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# „IT Governance Standards, Legal Aspects and Top Management between Euphoria and Disillusionment“



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# What is IT today?

# 2011: Some Headlines



- worldwide debt crisis with states and currencies in trouble
- revolutionary movements in non- and semi-democratic states with unclear outcome
- street rioting in major cities of democratic states
- unclear future of energy production and consumption
- environmental problems and climate change
- social media conquer the world of communication
- cyberwar is a real threat
- immense progress in many scientific fields

# IT is one of the major driving forces of today s world

- IT has more impact than ever on all aspects of life
- Mobile devices and social media empower „everybody for everything“ with immense socio-cultural and economic impact.
- Privacy and identity issues are major topics / concerns.



# „IT as *universal services-infrastructure*“ – what does that mean?

- „Like It or Not“: IT has become the „*universal services infrastructure of the world*“
  - as important for world economy as energy and capital
  - Hence, IT has become a major operational risk for enterprises, public bodies and private life.
- All stakeholders are challenged.
  - governing bodies, business and industry, NGOs, managers, consumers
- Each stakeholder has needs, wishes and instruments.
  - laws, standards, governance rules and best practices for the public and economic life
  - communication platforms for the consumer side / private life





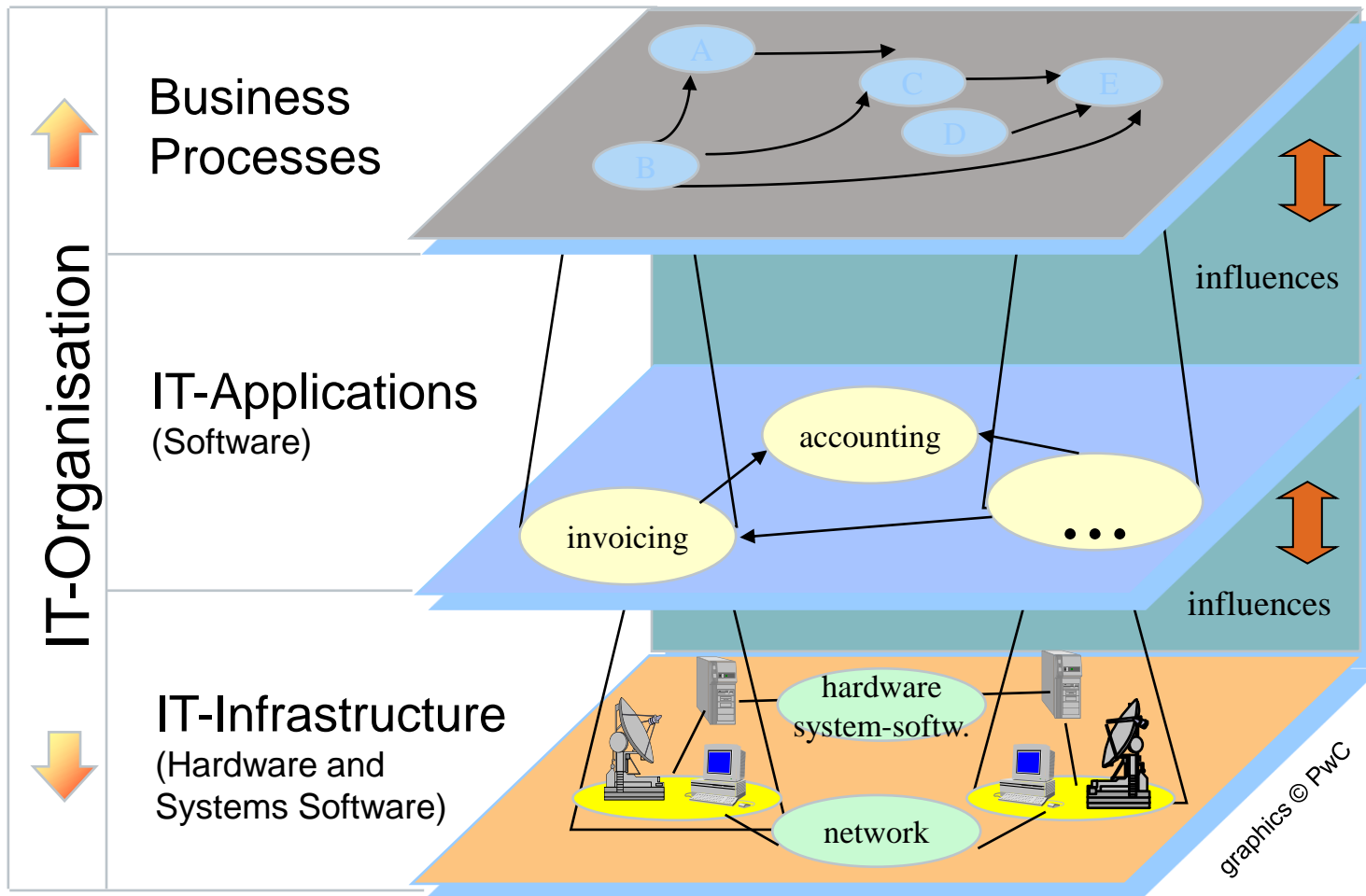
# How can we look @ IT?

