What Governance Isn't

This article makes a quixotic attempt to stem the corruption of the word governance. Governance is policy making and policy policing. Anything else is management.

One of the less endearing behaviours of the IT industry is to take terms that once had a meaning; and then misuse and overuse the word until the original meaning is all but lost. Vendors are the main culprits, eager to redefine a term to fit their offering, but the analysts are at it too, trying to find creative new meanings for formerly well-understood terms. Some authors, commentators and journalists contribute simply by not understanding the proper meaning of the term and so taking it places it was never meant to go.

 "Management", "consultant", "solution", "knowledge"… there is a long list of victims. One of the latest is "governance". In an attempt to stop the rot before this word loses all usefulness, we should define what governance is not.

What Governance is

Often the easiest way to understand something, is to first define what it is not. However in the case of "governance", it is not difficult to define what it is, or rather what it ***was*** back when the word had a clear agreed meaning. So let us begin by defining the term.

The Concise Oxford Dictionary (Sixth Edition 1976) defines to govern as "…regulate proceedings of (corporation etc.)". Despite all that has been done to the word since 1976, this is still the essence of governance: regulation. And "regulate" is defined by the same source as "Control by rule, subject to restrictions; moderate, adapt to requirements…" Governance is the practice of controlling behaviour/activity/process/practice by

- Creating a controlling mechanism by defining roles, responsibilities, decision rights, and accountability

- Setting the rules (the trendy word is "policy")

- Defining the bounds to restrict behaviour

- Reacting to excess to bring it back within bounds

- Moving the bounds in response to changing requirements

So there are two main functions to governance:

- **Directing.** Setting and adjusting policy and bounds in response to external stimulus: the behaviour the business requires to survive, compete and comply.

- **Controlling.** Enforcing the bounds in response to internal stimulus: demanding metric reports and comparing against the thresholds defined by the bounds; requiring correction where metrics go over thresholds.

Governance is actually very simple in definition and execution. Governors are not highly paid because what they do is clever or complex. They are highly paid because they carry the risk through their accountability for non-compliance.

They say you can't manage what you can't measure. In the same way you can't govern what you can't measure. This is often interpreted to say that if we cannot measure something we should not manage or govern it. This is incorrect. If business requirements dictate a certain policy and we cannot currently measure compliance with that policy, then we have two options: (a) implement process and tools to measure it or (b) accept the risk of an unregulated policy. Better to make the risk transparent than to leave the policy off.

In particular, changing technology means that the capability to measure is a lot more volatile than organisational policy. If new metrics become available, it is easier to enforce an existing policy than to introduce a new one.

One of the most powerful and widely applicable models in IT is "people process things". (Often this is said as "people process technology" but that is far too narrow. People and process are underpinned by many artefacts such as forms, books, files, even whiteboards and sticky notes). Governance is first and foremost a state of mind, then an activity, then the tools to enable and assist that activity. A measurement tool on its own is not governance, despite what the vendors claim, without the organisational attitude and the repeatable processes to make it useful.

What Governance isn't

Which brings us to our topic: what governance isn't. The philosophers among us will remind that "what something is not" is an infinite topic. We will restrict ourselves to "what governance isn't but people sometimes try to make it". Here are seven interrelated areas often confused with governance:

- Measurement, reporting and audit

- Management

- Optimisation

- Financial control

- Policy enforcement

- Vision and strategy

- Rule

Measurement, reporting and audit

Governance is not measurement or reporting or audit, though it may employ these tools. As is the way of most tools, these can be used for multiple purposes, one of which is to report back to governors. Real governors seldom use tools themselves: they require governance feedback information from employees.

Doing the reporting or audit is not governance: it is executing the requirements of the governor. Don't let tool vendors tell you otherwise. And "people process things": if the activity of reporting is not governance then even more so the tools are not governance. Nor do they enable or improve governance. If you improve your culture and process you might identify how tools could assist that improvement, but implementing tools in a vacuum will not make a difference.

Management

Governance is not management, at least not the operational activity that is the core meaning of management (or was before the word lost all meaning). Just because someone is making a decision does not make it governance. Most decisions are not governance, they are management. Only policy decisions are governance.

The government and the Governor do not operate a country: the civil service does that. The governors set policy, rules, guidelines; they delegate the power to enforce them; and they demand information and tribute.

Governance is one function of senior management, but only as it is delegated. The ultimate responsibility for governance rests with the owner, board of directors, or government, depending on the type of organisation. The execution of governance can be delegated to executive management: the accountability can not. In recent times, the Sarbanes Oxley Act has made that quite clear in the USA; so too have various OECD, EC and national Acts and regulations.

Optimisation

Governance is not optimisation

Governance asks "are we doing…?" but not "how are we doing it?" Profitability, ROI and other such operational metrics are of interest to governors only in so much as they have set policy to say "We must be profitable" How we achieve this or why we are failing to achieve it are management functions not governance ones. Executive management is responsible of optimising the performance of the organisation; governance is responsible only for ensuring it remains within bounds.

Financial control

Financial processes are not governance, not even controlling processes. All financial management is part of the operations of the organisation. Some financial metrics will be required by governors to ensure operations remains within financial policy bounds, but

this is a small part of what finance does and even then getting the data is not of itself governance.

This includes many activities often tagged as governance: Project Portfolio Management (PPM), Asset management, budgeting, annual reporting… Even fraud detection is not governance: it is an operational security process.

Governance sets financial policy: financial management executes it.

Policy enforcement

Governance is not enforcement of policy.

This is perhaps the most common misuse of the word "governance". Governors mandate that policy shall be complied with. They measure to ensure the organisation remains within the bounds of policy. But the day-to-day operational activity of keeping the organisation within the bounds is management not governance. Governors are watching not doing.

