the question, Who participates in these groups, and how is the structure imbedded in the organization? This depends directly on the organization itself, but basically the IT governance structure should follow the model used by the overall organization, as determined by its corporate culture. In other words, distributed models do not typically work well in a centralized organizational culture, and vice versa.

**Information Systems Management Team (ISMT):** The organization that manages IT resources. This body provides the following benefits:

- Bidirectional communication between he CIO and lower level IT operations via IT operational directors
- Bidirectional horizontal communication between IT operational directors

- Bidirectional horizontal and vertical flows of information between the user community and the CIO via the IT organizational structure

### CONSIDERATIONS RELATED TO GOVERNING BODIES

I am a firm believer that the CIO should be part of the ELMC. The more integral information technologies are to the core business, the more important this concept is. Some might suggest that it is sufficient for the CIO to be a member of an OISC, particularly when a subset of the ELMC resides on the OISC, yet there are distinct functional differences between the two groups that relate to the value brought by the CIO's participation.

By participating in the ELMC, the CIO is able to *receive* information related to the overall operations, decisions, and strategies associated with the organization. This information in turn allows the CIO to proactively integrate these considerations into an overall IT strategy and provide feedback on potential issues or opportunities that are recognized.

An OISC, on the other hand, is primarily oriented toward information technology agendas from which information is *presented* by the CIO and OITC members for consideration. If the CIO participation goes no higher than the OITC, the organization must rely on ELMC members to bring all relevant information to the CIO. Unfortunately, this does not typically happen, in which case the company's business strategy and information technology strategy have a high probability of diverging.

Some IT executives fear that when an OITC exists, IT decisions may become mired in a decision process conducted by a group whose members who do not have the needed technical background. This is usually not a problem with the existence of the group, however, but instead a problem with its mandate. For this reason it is very important that role of the group be explicitly defined, and that the CIO makes sure the body operates within these parameters. Deliberations on details that are not within the scope of the group's defined mission should never reach the table.

### OPERATIONAL GOVERNANCE

Standards and cost containment are two commonly-discussed topics in the area of operational governance. Standards are probably the most commonly used form of operational governance—and the most controversial. I am a strong believer in the benefits of standards. They provide tangible benefits that are fairly straightforward to quantify (some are mentioned below for reference) but there are also intangible benefits involving synergies, which while more difficult to quantify, are actually more significant.

Consider geometric progression, a powerful concept that refers to the ways in which the effects of a given event can propagate and compound each other, and thus how a small change can have a disproportionately large long-term effect. Many of you might be having déjà vu with chaos theory, but let's explore a simplified practical example.

Some standards practices are justifiable through simple mathematics. Most of these have benefits that increase geometrically with scale and number of locations; others can provide

benefits to even single-location enterprises. On the surface, hardware standards generate an advantage through the ability to leverage larger volume discounts with vendors.

Now let's look one layer deeper at one sample hardware component, the printer (the same model can be used for servers, network infrastructure components, and so on). We define two different scenarios under which a company's environment contains one hundred printers. Under the first scenario, you have ten different brands being used, each with its own consumables and on hand spare parts. Under the second scenario, you have two brands.

You have calculated that, based on service and delivery lead times, you need to have four consumables on hand for each printer brand in order to satisfy the terms of your SLA. We will assume a cost of $200 per consumable. Under the first scenario, you have $8,000 ($200 x 4 x 10) tied up on shelves as consumable inventory; under the second, this figure is only $1,600 ($200 x 4 x 2). Under the second scenario, however, the number of on hand units would probably need to increase, let's say to eight, plus we'll add two more to further improve response times, costing us $4,000 ($200 x 10 x 2).

Now a difference of $4,000 may not seem like a big deal, look what has taken place: We decreased our costs by 50 percent, thus freeing up capital for better uses within the organization, and at the same time increased our quality of service! In large organizations, cost reductions of 20 to 50 percent can add up to large sums of money. (What volume of sales would be required to have the same effect on the bottom line?)