# 4 (Overlapping, but Distinct) Views at IT

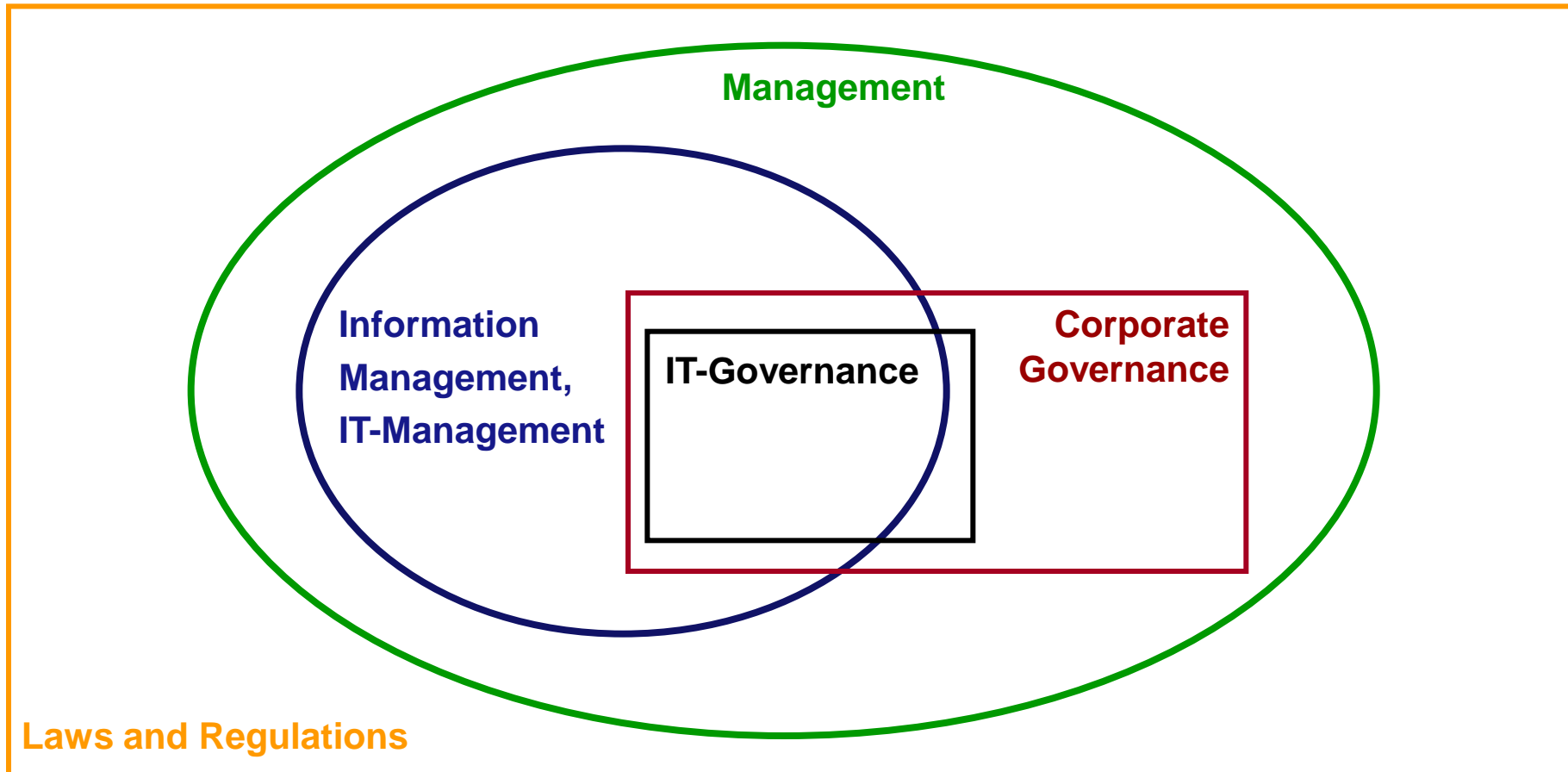
1. organisational-technical
2. management
3. legal and regulatory
4. organisational-cultural



