

IT Governance Practices and Enterprise Effectiveness in Zimbabwe: a Case of a Zimbabwean Bank

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Abstract

Proper IT governance practices in Zimbabwean enterprises have been implemented to some extent but most organizations are faced with the dilemma of finding the implementation too tedious or just beyond their capacity. However in organisations that are IT enabled like banks proper IT governance structures need to be put in place if the organization is to achieve a strategic advantage over competitors. The overall purpose of this paper was to find to what extent the implementation of IT governance practices impact on organization effectiveness and how these are influenced by enterprise leadership at boardroom level. The research was exploratory in nature. Senior management who have been with the organization for at least five years were interviewed or provided answers to written questionnaires, the findings show that senior management involvement in IT governance issues contribute immensely to enterprise effectiveness

Keywords: IT Governance, Zimbabwe, Banks

1. Introduction

Organizations invest in IT to secure or maintain a competitive advantage, and IT enabled businesses such as banks in Zimbabwe invest on projects that they believe to present higher rates of return on investment. Bowen et al (2007) stipulates that the success of many organizations depends on how effectively they manage and control IT to ensure that the expected rewards are realized. Therefore, effective IT governance generates real business benefits such as enhanced reputation, trust, product leadership and reduced costs (Lee et al, 2008).

IT governance arrangements encompass mechanisms that enable business and IT executives to formulate policies and procedures, implement them in specific applications and monitor outcomes (Lunardi et al, 2013). Governance arrangements include structural, processes and outcome metrics (Bowen 2007). The structural arrangements consists of the organizational units and roles for making IT related decisions. Processes focus on the implementation of IT management techniques and procedures in compliance with established IT strategies and policies. Outcome metrics are the mechanisms used to assess the effectiveness of IT governance and to identify improvement opportunities. According to ITIL (2007), outcome metrics can be measured in terms of availability, capacity, continuity and security

The purpose of this study is to measure how proper IT governance has impacted on the effectiveness of a banking enterprise which operates in Zimbabwe.

1.1 Background of the organization

The company case is a Zimbabwean based investment holding company whose principal subsidiary is a Limited Bank, a registered commercial bank in terms of the Banking Act Chapter 24:20. The Group is listed on the Zimbabwean Stock Exchange and the London Stock Exchange as noted from their website.

1.1.1 The Board

The Board recognizes that maintaining good corporate governance practices is an ongoing and continuous process. The Board adopted corporate governance guidelines which reflect its commitment to monitoring the effectiveness of policy and decision-making at board and management level ensuring strict adherence to corporate governance principles, with the goal of enhancing shareholder value. The Group emulates corporate

governance principles prescribed in the Combined Code of the United Kingdom, the King II report of South Africa and the Reserve Bank of Zimbabwe Corporate Governance Guidelines.

Board appointments are made to ensure a variety of skills and expertise on the Board. Non-executive directors are of such caliber as to provide independence to the Board. The Chairman of the Board is an independent non-executive director. The Board is supported by mandatory committees in executing its responsibilities. The Board meets at least quarterly to assess risk, review performance and provide guidance to management on both operational and policy issues.

2. Overview of IT Governance

According to (Bowen et al, 2007) IT governance is viewed as the IT related decision making structure and methodologies implemented to plan, organize and control IT activities. Therefore from this view it can be concluded that IT governance is about management and management functions at the corporate level. (Lin et al, 2007) also states that the purpose of IT governance is to direct IT activities in a bid to ensure that its performance meets the objectives set out in the strategy.

Lin et al (2007) further assert that IT governance is concerned about the deployment of IT resources in alignment with organizational strategies and objectives, performance of IT in relation to value delivery and risk mitigation and the conformance of IT processes to best practices (ITGI 2004). Increased IT performance through good IT governance practices contributes significantly to the realization of IT investment with improved operational costs and client relationship (ITGI, 2003). According to Luftman et al, 1999 as cited by (Lin et al, 2007) for IT to be governed there must be recognition of the need for governance and a shift in the accountability for IT related decision to the top of the organization. IT governance is a top management concern and therefore it is important that senior management has a working knowledge of the concepts and issues related to IT governance.

Information technology (IT) governance is and should be a part of the corporate governance. In the information economy, successful enterprises integrate IT and business strategies, culture, and ethics in order to attain business objectives, optimize information value, and capitalize on technologies (ITGI 2003). Van Grembergen, 2004 as cited by (Bowen et al, 2007) define IT Governance as follows: "IT Governance is the responsibility of executives and the board of directors, and consists of the leadership, organizational structures, and processes that ensure the enterprise's IT sustains and extends the organization's strategies and objectives"

CISA (2007) regards IT governance as a structure of relationships and processes to direct and control the enterprise in order to achieve the enterprise's goals by adding value while balancing risk versus return over IT and its processes. The relationships are between management and its governing body. The processes cover setting objectives, giving direction on how to attain them, and measuring performance. IT is so critical to the success of enterprises that it is an issue that cannot be relegated solely to management or IT specialists, but must instead receive the focused attention of both

2.1 IT Governance as a structure

Focusing on IT structure alone however, ignores IT activities and processes that take place within these structures, it also focuses on such as sourcing arrangements, strategic alliances, roles, teams, control, and coordinating (Powell, 2003).

