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IT Governance: Linking IT And The Board

World Gas Conference 2006

7 June 2006

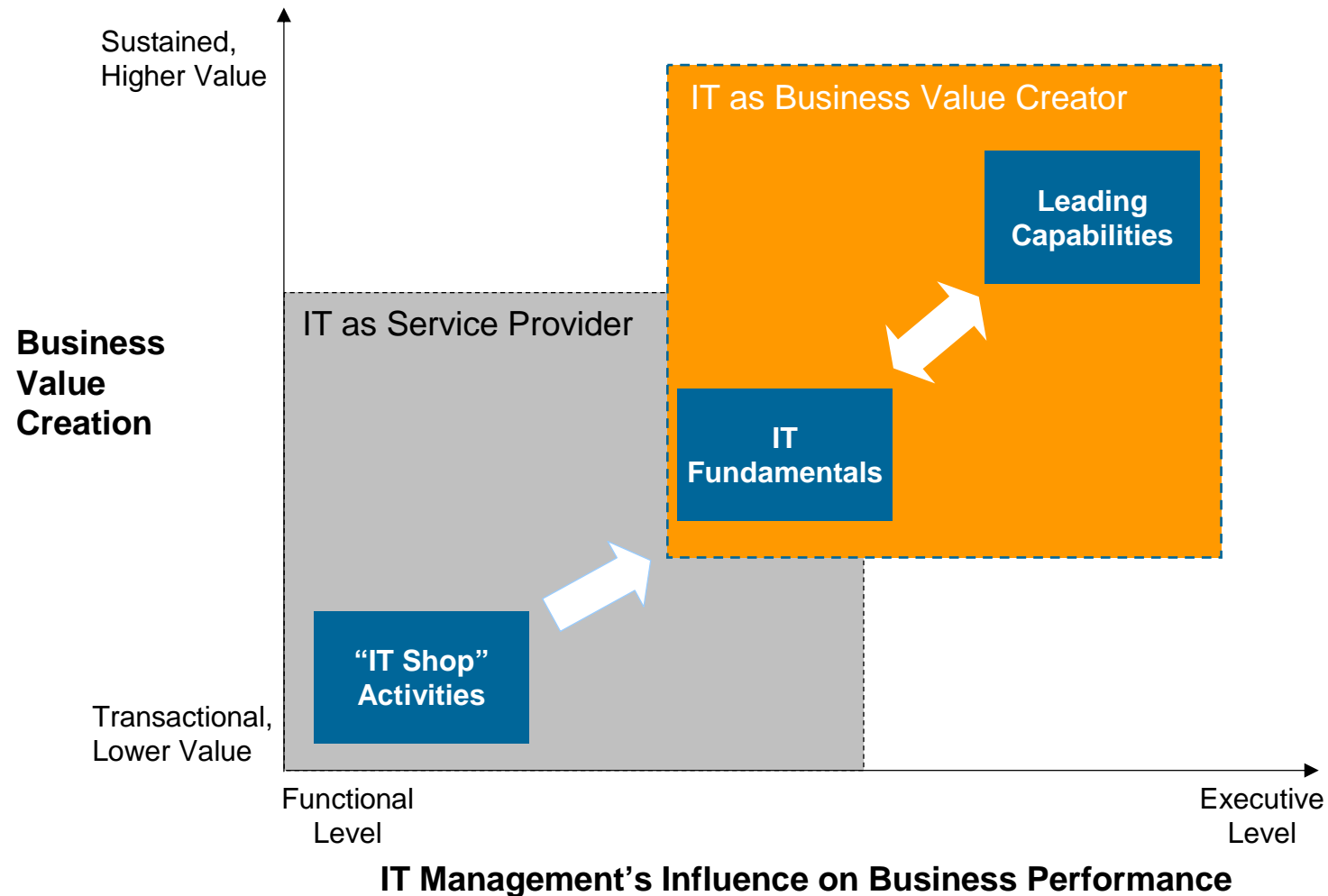
Gary A Curtis
Global Managing Director
Strategic IT Effectiveness Practice

Agenda

- Today's IT governance environment
- What others are saying about IT governance
- Qualitative impact of good governance
- Quantitative impact of good governance
- What good IT governance looks like
- Role of the Board
- Quick case example
- Common mistakes
- Simple diagnostic