# 1. Organisational-Technical View



## 2. Management View



# 3. Legal and Regulatory View (I)

- **many laws and regulations – with good reasons**
  - IT is a major operational risk, esp. in large enterprises.
  - Modern fraud relies on IT.
  - IT audits are costly, complex, tedious and therefore annoying to most managers, but a necessity.
  - Worldwide accepted auditing frameworks and statement standards for audit reports exist.
  
- **The biggest challenge today is the legal and best practice coverage of privacy, information security and transparency for the private life in the internet era of social media.**
  - There is no common worldwide understanding of what is important because of cultural, political and economic differences (no surprise).



### 3. Legal and Regulatory View (II)

## Examples of Auditing Frameworks, Statement Standards

- **COBIT** (Control Objectives for Information and related Technology)
  - framework bridging the gap between control requirements, technical issues and business risks, used by auditors in their audits as well as by IT-managers to implement IT governance
- **SAS 70** (Statement on Auditing Standard No. 70; will be replaced by the two new standards **ISAE 3402** and **SSAE 16**) and **ISA 402** (Audit Considerations Relating to Entities Using Service Organizations)
  - auditing statements providing guidance to auditors when auditing internal controls of an organization

## 4. Organisational-Cultural View

**Why is it, that today in the age of the Internet and social network culture, many top managers still have no clue as how to integrate IT into their strategy process?**

**Why is it, that they even don't want to have a clue and be touched by IT?**

**What will happen, when „Generation Facebook“ will be in the CEO-driving seat?**

**three reasons for an  
uneasy relationship  
towards IT  
in top management**



# 1. Feeling of Dependency

- IT companies as powerful global players



**Microsoft**

Google™



facebook

ORACLE™

SAP

- IT (esp. software) is extremely abstract.
  - for many people „incomprehensible“
- IT gets „pervasive“ ...
  - office, hospitals, cars, planes, domestic area, every-day gadgets, toys, clothes, people, ...
- Everyone and everything depends on IT.
  - IT fascinates and irritates at the same time

## 2. High Expectations and Fear (I)

- **Lifestyle-IT (=„iPhone-society: anything goes!“) serves as a (wrong) role model for business-IT (=hard IT-project reality)**
- **Managers experience impressive IT-innovations AND disappointed (naive?) expectations at the same time**
- **partial lack of sense for usefulness**
  - **efficiency of knowledge work not directly measurable**
  - **few feasible, methodical approaches**



## 2. High Expectations and Fear (II)

- **Stereotype: „IT is always complex and costly“**
- **Effects of bad business processes are blamed on IT, good/useful business processes are the success of organisational work.**
- **Tailspinning: for an IT-unexperienced manager, hard IT-project realities often lead to loss-of-control fears, resulting in rejection instead of experience and expertise.**



# 3. Relative Security

In the internet era, ...

- privacy is an illusion.
- security „as such“ cannot be guaranteed.
- identity seems to be a game.
- media transform totally, content quality is going down.
- state authorities can get any information from the net but cannot control the net.
- fast mass communication in a second via social media will change the way state authorities will fulfill their public security tasks.
- cyberwar is a real threat.



**„Why is it that 15 year old script kiddies can endanger our IT?“**

# Who is to blame for the IT-stereotypes in business life?

- IT itself or lack of understanding of management?



