

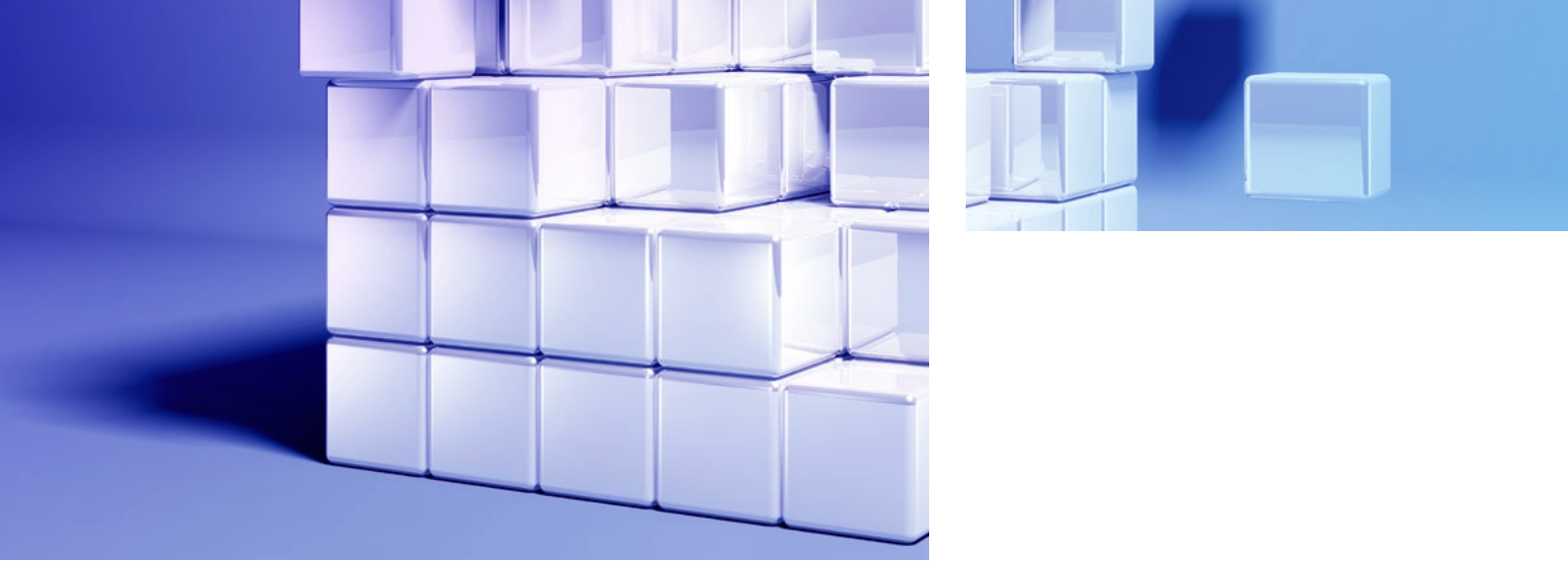
IT governance, a perpetuum mobile

Information technology (IT) was introduced decades ago, mainly within back-office processes to limit routine manual work, to drive efficiency and to standardize the outcomes. IT departments were set up to help realize these objectives and these were measured strongly on efficiency. The digital opportunities focusing on the commercial site, the client intimacy and the web-based interactions create a stronger focus on business value add and effectiveness. It is not the one or the other that applies, boards must create a solid governance in which both dimensions can be steered and monitored.

Let's think back to decades ago: it was a time when the business was at the mercy of the IT department for all its technology-enabled solutions. Although in those days the IT department as technology pusher did also exist, in essence the IT department was an order taker. Main objectives were to provide technology solutions and be a trouble shooter against minimal cost. It was a small, specialized group of people with responsibility for providing hardware, software and help desk services. The compliance agenda was based on rather static control objectives focusing on change management, user access management, operations, and business continuity. When ERP systems were introduced to replace the standalone applications, integrated process controls were implemented in these applications. The transition started from manual controls towards more technology-based application controls. In most cases the IT processes were run internally, and the controls testing could be organized internally.