IT Governance: What's Different Today

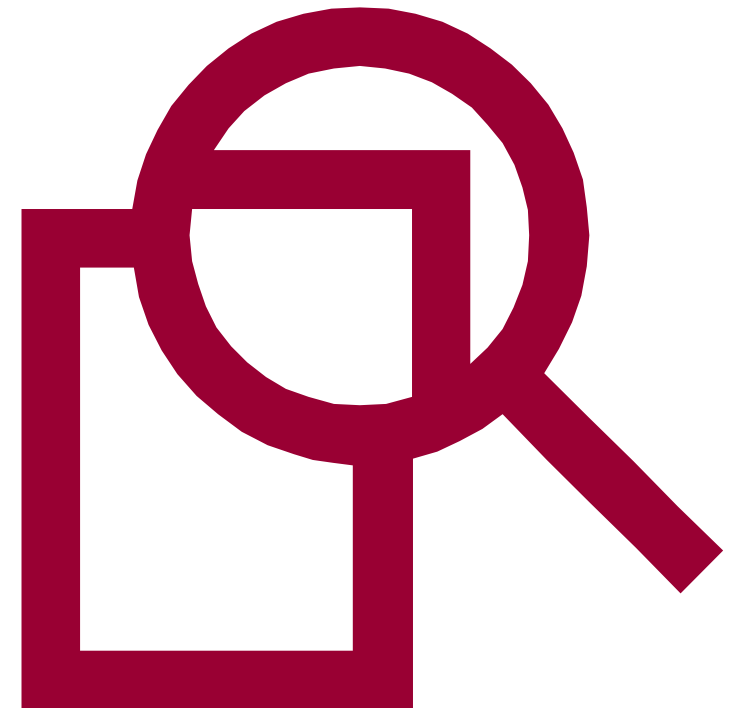
IT's Role Continues To Migrate To Higher Business Impact



