

Johannesburg

25 August 2010

WHEN IT GOVERNANCE BECOMES A TANGIBLE ASSET

As the global economy continues to grow, one is reminded of Moore's Law which back dates to 1965 when Gordon E. Moore, a co-founder of Intel, stated that business would experience an unprecedented rate of change as technology continued to permeate the space of business. Gordon Moore described the density of components or transistors that would occupy circuit boards and complex chips. He predicted that the number of transistors found on a chip would double every two years and that through this process, the cost of such technology would decrease, whilst computing power would double every 18 months. Similarly, the former head of Lucent's Optical Networking Group, Gerald Butters, observed that the data being fed from optic fibre is doubling every nine months, suggesting that the cost of transmitting data over optical networks would decrease by half every nine months. There are a number of other more recent technology-based laws and predictions that suggest massive increased flows of information; and futurists believe that the exponential improvement of Moore's Law will eventually lead to what is referred to as *technological singularity*, where future progress in technology will occur almost instantly.

Of course there is the question – in fact many questions as to the state of preparedness by business leaders for such rapid change? While many businesses may still not attach real value to IT (information technology), neither reflect the importance of IT within their business strategy, the reality of course is that most businesses would become defunct without their most basic technological devices and systems such as their PCs, servers and the internet. Past critics who believed that business drove IT have quickly been silenced; simply put – you have no business when the lights go off, let alone your PCs and servers crashing. Gone are the days when old fashioned business relied solely upon a handshake between two business people. Today, countless transactions are conducted across billions of miles and most often between total strangers, who singularly depend upon robust, reliable and very sophisticated technological devices, networks and systems. The value of such technology today (and into the future) is priceless and protecting the IT systems that underpins a world economy, is critical.

Companies must understand that IT Governance is not only about IT; it is ultimately about the business value where the dependence of good IT systems is not only about providing value within the company itself, but more importantly about the manner in which the company is able to trade competitively with its external trading partners and within the greater economy.

In cases where companies do not attach real value to their IT, neither where they do not appropriately govern their IT, the reality is that our ever-increasing technologically based world will eliminate these technologically deprived companies from the supply chain. Clearly, even the smallest of companies will need to seriously heed this warning. Companies will need to – at the very least – include IT within their strategic agendas in order to remain relevant, not least competitive, by delivering strategic business value through the optimisation of IT.

Of course the questions remain regarding how much IT should be delivered or used, and at what cost should IT be managed? Clearly these questions can be answered in many different ways and there may not be a standard *one-size-fits-all* approach as business circumstances and trading conditions *will* vary according to different industries and business complexities. This is where companies will need to determine their unique circumstances and requirements and where IT Governance -- as a distinct discipline -- becomes so critical. The company's IT must be correctly harnessed to sustain and extend the company's strategy and business objectives, and this responsibility rests with the Board of Directors. IT is an integral part of the company's enterprise risk and its business processes – get it wrong and this will surely lead to disaster.

ARTICLE

When companies apply IT correctly and they intentionally place IT and its governance procedures in the spotlight, they are able to significantly improve service levels, manage IT investments and stay abreast with rapid changes found within the market and their customer demands.

In conclusion, companies across the world generally find themselves falling short of aligning their corporate and IT governance disciplines. According to the *Deloitte 2008 Survey on the IT Business Balance*, there still appears to be a difference of opinion regarding the value of IT when starting up innovative projects. “30% of IT representatives believe they often, regularly or even always are the driving force in starting up innovative projects. This is in sharp contrast to business representatives: only 7% of them share the IT representatives view.”

Words: 776

Further Media Information:

Terry Booyesen (CEO)
CGF Research Institute (Pty) Ltd
Office: (011) 476 82 64 / 1 / 0
Cell: 082-373 2249
Fax: 086 623 1269
Email: tbooyesen@cgf.co.za
www.cgf.co.za

Mark Victor
Partner: Risk Advisory
Deloitte
Office: (011) 806 5594
Cell: 082-772 3003
Email: mvictor@deloitte.co.za
www.deloitte.co.za