- Is traditional management still suitable / efficient in the Internet-Era?

- Is it a question of generations?



# What s the Impact on Management?

## (1) Positioning of IT in the business company



## (2) Inner attitudes of (top) managers towards IT

# (1) Positioning of IT within the Business Company

## ▪ Subordination

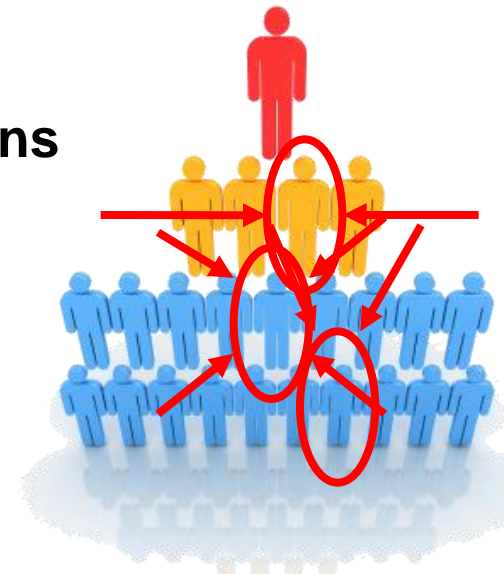
- IT is subordinated under a division, for example
  - accounting (the „historic position“)
  - internal audit (the „control-“ or „fear-position“)
  - organisation (the „‘that fits very well‘ position“)

## ▪ Emancipation

- IT is on equal terms to other business divisions

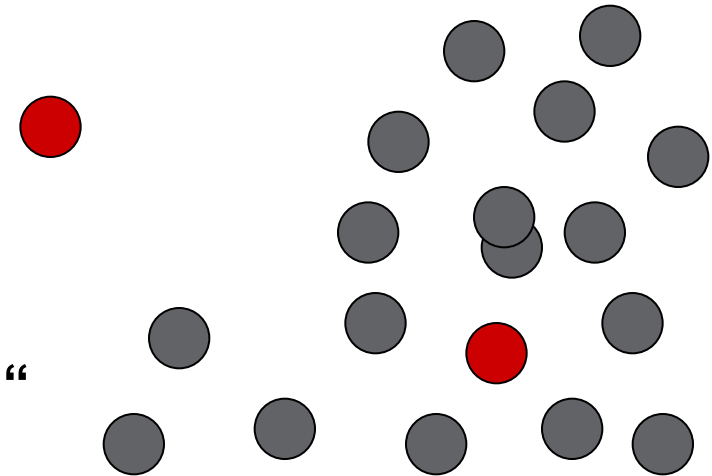
## ▪ Strategy

- IT is a „Business Enabler“, for example as an interdepartmental function



## (2) Inner Attitudes of Managers towards IT => manager typology

- **Position of distance**
  - „IT is an ill necessity!“
- **Position of neutrality**
  - „IT is an important role in business.“
- **Position of activity**
  - „IT is a business enabler. It allows us new business models and/or products and/or processes.“