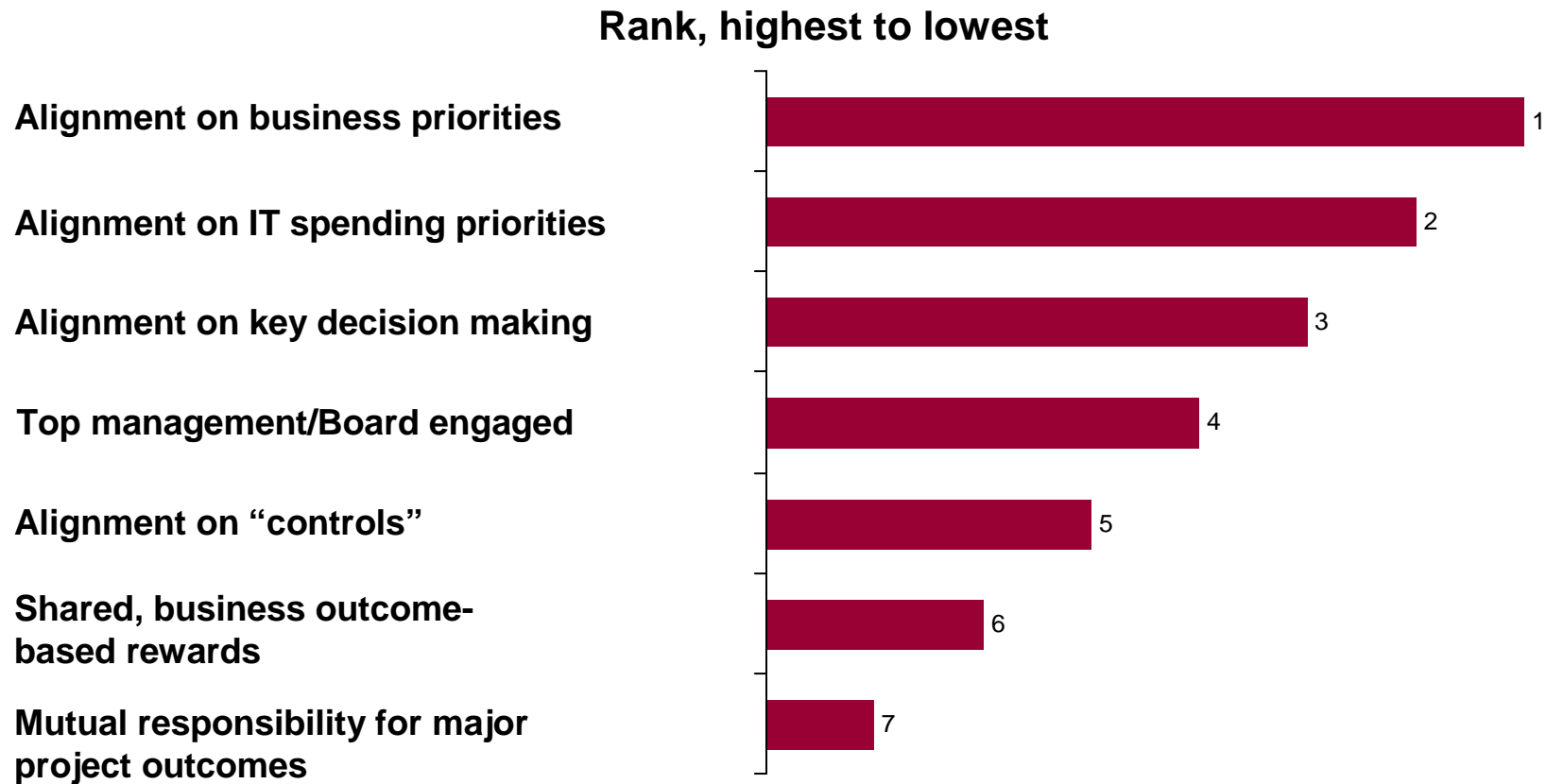
IT Governance: What Others Are Saying

Accenture's Global "IT and High Performance" Survey

- USA, Canada, UK, Ireland, Nordic, France, Germany, Switzerland, Austria, Netherlands, Japan (in progress)
- 2Q 2005 – 2Q 2006
- 900 top IT Executives, 900 top general business executives
- Large companies: turnover > \$1 billion (large countries), > € 0.5 billion (smaller countries)



Effective IT Governance: Key Measures



Effective IT Governance = *Alignment*

Source: Accenture Global IT and High Performance Survey (2005-2006)

Value Of Alignment: Qualitative

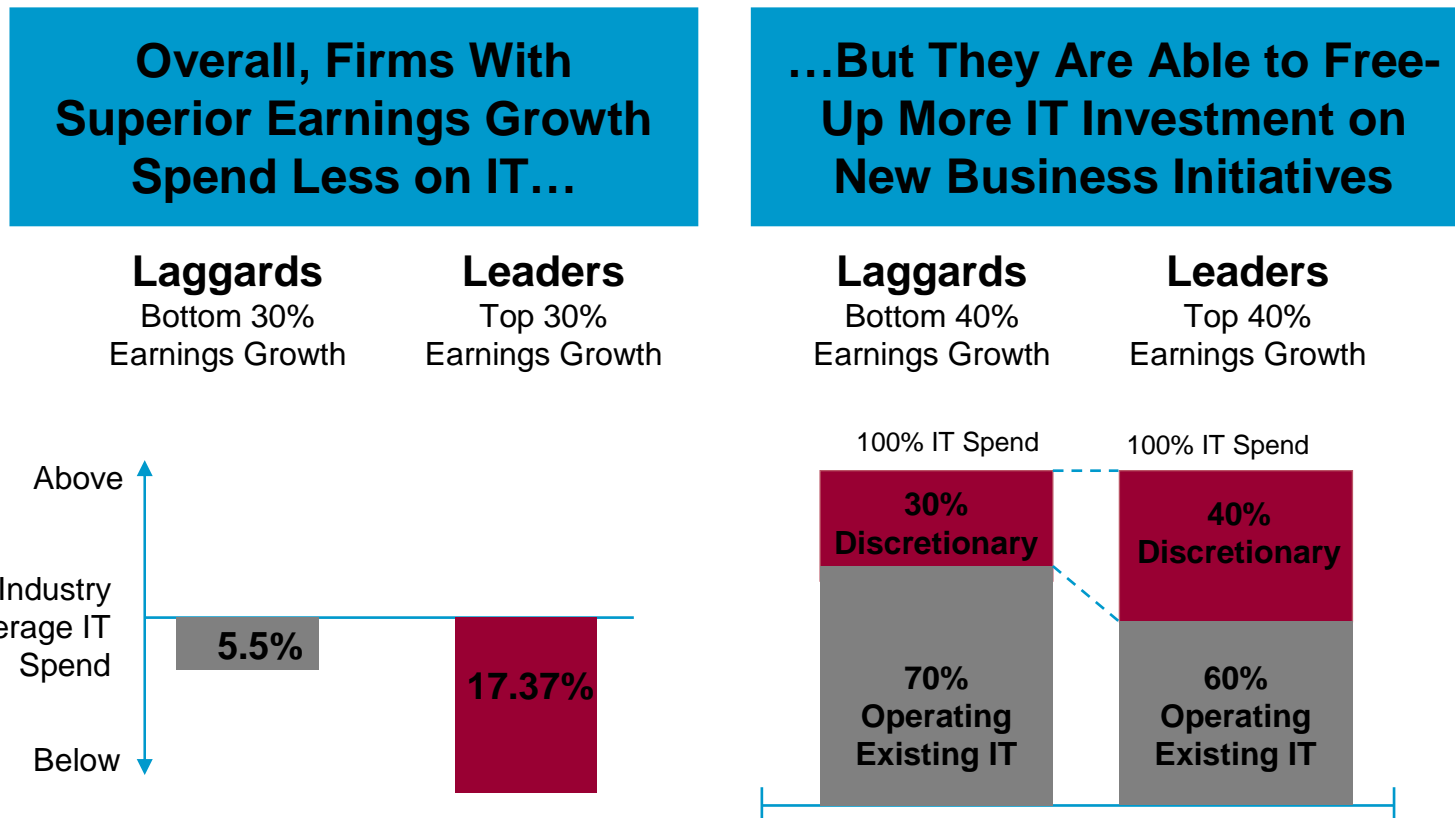
“Strongly aligned” versus “poorly aligned” companies’ executives say:

-
- | | |
|---|-------------------|
| • IT-based business efficiency has improved | 65% vs 30% |
| • IT spending has increased | 50% vs 29% |
| • Value of what IT delivers is understood | 45% vs 18% |
| • IT spending is “about right” | 60% vs 20% |

Source: Accenture Global IT and High Performance Survey (2005-2006)

Value Of Alignment: Quantitative

Alignment on business priorities and IT spending improves earnings

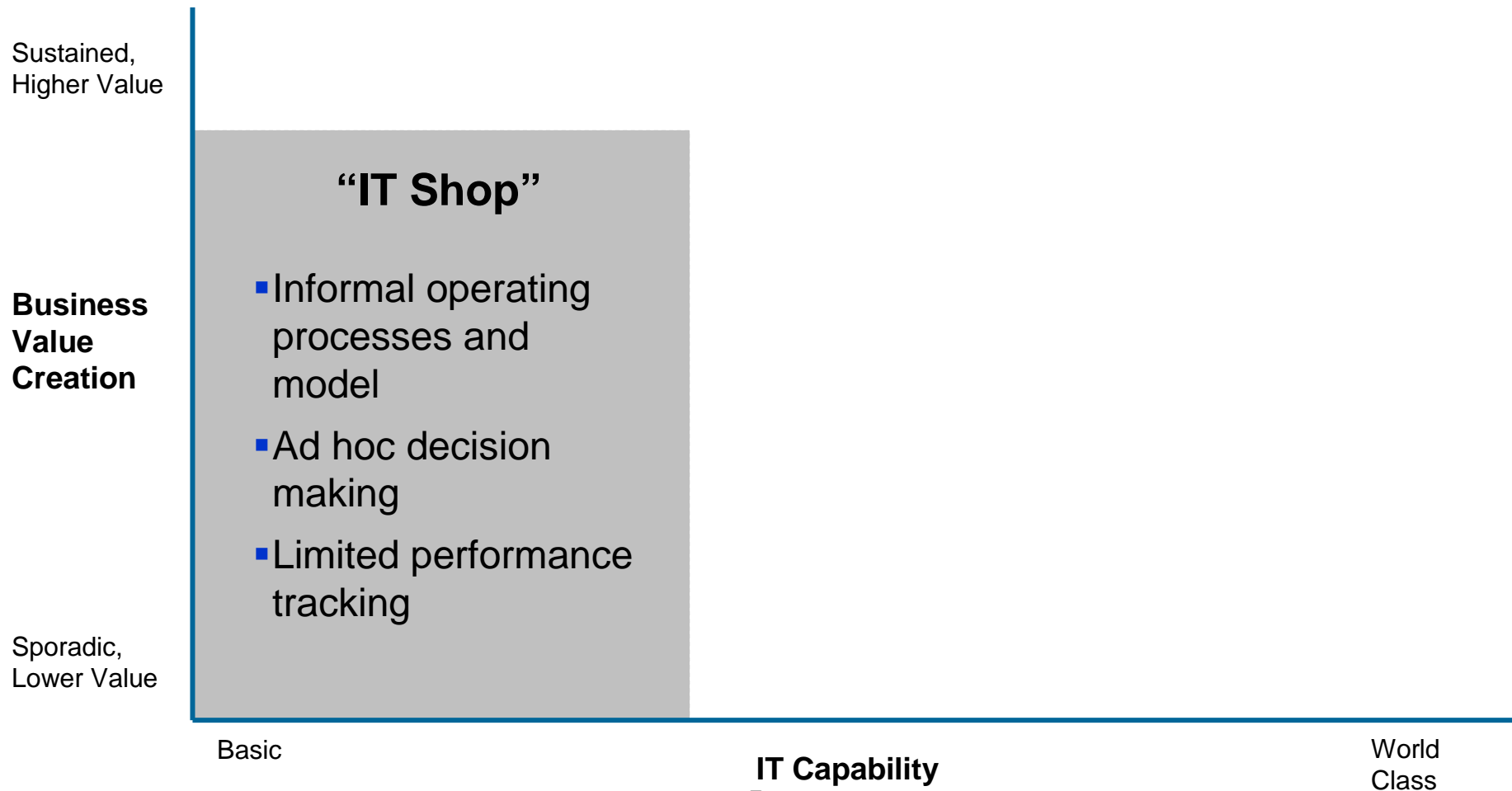


Source: Accenture survey of 112 European manufacturing and distribution companies