Now let's look one level deeper. Assume the repair of each printer requires a unique set of skills. How many more resources need to be found, coordinated, and funded under a ten-model scenario than under a two-model scenario? Now, another level deeper, where do these resources get support when they run into problems that they lack either the expertise or available resources to solve? This compounding effect can have a significant impact on resources.

Another example shows how the qualitative factors related to synergies and best practices can begin to make contributions. Assume four company locations (within the same geographic area to keep it simple). These locations are similar in size and operations. Each has a network infrastructure, an ERP system, and a CAD system.

Under the first scenario, which we'll call S1, each location has its own unique and autonomous set of systems. Under the second scenario, S2, all locations have common network infrastructure and ERP and CAD systems. We'll assume all resources are internal, just to make the math simple. Now let's compare the scenarios:

- **Required resources:** Under S1, all locations have systems with unique characteristics. One individual is needed for each system at each location, a total of 12. Under S2, one full-time individual is required at each location, while two CAD specialists and two ERP specialists can roam to support all four locations, for total of eight—a reduction of 33 percent.

- **When a problem exceeds the skills of an individual at a specific location:** Under S1, since all locations have unique skill sets, there is no choice but to use outside resources, resulting in higher consulting costs. If these individuals are new to the environment, there are additional costs associated with "bringing them up to speed." Under S2, there is a higher probability that a solution can be found by joining multiple internal resources from multiple locations with common skill sets.
- **When multiple simultaneous problems exceed the capacity of a given location:** Under S1, outside resources are required, as described in the previous paragraph. Under S2, there is a high probability that resources at multiple locations can be pooled for short periods of time to address such fluctuations in demand.

The concept of building an environment within an organization in which common skill sets perpetually compound each other is a powerful one. Only within such environments can the benefits of best practices be fully realized. Individuals who make the extra effort to build their skill sets find expanding demand and opportunities throughout the organization that would not otherwise exist, and the increased level of internal contact and interaction helps build a greater sense of community and connectedness within the organization.
Further, governance of an environment that lacks standards tends to put in place controls that discourage discovery and exploration, because much potential activity of this kind is not productive. For example, if you have five individuals within an organization using five different development tools, and each of them is delving deeply into the capabilities of their favorite, a large amount of time and energy is spent debating the virtues of each, dealing with data incompatibility issues, and so on. In a standards-based environment, on the other hand, there is no reason to discourage exploration; even those individuals diving into the deepest, most mundane capabilities of the tool are investing time in a task that can ultimately spread benefit across the entire organization (as long as good communication mechanisms are in place). In fact, isn't this the definition and application of "best practices"?

The second common topic in operational governance is cost containment. IT initiatives that report reductions in operational costs often meet a lukewarm reception, given the significance of the savings involved. Sometimes it is useful to make a comparison between the cost-cutting initiative and a product sale that would produce the equivalent benefit. Since cost reductions contribute directly to the bottom line of an income statement, they compare quite favorably to product sales when margins are included. In other words, a legitimate hard cost reduction of $100,000 has the same effect as a $200,000 sale at 50 percent margin—and for the majority of companies, 50 percent margins are a dream. Most operate at margins between 10 percent to 30 percent, which means that the $100K savings has the same effect as a $333K to $1,000K product sale.

## CREATING A GOVERNANCE MODEL FOR YOUR ORGANIZATION

It is important to remember that governance does not just happen. Rather, you create it—above you, around you, and below you. One basic concept and one basic question, in combination, can serve as the basis for the development of any governance model.

The basic concept says that there are two distinctly different action processes that need to be supported by the governance structure. The first is the strategic decision process: Who

(which body) decides what is going to be done? The second is the operational process: by what means are the chosen actions executed?

Once this concept is established, it must be followed by the question, Where in your organizational structure does the strategic decision process end, and the operational process begin?

