

Can IT Governance be implemented without Corporate Governance?**¿Puede implementarse el Gobierno de las Tecnologías de Información sin el Gobierno Corporativo?**

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Abstract

Usually you can't talk about IT Governance, without talking about Corporate Governance. In many countries the first one relies on the second, and there is no possibility that you can really implement such best practices without top management or board support. However in Mexico and some Latin American countries we are experiencing this new paradigm. It seems that there is a new IT clear objective: demonstrate what the area can do for the business, but not only to continue the —status quo or to run and support the basic processes of the organization, but to help institutions to be more competitive as well as optimizing resources needed to work and innovating processes. Also we are experiencing a new breed of IT professionals that are eager to prove their value and communicate what the standards, frameworks and best IT practices can offer to top management boards. There is no time to wait until executive managers, any C+ suite board member or even senior managers can approach to IT professionals to ask for their support and commitment. IT professionals must take initiative to present what a framework can offer to the business and in that way participate on defining enterprise strategy.

Resumen

Normalmente no se puede hablar de IT Governance, sin hablar de Corporate Governance. En muchos países el primero se apoya en el segundo, y no hay posibilidad de que realmente se puedan implementar estas mejores prácticas sin el apoyo de la alta dirección o del consejo de administración. Sin embargo en México y algunos países de América Latina estamos experimentando este nuevo paradigma. Parece que hay un nuevo objetivo claro de TI: demostrar lo que el área puede hacer por el negocio, pero no sólo para continuar con el -status quo o para ejecutar y apoyar los procesos básicos de la organización, sino para ayudar a las instituciones a ser más competitivas, así como optimizar los recursos necesarios para trabajar e innovar los procesos. También estamos experimentando una nueva generación de profesionales de TI que están ansiosos por demostrar su valor y comunicar lo que las normas, los marcos y las mejores prácticas de TI pueden ofrecer a los consejos de alta dirección. No hay tiempo que esperar a que los directores ejecutivos, cualquier miembro del consejo de la C+ suite o incluso los altos directivos se acerquen a los profesionales de TI para pedirles su apoyo y compromiso. Los profesionales de TI deben tomar la iniciativa de presentar lo que un marco puede ofrecer a la empresa y participar así en la definición de la estrategia empresarial.

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Introduction

We normally start from the concept that we cannot have IT Governance if it is not supported by Corporate Governance. The latter is an indispensable requirement for organisations to support the creation and good operation of a technology area. Today we see cases that fall outside this operational parameter. Increasingly, we find some organisations developing an IT operations model that meets the requirements of good governance.

Without top management support or an organisational structure that is based on corporate governance, these organisations are finding it more difficult and more costly to do so. Mexico, like other Latin American countries, seems to have this model of operations more frequently than American, Asian or European organisations.

Is it a matter of idiosyncrasy, culture or the current situation at a time when information technology seems to be a tool for professionalising work environments?

Currently, given the economic conditions that limit the opportunities for other sectors to grow at a fast pace, Information Technologies seem to be making their way in a competitive environment and the urgency to deliver results, trying to take advantage of and leverage their growth in terms of innovation or optimisation of resources. IT specialists are starting to become important figures in the definition of the strategy of organisations and if this prominence is maintained, we may see a paradigm shift in several institutions from the one traditionally observed.

We have observed that there is a need to demonstrate the value that IT can bring to organisations, which is leading those responsible for these functions to develop models for the efficient operation and management of technological resources, trying to adhere to the best frameworks of reference in the industry. It is increasingly common to find organisations that in their daily work make an effort to professionalise the operation of Information Technologies.

To this end, they make use of best practices, reference frameworks and leading certifications in the different specialisation markets, from technology service management, information security, technological and business risk analysis or even continuity and availability issues in service delivery.

No doubt we will see in the near future a closer interaction between the areas responsible for IT and the Business areas. The question is whether the former can eventually support organisations in developing Corporate Governance models.

Current role of IT in organisations

Information Technology is undoubtedly an enabler of business today and should be a key area in shaping the strategy of those companies that want to be leaders in their markets or whose levels of competitiveness are high. Today, it is impossible to imagine a company wanting to be a leader or remain in the competitive environment without the strategic use of IT.