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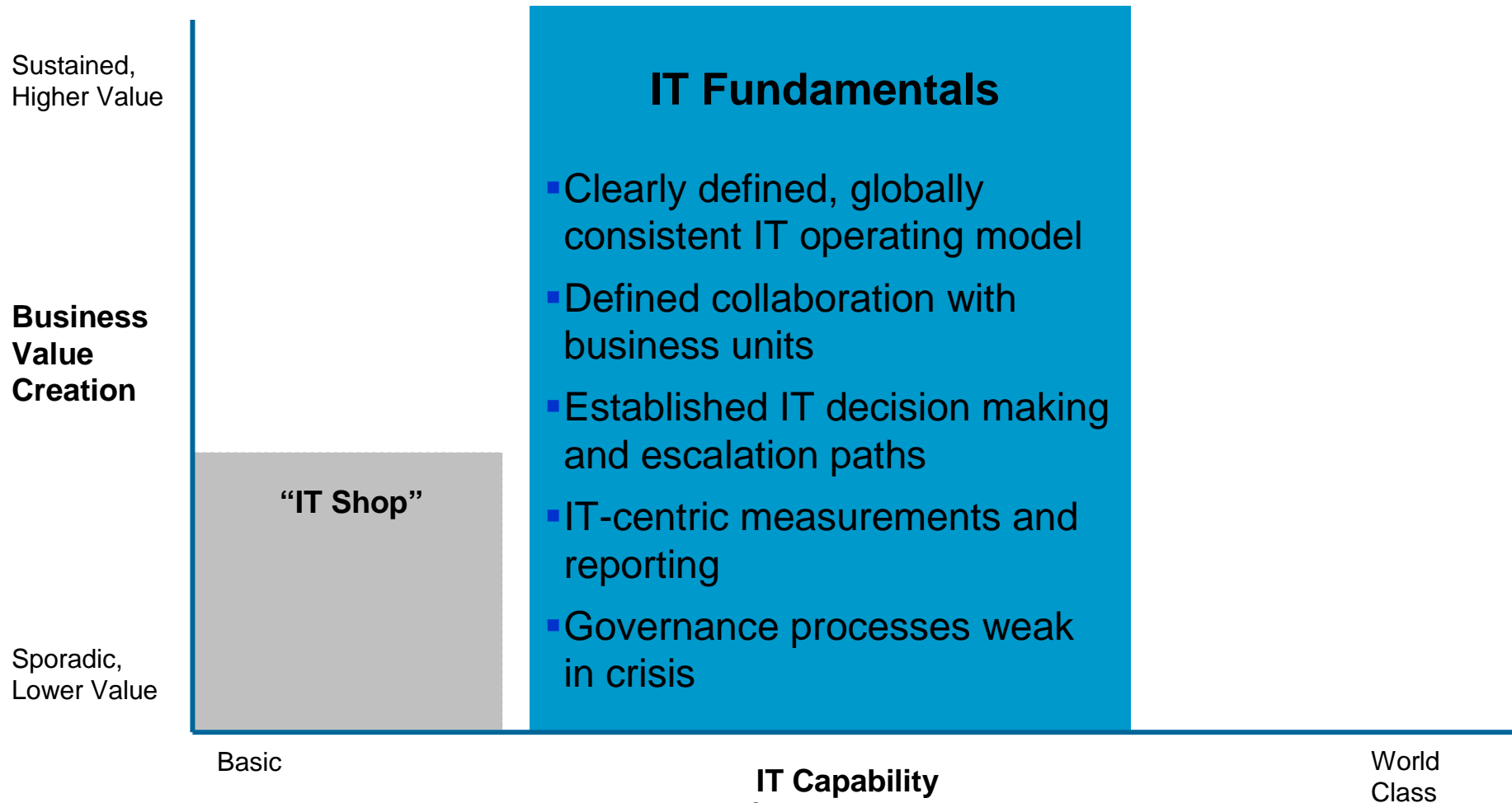
Effective IT Governance: How It Looks