Ideally, strategic decision-making (not to be confused with operational decision making) is completely independent from the operational mechanism. These processes should be seen as two black boxes: The first spits out strategic directives, the second executes them. The power in this is that it allows each to operate and evolve autonomously without detrimentally affecting the other. For example, in designing my organization, I set this boundary between the CIO level and the regional IT director level defined just below it. My objective was to enable the operational organization (regional director and below) to function independently of a specific CIO (ouch!); in this way, the organization could accommodate a change in the source of strategic direction—a new CIO, or even a transition from a CIO to a strategic decision committee—without negatively impacting normal IT operations.

In this model, strategic decisions were made at the corporate executive level based on inputs from business area managers and subsidiary general managers. These directions would then flow through the CIO to the IT regional directors, who would work together to decide how to execute the directives and would do so utilizing the appropriate operational groups.

Another important aspect of your developing model is the role of governing bodies. Previously, I gave some typical examples of these. In defining the role of these groups or deciding which should exist in your organization, you need to ask yourself, How is this body going to provide the support I need to be successful? This may sound a bit self-serving, but helps convey the point that governance is a tool you put in place with specific objectives.

Potential considerations regarding the establishment and role of a governing body include the following:

- Does it help establish the legitimacy of IT-related decisions and initiatives?
- Does it properly distribute the responsibility and accountability for decisions and project results?
- Does it create high-level stakeholders who have strong interest in the projects' success, in part because they share in the benefits and recognition of projects?
- Does it establish an important venue for education at the executive or intermediate level?
- Does it build a formal and informal communication infrastructure that can help support initiatives and provide important feedback mechanisms?
- Together with other such bodies, does it operate in conformance with existing corporate culture? Are the bodies dynamically established, centralized, distributed, and/or multifunctional as is appropriate to the culture? This alignment is essential for proper governance.

As implied, the first thing you must do before deciding which governing structure to put in place is to take a hard look at the existing organization.

It is no secret that implementing improvement on any scale involves the execution of change. You must therefore honestly evaluate the company/organization and its ability to absorb change, then plan and execute accordingly. Beware, though—it is easy to convince yourself that you can force accelerated change through the organization "for the good of the company." Your efforts may appear to be successful at first, but resistance to change is like an elastic band that stretches under pressure but (unfortunately) often snaps back with less-than-pleasant results. The king in St. Expury's well-known book, *The Little Prince*, says, "If I ordered a general to change himself into a sea bird, and if the general did not obey me, that would not be the fault of the general. It would be my fault." The king claims always to be obeyed because his commands are always reasonable.

## PUTTING A GOVERNANCE MODEL IN PLACE

Any large project seems overwhelming as long as you view it in its entirety, and putting in place a governance model where none previously existed is no different. I remember one of my first engineering professors telling us, "Break it down. Break the problem down into manageable parts. Focus on solving all the components, and you will find that the overall problem will end up solving itself".

Ask yourself, What *must* be under control in the next six months? What *would be nice* to have under control in the next six months? What do you want to get under control in the next year? What, if left unchecked, will do the most harm in the next six to twelve months? Prioritize accordingly.

Try to look at the execution of your governance program as a long-term investment. I have heard it said that when Michelangelo was asked, "How is it that you are able to carve an angel out of solid stone?" he replied, "I do not carve an angel out of stone, I simply remove from the stone all that is not angel." Implement your governance model with this in mind. Have a clear picture of what must be in place for your plan to be successful, execute as best as you can, then work with people one-on-one to find solutions that can help remove obstacles to the plan's completion.

Look at the final hurdles as opportunities to educate and build consensus. Never forget that in the long run, the individuals you are going up against who seem frustratingly obstinate right now may provide you with crucial support for future projects.