According to the Gartner Group 13, the contribution of Information Technologies to the business can be in three different ways:

- a. IT Runs the Business
- b. IT Grows the Business
- c. IT Transforms the Business

While many IT leaders are concerned with fulfilling the first operations model identified by Gartner, we are increasingly seeing the CIO4 of organisations trying to transform the business by creating and communicating the value that organisations can receive from IT. With this role and mode of operation they are moving from being simply operators to strategists within the organisation. The leaders of these areas should not be -technologists, but specialists in the management of information and the identification of how, through it, we can bring value to institutions regardless of size, line of business or sector in which they participate.

How has Information Technology evolved?

The first formal attempt to standardise and take advantage of the accelerated growth that computer systems experienced with the development of microprocessors and computer systems came from the UK Office of Commerce (OCG).

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In the mid-1980s, the OCG sponsored the development of a series of books and recommendations that sought to organise information technology services, and the ITIL5 (Information Technology Infrastructure Library) framework was born.

Initially the scope of these practices was to make service management more efficient in UK government offices, but today it is used as the market standard in all organisations that provide IT services, whether in government or private organisations worldwide.

ITIL has been evolving since its inception with version 1, up to the latest version known as ITIL V3 2011. In its more than 20 years of history, ITIL has transformed, along with the IT industry, from a set of function-based best practices to a set of process-based best practices and now to a service lifecycle management framework.

One of the objectives of this framework has been the alignment of Information Technology services with the strategic and business objectives of organisations, as well as the needs of customers. This practice is known as ITSM6 and has been at the core of the development of the ITIL standard.

Since 2005, this framework has served as the basis for developing a certification that is now recognised by the market as a guarantee of world-class service management operation ISO/IEC 200007.

Information Technology is undoubtedly a business enabler in the current era and should be a key area in the strategy of those companies that want to be leaders in their markets or whose competitiveness levels are high. Today, it is impossible to imagine a company wanting to be a leader or remain in the competitive environment without the strategic use of IT.

IT no longer has a merely supporting role, but has become the protagonist of corporate strategy in companies. To the extent that the impact of IT on organisations is better understood, they can be better managed and therefore -governed to drive more business work.

One of the most important challenges today is to translate this strategic role into tangible value that IT areas deliver to other business units within organisations. They must clearly, accurately and measurably communicate their contribution to business strategy.²³

What about corporate governance?

On the other hand, Corporate Governance focuses more on the action of organising and managing the control structures of companies, people and the processes through which they interact.

Corporate Governance refers to the action of managing and governing the activities of an organisation, understanding it as an entity within the economy of nations, protagonist of the development and well-being of societies, generator of goods and/or services that can be acquired or exchanged.

ISACA8 , through the ITGI9 , defines Corporate Governance as -A set of responsibilities and practices executed by the board of directors and executive management in order to provide strategic direction, ensuring that objectives are achieved, establishing that risks are appropriately managed and verifying that the company's resources are used responsibly.

In emerging economies such as Mexico and some other countries in our continent, we are suffering somewhat from the consequences of the economic slowdown in the great powers such as the United States, France and even Germany. Companies in our region are more concerned with subsistence than with growth, which leads to policies and strategies of trying to do more with less, favouring traditional production and sales over the development of new products or the optimisation of processes.

In this sense, the role that corporate governance can play in organisations is decisive and should be a driving force for their growth and sustainability.

In Latin America, initiatives have also been developed to unify best practices in the field of good governance, one of the main ones being the Ibero-American Code of Good Governance¹⁰ signed in Montevideo, Uruguay in June 2006.

This document promotes, among other issues, the need to promote conduct that guides the correct exercise of professional practices, dignifying work and public responsibility in the general interest. Among other aspects and as part of its foundations, it provides values for the good governance of the public entities of the signatory countries on issues such as the following:

- Objectivity
- Tolerance
- Integrity
- Accountability²⁴
- Credibility
- Impartiality
- Dedication to service
- Transpare

Although this code applies to government agencies, we can also transfer their practices to the environment of commercial companies that have a relationship with their regulatory counterpart on the government side. The fact of having clear rules of good governance in public entities forces private companies to adapt to these ways of working in order to comply with the guidelines or regulations that governments impose on them.

In our country, the clearest contribution to the issue of corporate governance was developed in 1999 through a document signed by several private companies called the Code of Best Corporate Practices¹¹. The 2010 version is currently in force.