This is not fully consigned to the history books; it is interesting that many originations have a mixed bag of IT solutions. Still the traditional IT setup can exist combined with a more business-focused IT. However, since 2010 there have been significant changes in the enterprise technology and application landscape. Along with newer technologies such as cloud services, data and analytics, cognitive computing, and mobile becoming more pervasive, the consumerization of IT has also made it more accessible and usable by business users. Business users are more technology-savvy, entering a domain that was once exclusively controlled by the IT department. Chief Information Officers (CIOs) and





other more recently created functions like the Chief Digital Officer and the Chief Data Officer reflect this business focus. CIOs continue to drive down maintenance and operation costs as a way to fund new initiatives required to meet the new business expectations. It basically means striking a balance between business as usual and transforming the IT organization towards a different value proposition.

Studies like that performed by the KPMG CIO Advisory practice indicate the shift in focus from minimizing costs towards maximizing value. Key characteristics include being a trusted advisor. IT should help the business in understanding the different technology options and solutions available. Not only by deploying an ERP system, but also advising about potentially using it as a software as a service (SaaS) instead of the traditional on-premises version. IT should also be agile in thought and action. Furthermore, IT is expected to be a growth enabler by being able to understand the business needs seamlessly. Lastly, the focus on delivering efficiently and improving performance is here to stay.

The reality is that without the right architecture and governance models in place the new business focus could easily result in higher IT spending and increased risks. Synergies and scale could suffer as more solutions are sourced externally, new technologies are adopted and the business themselves procure some IT services. Focusing on a new IT operating model seems to be needed. This operating model focuses on new IT capabilities, streamlined governance to facilitate speed and agility, and the increased importance of defining the core architecture and standards. Along with this reshaping goes the definition of metrics for success. Most CIOs are redefining their dashboard and based thereon the dialogue with the board. Topics like business intimacy, customer engagement and speed of delivery become introduced next to compliance, costs and continuity.

Let's focus on the governance of IT. Many organizations have made significant progress in developing, installing, and monitoring their governance of IT based on industry standards. A framework like the Control Objectives for Information and Related Technology (COBIT) has provided direction and good practices to gain more control and improve the return on investment. The results are more steering committees, more formal processes, and validation cycles. This can become a barrier in a business world requiring speed. Therefore, the new operating model should evolve from being rigid with strict rules and a bias towards avoiding risk to a more fluid process. This fluid process sets boundaries and recognizes that some risk is acceptable but must be managed.

Ideally, boards should the conversation with the CIO about the change in governance model. It should become a dialogue about the current state and future ambitions of the business and required IT, the metrics used to measure progress and the risk appetite used. Today's IT updates in the board require more than just a compliance or IT risk update. Of course, the CIO can also initiate this conversation. Sometimes the board lacks the IT insights or feels uncomfortable driving it. In all cases, boards should also challenge themselves to stay technology-savvy, develop continuously and educate themselves in this space. They should use the dialogue with the CIO and validation by external parties to get comfort.





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What's next on the horizon?

The IT change does not stop with the technologies introduced from 2010 onwards. Although the above is already challenging, the next phase is already being discussed as the digital agenda moves towards an autonomous world. Key elements include:

- Apply automation everywhere. All business processes are supported by software.
- A fully transcendent customer experience based on using Artificial Intelligence and making it feel human.
- Supporting Enterprise DevOps teams. Rapid and continuous delivery of new applications or updates based on well defined agile and DevOps tools and methodologies. The traditional split between developing and running IT solutions will disappear.
- Drive data-based business outcomes. Use data insights to support business value, learn from your data with the help of machine learning and other tools.
- Safeguarding through adaptive cybersecurity. Use automation to discover and prevent new cyber risks.

Does this create another challenge in building the right IT governance? Or will it be an opportunity recognize that it will be a never-ending story helped by an agile thinking board and flexible IT governance structures?

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