I remember two specific cases in which I ran into what seemed like insurmountable opposition in trying to execute an initiative. (Actually I remember many, but will limit it to two for demonstration purposes!) In one case, it was determined that the global group would standardize on the NT operating system, but one location favored its existing OS2. When it became apparent that this subsidiary was not going to change its mind in the near term, the project went forward anyway. Over time, as presentations were given and discussions were shared, it became increasingly difficult for that subsidiary to explain why it was the only one in the group not following the standard. Additionally, individuals at that location began

hearing more and more through the informal communication networks within the organization about the benefits of using the standard. In the end, the subsidiary came to its own decision that perhaps it was a good idea to adopt the standard operating system.

### MANAGING EXPECTATIONS FOR GOVERNANCE

Work within the realm of reasonable expectations. Be firm and hold to your convictions, but expect exceptions and have a plan for dealing with them. Live by the 80/20 rule. Appreciate the value of getting as much of an initiative in place as you can then working with the exceptions and unanticipated anomalies.

You may find it very easy to get frustrated when you see that the structure and policies you have put forth are not being fully adopted or accepted, but the important thing is not to give up. There will always be those who question the value of putting governance structures in place, and will jump on the opportunity to criticize such attempts. Take heart in knowing that nothing in life spontaneously assembles itself into a perfectly functioning system.

As an illustration, I recently visited my newborn nephew. You look down and see a little human body, but it certainly does not operate like one. The head rolls one way, the arms another, with the legs bending in some third direction. Clearly this little person is never going to get up off the ground! The reality is, of course, that within a relatively short time, this same little body will be performing feats of motion that seem to defy physics (much to the chagrin of his mother).

The point is that even after all the components of your governance program seem to be in place, it will take some time for the structure to fuse and work smoothly. There will be things you didn't anticipate, there will be people who forget or go around the procedures—hang in there. If your plan and objectives are good ones and you keep the communication lines open, things will come around. It is easy to bend under pressure and retreat from an initiative, but remember that a project that is not followed through will always be remembered as a failure. Always have faith in yourself, and keep moving forward until you reach a finish line.

### HOW MUCH ENERGY SHOULD BE COMMITTED TO GOVERNANCE?

The question of what resources should be devoted to governing your environment is a good one. While the point may seem obvious, it is important to recognize that governance is an administrative function. As such, the resources used for its execution must be minimized.

When looking at all available resources—time, money, people, and so on—it is useful to look and think in terms of available capital. In the IT world, such capital can potentially go into one of two specific categories: innovation/production or administration/maintenance.

Innovation/production includes those activities that either advance the capabilities and efficiencies of the overall organization or produce products that materially enhance and enable the organization's function. The benefits of such activities may either focus internally or deliver benefits externally, directly to customers or vendors. Maintenance/administration includes those activities needed to sustain the required infrastructure, system functions, support of product, and so on.

Both categories are equally necessary; the IT function cannot properly operate if either of these two components is missing. The difference lies in how these two categories are managed and the resulting outputs.
Let's go back the concept of capital. Investments made in the area of innovation/production bear interest, which compounds itself. In other words, the benefit brought forth by a truly enabling application or initiative replicates itself in an exponential way. Investments made in maintenance/administration, on the other hand, have flat returns. They are necessary and useful, but rarely reap compound benefits. There may be arguments about which category things like support services, help desk, and so on fall into, but the underlying concept remains the same.

Based on the above, and given that there is always a fixed amount of capital, a CIO must minimize the percentage of capital used to provide the required administration/maintenance activities, and maximize the percentage used for innovation/production activities and initiatives. As such, your governance structure must use minimal but sufficient resources to reach its objectives and perform its functions.

**EVOLUTION OF GOVERNANCE**

Everything evolves. For example, companies evolve: They begin as an idea, gather funding, operate as an R&D-centric organization, and then evolve into one that focuses on manufacturing and eventually on field service and support. IT organizations also evolve. For example,

1. No coordinated IT effort exists.
2. Various individuals at independent locations assume the role of managing IT assets, usually in addition to other responsibilities.
3. An individual is given "official" responsibility for IT assets and activities. Such IT managers (one-man IT departments) may exist at multiple locations, operating independently.
4. IT managers are allowed to hire resources.
5. Autonomous "islands" of systems and information, and the need to coordinate them, are recognized. Often a harmonization project is initiated.
6. The benefits of full coordination are recognized. A director-level position is established, responsible for crosscompany or global activities.
7. The new IT organization begins its evolution as an integrated group.