This document defines that the role of the Board of Directors is to define the strategic vision, as well as to oversee the operation and management of the organisation, which is the responsibility of the CEO, through the strategies that he himself establishes with his management team. Some basic principles are also established, such as: Responsible issuance and disclosure of information, transparency in management, identification and control of organisational risks, compliance with regulations, among others.

The latest version seeks, among other things, to support companies to be institutional, competitive and permanent over time. Although the principles set out in this code are not mandatory, it is considered that their adherence and application represent a competitive advantage for the organisations that adopt them.

From this background, it would be clear that organisations should necessarily first have a Corporate Governance, so that from there the creation and operation of the Information Technology Governance would be sought.

Does this work in reality?

IT Governance without Corporate Governance

We have seen that in many organisations IT is changing and transforming the *raison d'être* of the institution itself. This is happening not only in the private sector, but also in the public sector in our country where there are clear signs of the latter advancing without necessarily having a development or a platform at the top management level to support it.

Considering that recent federal or state administrations in Mexico have not had the continuity in the six-year development plans they present, nor consistency in many of the policies or reforms to the different sectors that have been presented, it is a little strange that the IT areas of some agencies have been strengthened in this practice and have shown that IT can be governed without a clear Corporate Governance in these institutions.

Some agencies at State Secretariat level, as well as State Governments, actually operate and use IT as an enabler of their strategy, transforming the way they deliver services and serve the population in the services they offer. People as one of the cornerstones of IT projects are defining the importance of IT to the organisation and are not waiting for senior management to establish a best practice or implement a corporate governance framework that supports IT governance.

Hence the importance of the leadership that the IT manager has within the organisation, so that he/she can influence the important issues of the institutions and therefore the definition of strategies that will be supported by a good operation and delivery of IT services.

According to ITGI¹², IT Governance is defined as -An integral part of corporate governance and consists of the leadership, organisational structures and processes that ensure that enterprise IT supports and extends organisational strategies and objectives\.

According to the Institute (the world's foremost recognised authority on IT governance), the 5 integral parts that make up IT governance are: Strategic alignment, risk management, value delivery, resource management and performance measurement.

In its 2011 Global report¹³ conducted in 21 countries in 10 different sectors, some important conclusions were reached, among which the following stand out:

- 55% of all respondents say that IT has a pro-active role within their organisation.
- IT is important in defining and supporting the organisation's strategy.
- IT helps in the selection of project focus priorities and prioritisation of implementations
- IT helps to reduce costs and make the organisation more competitive.
- IT provides a conscious analysis of business risks and opportunities for growth by leveraging new technologies
- Opportunity for innovation for competitiveness in times of economic crisis.
- Help in the use of frameworks and structures for the creation and operation of an enterprise architecture.

With all this, IT Governance is playing a decisive role in the economies of companies that really want to remain competitive in their sector, as well as public organisations that use this structured IT framework to support or cement the growth of their organisations.

In Mexico, in the private sector, there are several examples of organisations that are operating with a good IT governance scheme, so that those responsible for these areas help to achieve the company's objectives without necessarily having the backing of senior management or without having a corporate governance scheme.

Companies in the Financial, Manufacturing, Retail, Telecommunications and Services sectors, among others, suffer from structural problems to operate under a Corporate Governance scheme, however, IT areas are required to provide not only an operational service, but also, on their own initiative, in most cases, assume a pro-active role in defining the activities that will support the company's strategy and add value to it.

Conclusions

In the coming years we will see a growth in the number and areas of influence of IT professionals who will be spearheading efforts to put structure and strategic vision into organisations.

Today, motivated by economic, social and interaction changes with the appearance/proliferation of social networks or new communication platforms, it is essential that IT areas take the lead and act as facilitators in the creation of more professional structures in companies (Corporate Governance) that make them more efficient and competitive.

The future has already caught up with us, and the speed of change and adaptability to it will be two of the factors that will keep organisations going and make them sustainable, or will be the factor that dooms them to disappear.

According to Darwin's theories of evolution¹⁴, the species that survive are not the largest, most intelligent or fastest, but those that have the capacity to adapt to change, to new environments. In this sense, the organisations we will see in the future will be those that have the capacity to face the challenges and conditions that local and global markets will demand of them.

IT Governance is a powerful tool to achieve this and cannot wait for companies or public institutions to adopt a Corporate Governance scheme to support it.

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