IT Governance Maturity



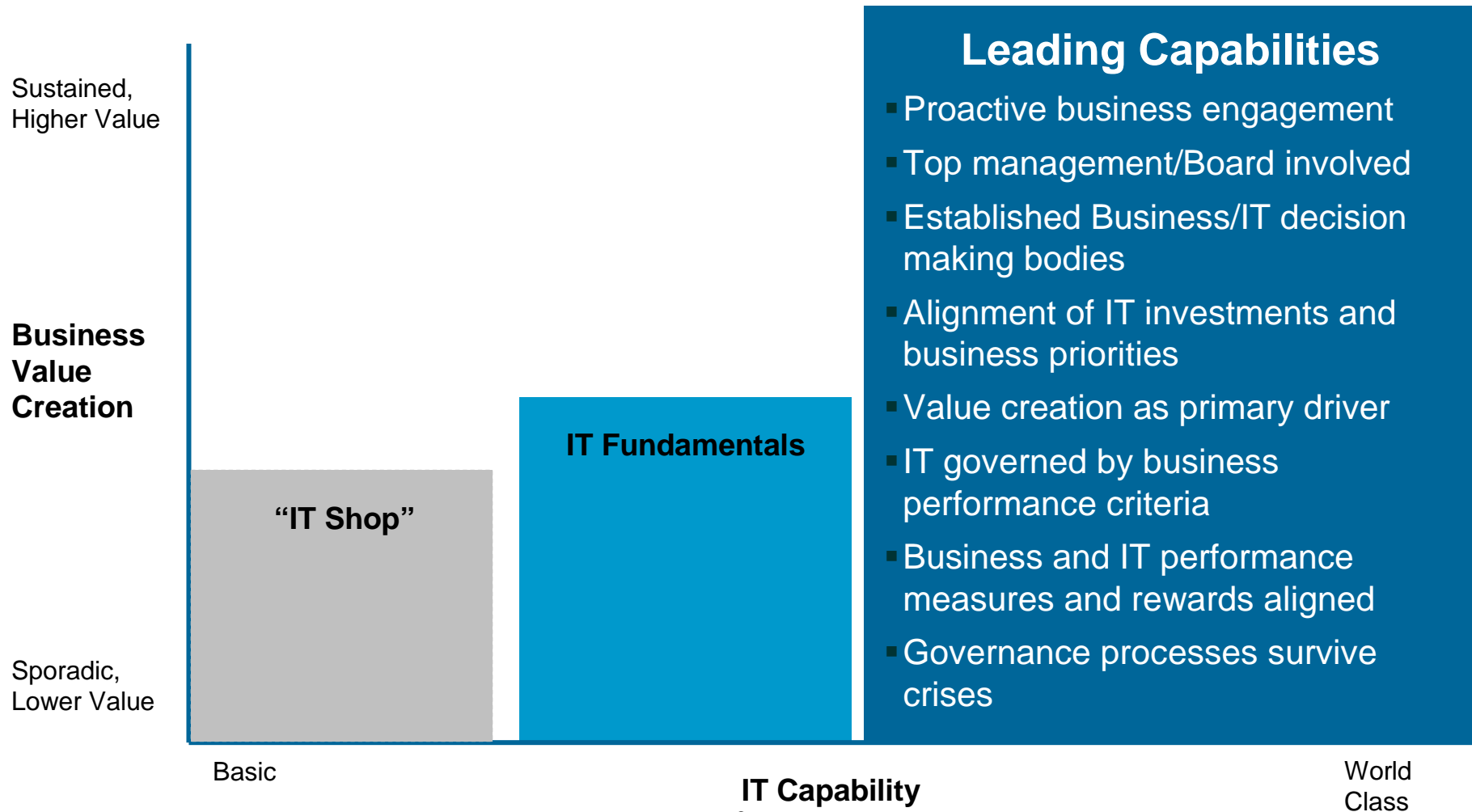
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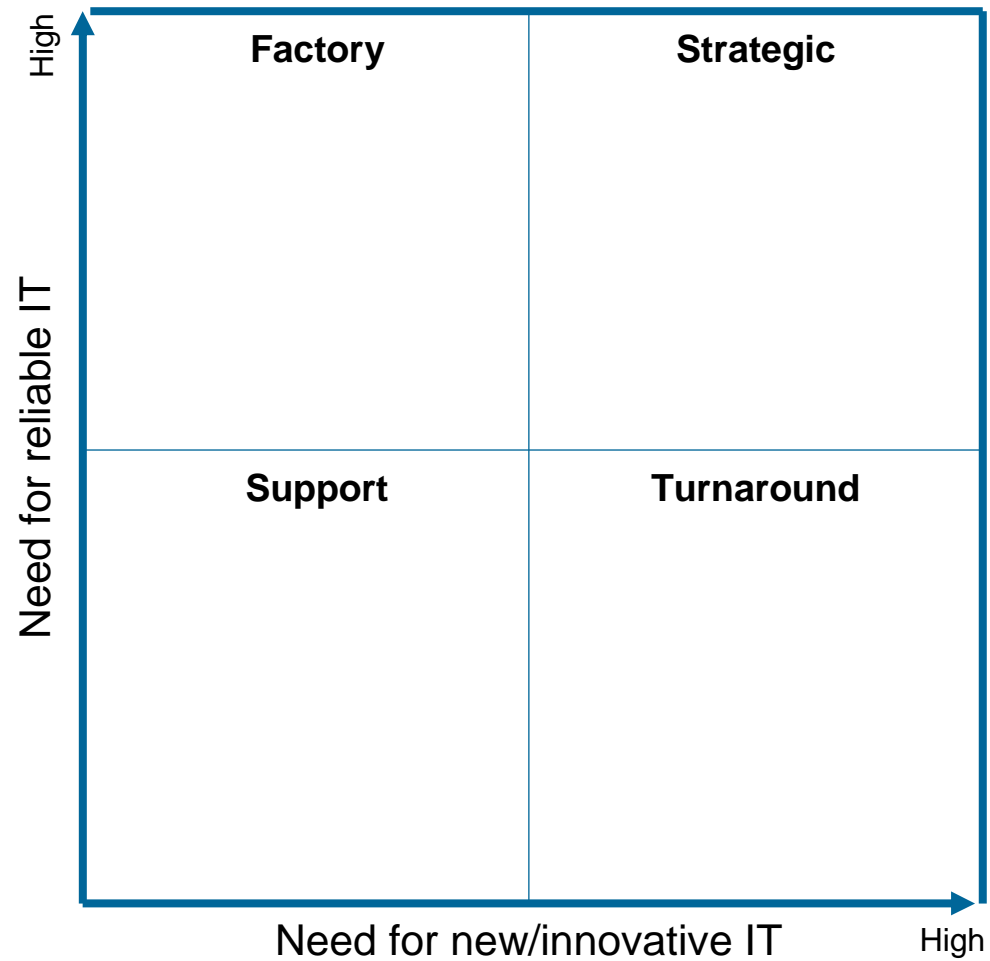


