Service Oriented Architecture

Governance

> **"Effective IT Governance is the single most important predictor of value an organization generates from IT."** [1] **(MIT Sloan School of Mgmt)**

What is it?

Definition: *A structure of relationships & processes to direct & control the enterprise in order to achieve the enterprise's goals by adding value while balancing risk versus return over IT/SOA & its processes. It specifies the decision rights and accountability framework to encourage desirable behavior in IT & the SOA.*

Relationship to IT Governance: *SOA governance activities and measurements are the same as traditional IT governance. What makes SOA governance different is the degree to which governance is required.*

Why do I need it?

IT/SOA governance matters because it influences the benefits received from IT investments. Through redesigned business processes, well-designed governance mechanisms, & appropriately matched IT investments, top-performing enterprises generate returns on their IT investments up to 40% greater than their competitors. Other factors are:

- SOA cannot be successful without governance
- Sarbanes-Oxley Act – US law requiring CEOs & CFOs of SEC registered companies to certify controls for each significant business activity.

What benefits will I receive?

- ***Increasing Share Price*** – Professional investors are willing to pay premiums of 18-26% for stock in firms with high governance.[2]

- ***Increasing Profits*** –

  "Top performing enterprises succeed where others fail by implementing effective IT governance to support their strategies. For example, firms with above-average IT governance following a specific strategy (for example, customer intimacy) had more than 20 percent higher profits than firms with poor governance following the same strategy." [1]

- ***Increasing Market Value*** –

  "On average, when moving from poorest to best on corporate governance, firms could expect an increase of 10 to 12 percent in market value." [3]

Rules of Thumb

Rules of thumb are snippets of information that are easy to remember and helpful in making some basic SOA decisions. They are not hard-and-fast rules but guidelines in the search for SOA governance solutions.

- In Governance – Participation breeds Communication, which breeds Comprehension, which breeds Buy-In, which breeds Compliance.
- IT/SOA governance is ultimately the responsibility of the company's board of directors.
- The best predictor of IT governance performance is the percentage of senior managers who can accurately describe the company's IT governance.
- Successful enterprises consistently demonstrate a willingness to sacrifice function to sustain architectural integrity.
- Having the CIO report to the CEO is a best practice in IT/SOA governance.
- SOA brings to a company increased profits as there is a proven correlation between strategic agility & IT infrastructure capability.

Governance Benchmark

The figure[1] below contains benchmark data for best and worst performers in IT governance. Nearly half the managers in the above-average governance performers could describe governance while fewer than 30% of managers in poorer performers could do so. In only 5% of enterprises could 80% or more of managers in leadership positions describe their IT governance. This is an excellent way of measuring a firm's governance performance against statistically significant data.

Benchmarks for Best & Worst Performers – How do you compare?

Governance Performance	Bottom 50% of enterprises (score<69)	Top 50% of enterprises (score>=69)
Percent of executives who can accurately describe governance	29	48
Average number of changes in governance per year	2+ ↑	1 ↓
The percent of new systems with agreed exceptions on at least one component	28 ↑	34 ↑
The percent of projects with renegade exceptions on at least one component	23 →	15 ↓

More Information

http://www.ibm.com/webservices/eis
http://w3.ibm.com/software/eis
SOA Governance White paper

Randy Langel
SOA Governance Manager
714-438-5955 USA, rlangel@us.ibm.com

---

[1] "IT Governance, How Top Performers Manage IT Decisions Rights for Superior Results," Peter Weill and Jeanne W. Ross, Harvard Business School Press 2004.

[2] "Three surveys on corporate governance," McKinsey Quarterly, 2000 Special Edition: Asia revalued.

[3] "A Premium for Good Governance," The McKinsey Quarterly, 2002 Number 3.