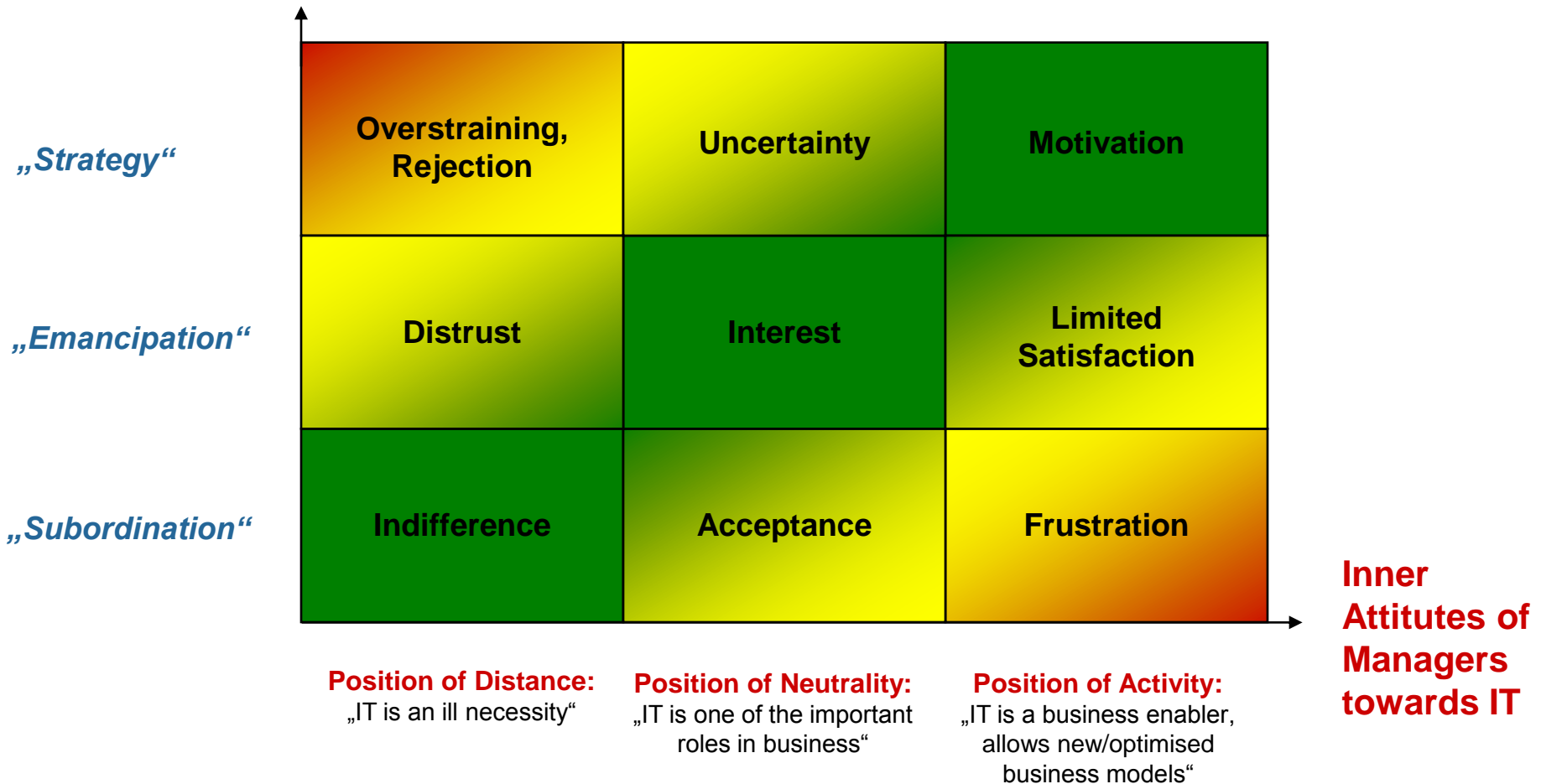


**What happens, if the inner attitude of the top manager responsible for IT in a company is in no way compatible with the positioning of IT in that company?**