IT Governance: The Board's Role

A lack of board oversight for IT activities is dangerous; it puts the firm at risk in the same way that failing to audit its books would.

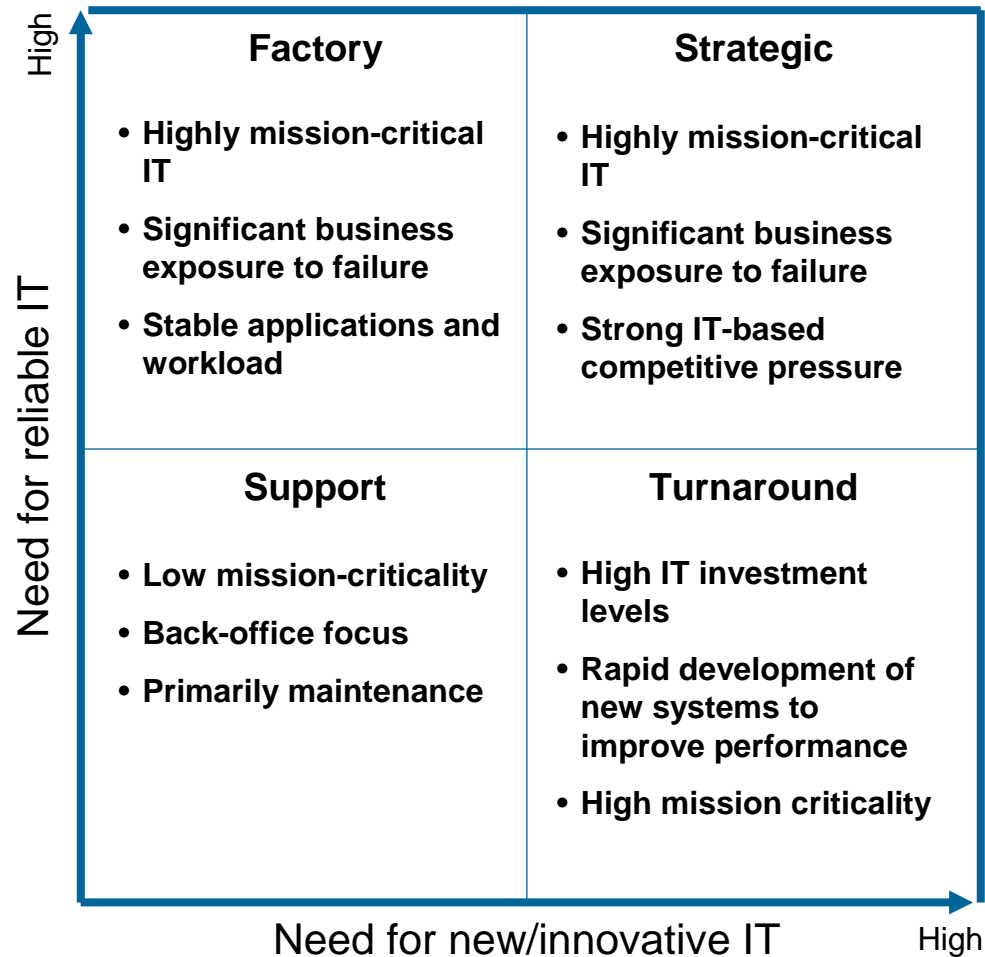
— Richard Nolan and F. Warren McFarlan, *Information Technology And The Board Of Directors*, Harvard Business Review, October 1005