Sound familiar? Governance too must be dynamic. The challenge is that this requires you to walk a fine line. On one hand, the changing environment demands that continuous reexamined of processes. On the other hand, you must be careful to always give governance structures sufficient time to take hold before tossing them out for new ones; if you fail to do so, a well-executed plan can suddenly be perceived as nothing but chaos. It takes time for people to learn and operate under new policies and procedures and new responsibilities. Remember to execute change at a pace that can realistically be absorbed by the organization.

As an example, when our global intranet was being developed, we went through a number of distinct transitions. Initially, while our internal IT group was learning Web development

skills, and we were trying to establish a reliable infrastructure, governance was put in place to tightly control access to the development environment. Over time, as our methodologies, understanding, and internal skill sets began to mature, value was seen in allowing different functional groups within the company develop their own sites and integrate them into the intranet, and governance was changed to allow this new model to function smoothly. As individuals were chosen and trained to understand the important policy issues, and to take responsibility for their functional groups, we were also successful in making the transition from a resource-intensive central governance program to a self-governance environment.

If possible, try to work with both the business strategic plan and your IT strategic plan to map out an appropriate timeline and identify the significant "change events" required to achieve your objectives. In this way, you can at least partially quantify the pace at which these changes will need to be absorbed, and establish milestone dates on which governance components must be in place and functioning.

### MISTAKEN USES OF GOVERNANCE

Unfortunately, governance can be a double-edged sword; there are just as many ways in which it can harm you as there are in which it can help you. Here are a few things to watch out for:

**Throttling:** Being a new CIO can be a bit unnerving. As reiterated throughout this book, it is not an easy job in the best of circumstances. With so many demands, changes in business environments, and changes in available technologies, it may at times seem as if a whirlwind is spinning around you, and you may feel the urge to say "Wait! Put all of these things on hold until I can deal with these other issues."

Resist this urge. If you use governance purely as a throttle for activity, your organization will be seen as a bottleneck. This is different from prioritizing projects and resources, which of course is a genuine need. In the latter case, be sure to use your high-level governance bodies to help share in prioritization processes and responsibility, following up with communication throughout your organization about the decisions that have been made.

**Hypocrisy:** As previously discussed, governance starts at home. Let's face it: The adoption of new procedures, policies, and standards does make one feel restrictive and confining. People do not like to be told they can't do something. Even so, if you do a good job of communicating, people will understand the value and make the sacrifices.

Nothing, however, will take the wind out of your initiatives' sails faster than the perception of hypocrisy. Before issuing policies and standards, be sure to discuss the initiative with your people. Let them know that they must follow the same restrictions as are being required of all others. If anything, in fact, they must be more diligent in their adherence; after all, they are setting an example.

It is perfectly reasonable that for individuals or groups to occasionally deviate from policies in order to perform their jobs; for example, a research group may need to run a new operating system, security analysts may need access to "hacking tools," and so on. Whatever the exceptions, make sure they are reviewed, discussed, and

most importantly, communicated openly throughout the organization before being executed. This will help to minimize potentially embarrassing and damaging misunderstandings.

**Governance for governance's sake:** I had a roommate in college who was studying landscape architecture. As he worked on a design for a very large project, I wondered if he ever reached a point at which he felt like arbitrarily inserting trees and bushes just to fill empty space. He responded by passing on something his instructor had said: "Never place anything in a design unless it has a specific reason for being there." I believe governance should be executed under the same principle. When you place controls in your environment, design your governance plans around your objectives to ensure that only those that are required are included. Not only is this good common sense, it provides you with sound rationales when confronted by individuals who may feel you are simply building a personal empire.