So bounds functions like risk management, change management, financial management, security and audit are not governance. They are the means by which the organisation satisfies governance requirements by keeping the organisation within the bounds of policy.

Vision and strategy

Governance is not setting vision or strategy.

Another area that is often confused with governance is creating the vision, setting the direction of the organisation, and devising strategy. Governors appoint an executive to do this, and give them a framework and policy within which to do it. In some organisations, the governors get actively involved in the process and don't fully delegate it. But this means that the governors are involved in high-level operations, not that the activity is part of governance.

Rule

Governance is not always rule.

A king may rule but in the modern model he/she does not govern. Equally in many large organisations the nominal figure-head has little to do with governance. A government minister or secretary has only nominal control over his civil servants (watch "Yes Minister" on TV). The Chairman of the Board may do no more than occupy the chair. Note that this is not a consequence of simple delegation. The British people constitutionally removed their monarchy's right to govern at sword-point. In theory the US president is answerable to the Senate (though in practice some would say the republic has an emperor). The civil service in every nation evades control. The Chairman may simply be ineffective.

IT Governance

So far we have talked about governance in general. This magazine is about IT in particular, so what of IT governance. If we focus on IT, does it change this discussion any?

The principles of IT governance remain exactly the dame: direct and control. The practices of IT governance are of course more specific. IT governance is very well defined by Val IT [1], that excellent product of the IT Governance Institute. Val IT starts slowly and looks deceptively light after you have read it, but it is a nice comprehensive framework for governing and managing value from IT.

Val IT defines the IT governance as

- Ensure informed and committed leadership
- Define and implement processes.
- Define roles and responsibilities.
- Ensure appropriate and accepted accountability.
- Define information requirements.
- Establish reporting requirements.
- Establish organisational structures.
- Establish strategic direction.
- Define investment categories.
- Determine a target portfolio mix.
- Define evaluation criteria by category.

Val IT also helps define what IT governance is not. It describes Project and Portfolio management

- Maintain a human resource inventory.
- …
- Establish an investment threshold.
- Evaluate the initial programme concept business case.
- …
- Make and communicate the investment decision.
- Stage-gate (and fund) selected programmes.
- …
- Monitor and report on portfolio performance.

…and Investment Management:

- Develop a high-level definition of investment opportunity.
- Develop an initial programme concept business case.
- Develop a clear understanding of candidate programmes.
- Perform alternatives analysis.
- …
- Assign clear accountability and ownership.
- Initiate, plan and launch the programme.

- …
- Monitor and report on programme performance.
- Retire the programme.

As we discussed already, governance is not operational management, even where that management is the implementation of governance policy. Val IT agrees.

If we revisit our list of seven examples of areas that get shoehorned into the definition of governance, we can see how they have a different context within IT but they are not changed.

Measurement, reporting and audit

In IT, we are blessed with the COBIT framework as a useful definition of practices and metrics for measuring, reporting and auditing IT. In addition there are of course ITIL and CMMI and other frameworks that extend and complement COBIT too. IT is something of a thought leader in this area: try to find good KPIs for HR or marketing. We in turn take our lead from manufacturing where TQM and Six Sigma have pioneered many of IT's concepts.

Management

In the last decade or so we have moved from IT people managing to managers managing IT: the understanding that management is a skill that many IT people do not grow into, and effective management can be brought in from outside IT. The rise of ITIL is a sign of that maturing as non-IT managers look for effective frameworks to impose.

But IT managers do not govern. They serve their governor masters like all managers do.

Most importantly, there is no such thing as IT governance in the sense that nobody within IT governs, except as delegated from the governors. When we narrow our focus to IT Governance, one thing does not change: the governors of the organisation own it. Accountability for IT Governance rests with the Board, or owner, or minister/secretary, just like any other governance. IT is governed just as Manufacturing, Distribution, Finance, HR and so on are governed: from the centre.

Optimisation

Again nothing changes. ITIL is not governance. Doing things better within IT is part of the operational management of IT. We do it to stay within governance's policy bounds, but we do it outside of governance.

Financial control

IT does a lot to facilitate financial management and financial governance by providing the software to make the processes effective, but the tools are not governance any more than a hammer is carpentry.

Policy enforcement

IT plays a pivotal role in modern organisational policy enforcement in areas like audit and security, but we merely deliver to the operational processes that respond to policy: this is along way removed from calling what we do governance.

Vision and strategy

It has been well argued of late that there should be no IT strategy: IT is one aspect of the organisational strategy. Certainly IT's emergence as a function more aligned with the business with outward facing management means we push for a seat at the top table, but that does not mean CIOs take a governance role. It means they take an executive management role.

Rule

There is no distinct IT governance role so there is no distinct ruler of IT, but try telling that to some CIOs.

In theory the practice of governance is simple, though in practice not so. The definition of governance is simple: policy making and monitoring. But the vendors will make governance mean what they sell; the analysts will make it mean something new and oh so clever; and many writers will make it whatever they think it means. This article's quest is probably futile: the word "governance" is doomed just like "partner" and "paradigm" and "legacy" and "virtual" before it. Maybe there is still a chance. You will make this writer happy if just once you say "that's not governance".

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Governance is	Governance isn't
Policy	Strategy
Direction	Execution
Assurance	Audit
Rules	Instructions
Making the owner accountable	Ownership
Empowering	Approving
Consider information	Analyse data
Check a dashboard	Measure and monitor

Require behaviour	Modify behaviour
Process requirement	Process execution
Reporting on compliance	Reporting on performance

References

[1] *Enterprise Value: Governance of IT Investments, The Val IT Framework*, The IT Governance Institute® 2006 , available for download at http://www.itgi.org/AMTemplate.cfm?Section=Deliverables&Template=/ContentManagement/ContentDisplay.cfm&ContentID=24259