IT Governance: The Board's Role

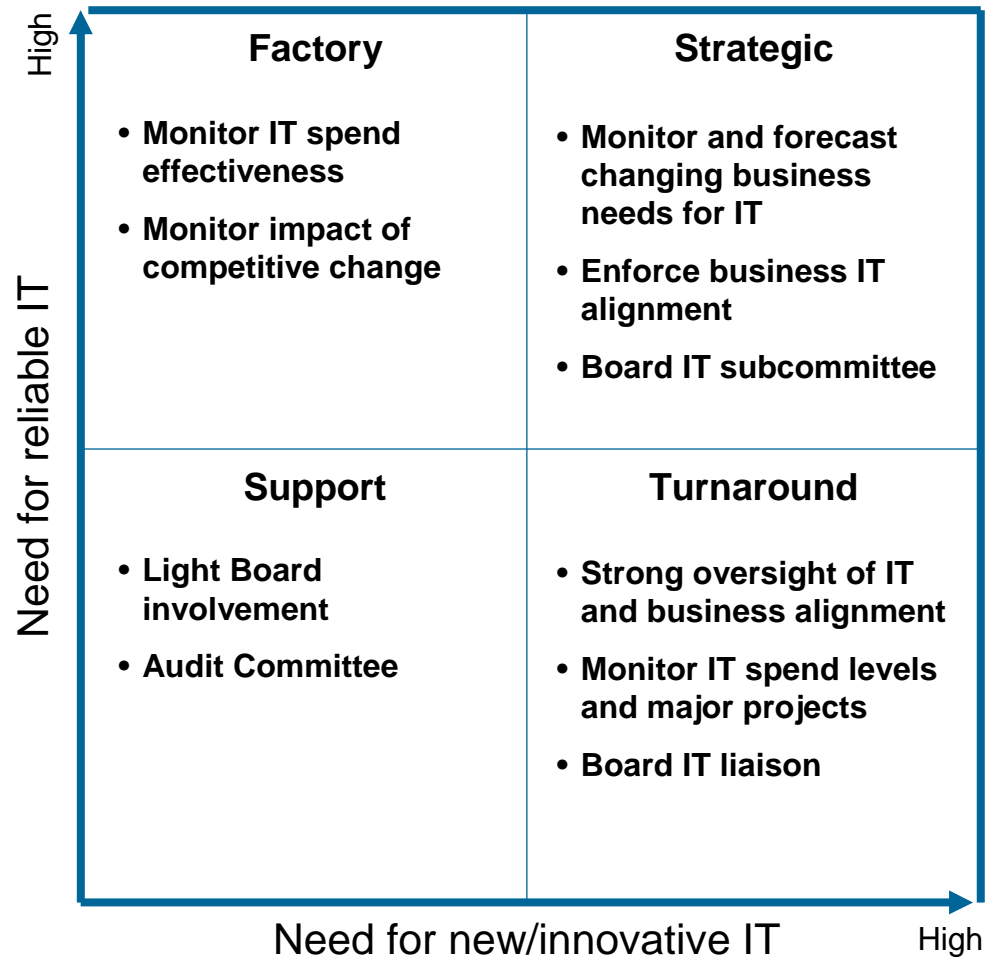


Adapted and reprinted from "Information Technology And The Board of Directors," by Richard Nolan and F. Warren McFarlan, *Harvard Business Review*, October 2005. Copyright © 2005; all rights reserved.

IT Governance: The Board's Role



IT Governance: The Board's Role



Case Example: Major Regional Utility—The Board Steps In

Before:

- Facing advancing de-regulation
- 30 business units; independent IT “customers”
- IT spend 2x industry average
- Application portfolio 2x industry average
- Poor IT responsiveness

After:

- Cross-BU IT demand rationalized
- Total IT spend monitored and controlled
- Application rationalization underway
- Overlapping projects eliminated

Board Actions:

- Established oversight process
- Mandated non-discretionary spend rationalization
- Mandated cross-BU application rationalization
- Mandated review/approval for major spending
- Reviews total IT spend annually

Board Involvement: Common Mistakes

Regarding the Board's role in IT Governance, top management teams sometimes believe:

- “I've got the problem covered”
- “My CIO has the problem covered”
- “The Board is not interested”
- “No one can really get IT right”

IT Governance: A Simple Diagnostic

- Are major IT-intensive investment decisions organizationally difficult? Murky? Political?
- Is capitalization of IT investment well understood? Consistent? Sensible?
- Are business unit responsibilities for major projects understood? Resourced? Coordinated with IT?
- Does IT management have access to key business and competitive planning and decisions? Influence?
- Is total IT cost known? IT budget consistent with business demand? With mission-criticality?
- Do IT and business managements have a mutually productive relationship?

What do you think

Q&A