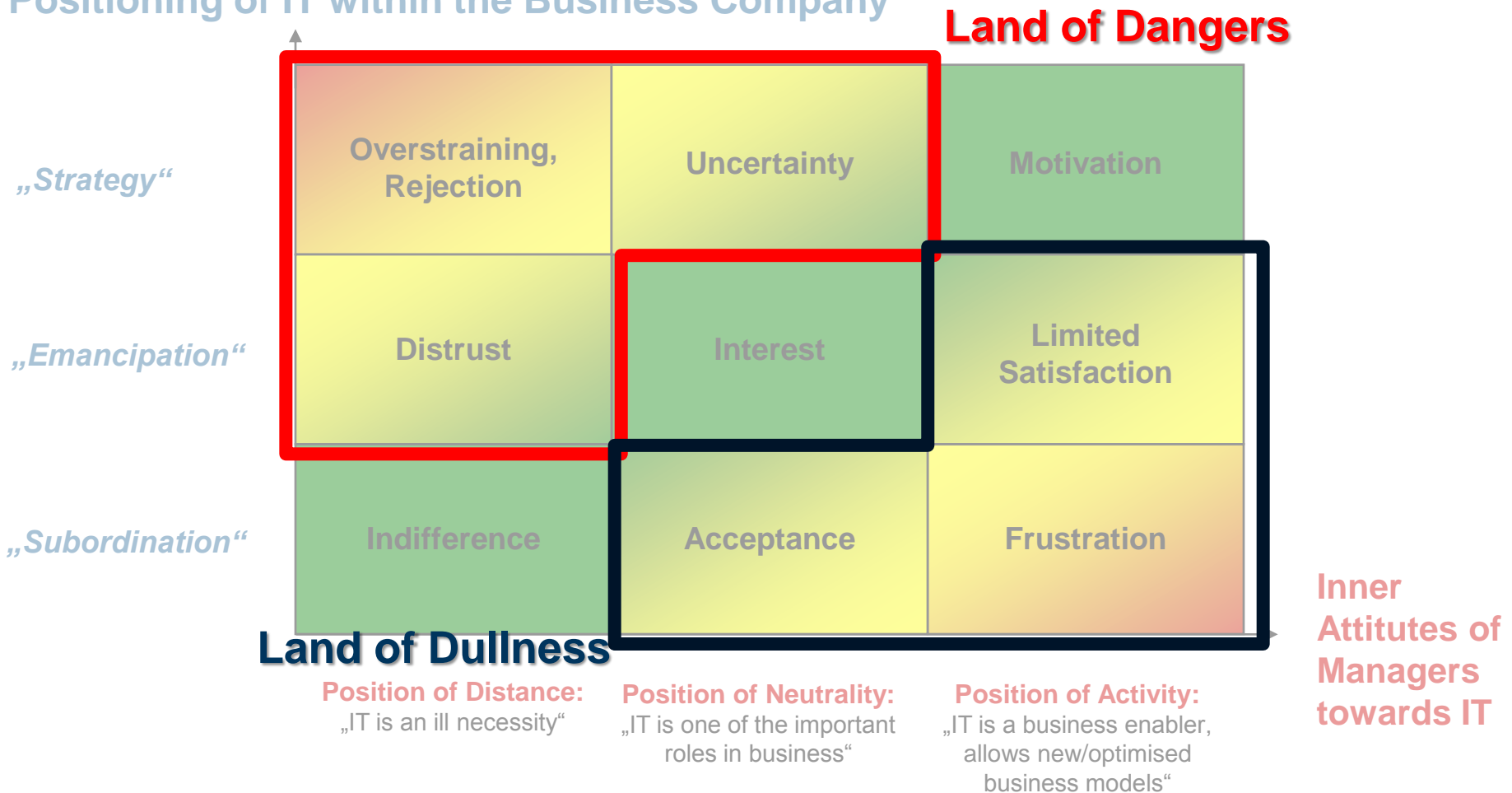
# Top Management and IT: The Conflict Portfolio

## Positioning of IT within the Business Company



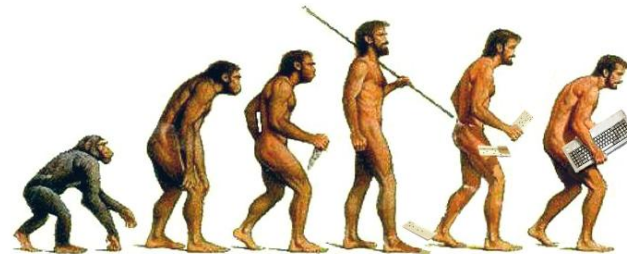
# Top Management and IT: The Conflict Portfolio

## Positioning of IT within the Business Company



# Summary (I)

- IT is – more than ever – one of the major driving forces of today s world, impacting all aspects of life.
- The internet revolution has changed the way we use and consume IT forever, challenging all stakeholders.
- Basically, there are four overlapping views at IT:
  1. organisational-technical
  2. management
  3. legal and regulatory
  4. organisational-cultural,



the last one being the least aware and the least researched



# Summary (II)

- There are various reasons for the uneasy relationship between top management and IT:
  - feeling of dependency, disappointment, fear, relative security in the internet era, lack of expertise
- This can be avoided, when the positioning of IT within the business company and the inner attitude of the top managers responsible for IT is compatible.
- The „Conflict Portfolio“ can be a helpful instrument to
  - (a) make this question aware and
  - (b) help to answer this question.





**Thank you for your attention!**