## EFFECT OF ACQUISITIONS ON GOVERNANCE

Okay, you finally have in place a finely tuned governance model; operations are running like a well-oiled machine. Out of the blue, your company makes one or more acquisitions that threaten to contaminate the utopia you have achieved with nonstandard equipment and contrary methodologies. In addition, you have the CEO reminding you that it is absolutely imperative that this integration goes smoothly.

What now? First of all, if you are asking this question after the acquisition has been made, you are already behind the eight ball. Traditional wisdom concludes that since the cost of IT integration of two companies is small compared to the cost of the overall acquisition itself, such matters may be addressed after the agreement has been made. While this is true in pure mathematical terms, it is important to ask which one factor is most often the main contributor to the failure of a merger. The resounding reply will always be the inability of the two corporate cultures to merge and assimilate.

Here is where lack of planning related to the integration and the governance surrounding it can have fateful impact. I have seen CEOs threaten to resign if they are not allowed to purchase their preferred brand of server. I have seen people threaten to leave the company over new software standards. IT issues can affect the entire organization.

Before we can examine ways to minimize these problems, we have to understand the psychology behind an acquisition. You have a buyer who has found an undervalued company and negotiated a low price. On the acquisition side, you usually have a group of people in a transition team who may or may not have a long-term interest in the company but have been given significant incentives to reach aggressive short-term financial objectives in order to show a quick return on the initial investment.

The deal is completed, budgets and objectives have been established. Now the acquiring company naturally wants the systems of the acquired company integrated. A naturally anxious group of people in the acquired company is told that responsibilities and standards are going to change. Unbudgeted expenses that negatively impact the financial objectives will

be incurred by the acquired organization for things like standard servers, updating expired licensing, WAN connectivity, and so on.

In this scenario, something is going to pop, and the fallout could impact the success of the merger itself. What can be done to minimize these negative impacts?

- Before any acquisitions occur, create a corporate standard relating to systems integration policies for acquired companies. Which systems must be integrated and how soon after the merger? Which systems can wait to be integrated? It does not matter whether full integration or minimal integration is the policy; what is important is that the policy is fully understood by all parties within the acquiring company.
- At the highest level, if the CIO resides on the corporate executive committee, he or she should be able to have enough advance knowledge of the potential purchase to plan accordingly. If not part of this body, he or she must be made aware early on in the process.
- Make sure that capable IT personnel are part of the due diligence team.
- If incentive schemes are used for a transition team within the acquired company, define a smooth system transition as one of their objectives.
- Make sure to develop a comprehensive cost estimate of the work required during the due diligence process, which can then be discussed during negotiations.
- Make sure policies are communicated during the negotiation process that identify which entity is responsible for which expenses and communicate what will be expected of the acquired company related to labor and cooperation.
- If standard policies are going to be relaxed for the acquired company, communicate this to the personnel of the acquiring company along with the reasons why. Reinforce the fact that for existing employees there is no change in policy. This will help minimize people trying to use the allowance accorded to the new company as justification for not following the established policies.
- If significant changes are going to occur on the side of the acquired company, make sure an officer of significant position and reputation communicates the importance of cooperation and the reasons for the changes.
- In the end, the fewer the surprises introduced into this environment, the more smoothly the process will go.

## SUMMARY

A properly designed governance structure is very closely analogous to a physical infrastructure, whether in systems or social terms; it is the framework that supports the overall ability of an organization or any social entity to function. The amount of care and foresight that is invested in its design and implementation has a direct impact on the long-term success of the overall organization.

Great attention should be focused on creating a structure that enables and promotes communication throughout the organization.

Above all, neither the CIO alone nor or any one group can successfully execute governance. This is a collective effort that requires the deliberate support and collaboration of the entire executive team. Without the support of upper management and key operational leaders within the organization, no governance model will succeed. This support must be vocal and active. If conflicting signals or even indifference is sensed within the organization, formally or informally, your overall efforts are likely to fail regardless of how well you have designed your model. For this reason, you must do everything you can to build this support and maintain it.