IT governance structure involves the existence of responsible functions for making IT decisions, such as steering committees (De Haes & Van Grembergen, 2005). Staffed by both business and IT executives, the IT steering committee should be the primary governing body for ongoing IT operations and initiatives of the organization, including IT investment projects (Maizlish and Handler, 2005). The IT steering committee is responsible for translating business and strategic goals into actionable plans (CISA, 2006). Successful IT governance requires effective communication among all parties based on constructive relationships (Johnson and Lederer, 2005), a common language, and a shared commitment to IT policies and procedures (ITGI, 2003).

2.2 IT governance as a process

The implementation of IT management techniques and procedures in compliance with established IT strategies and policies constitute IT governance processes , IT governance is the set of processes used by the organization to manage IT i.e, aligning IT with business objectives, resourcing IT projects, and monitoring IT performance (Vitale, 2001). IT investment processes involve the identification, acquisition, implementation, and ongoing operation and maintenance activities of IT applications. As a continuous process, effective IT governance provides transparent IT decision making, clear accountabilities, and acceptable and actionable IT measurements. That is, effective IT governance enables business and IT executives to integrate business and IT decisions, implement IT solutions, and monitor IT effectiveness (Peterson, 2004).

2.3 IT Outcome metrics

For IT governance to be effective, organizations should monitor their IT performance through appropriate measurement systems (CISA, 2006). Different organizations have different meanings of the term "success" and

use different metrics to gauge the success of their IT activities. Many organizations have, however, progressed from elementary cost-benefit analyses to an entrepreneurial approach that encompasses the risk, uncertainty, and intangible elements of IT investments including organizational changes facilitated by these investments (CISA 2003).

IT also sets objectives, to ensure that the enterprise's information and related technology support its business objectives, its resources are used responsibly, and its risks are managed appropriately (Abu-Musa, 2007). These objectives form a basis for direction of IT activities, which can be characterized as planning and organizing, acquiring and implementing, delivering and supporting, and monitoring, for the dual purposes of managing risks (to gain security, reliability, and compliance), and realizing benefits (increasing effectiveness and efficiency) (Westby & Allen, 2007). Reports are issued on the outcomes of IT activities, which are measured against the various practices and controls. At its core, IT governance is concerned about two responsibilities. IT must deliver value and enable the business, and IT-related risks must be mitigated. IT presents the extremes of both very large investments and critical, potentially crippling risks Kildow, 2011). At the same time, it offers exceptional opportunities for growth and renewal.

Governance of IT encompasses several initiatives for board members and executive management, they must be aware of the role and impact of IT on the enterprise, define constraints within which IT professionals should operate measure performance, understand risks, and obtain assurance (Leblanc & Gillies, 2010).

2.3.1 Why is IT Important to the Enterprise

❖ IT contributes directly to market value

According to CISA (2006), a key driver here is the value of information. Information and other intangible assets (e.g., human capital, brand, and quality of management) are part of the competitive agenda, and many of these assets revolve around the use of IT. Business enablement, through the use of IT, has achieved new importance in an increasingly networked marketplace. Executive management has a growing awareness of the strategic value of an organization's information assets and its ability to exploit them. As the importance of intangible assets increases, demonstrating the impact of IT on shareholder value is essential.

❖ IT is essential for the achievement of business goals

Business goals cannot be achieved without IT's continuous, effective and efficient support.

This basic reality is characterized by such situations as

- The enterprise's inability to exist without IT (e.g., airlines, banking, media, and communications industries)
- The enterprise's dependence on business models predicated on IT for supply chain management
- The inability to support revenue streams without automation
- The inability to comply with regulations or contractual service levels without IT

❖ IT involves large investments and business risks

Not achieving business goals is a basic, and significant, risk of IT. In addition to sizeable risks, IT involves substantial investments. These investments particularly need management's attention when:

- They are notably different from the industry average
- They represent a significant percentage of an enterprise's expense base
- They show an abnormal increasing trend
- They are as much as the enterprise's entire profits

2.3.2 Key IT Governance Practices

Key IT governance practices include an IT strategy committee, risk management, and an IT balanced scorecard (Van Grembergen & De Haes, 2009).

IT Strategy Committee

The creation of an IT strategy committee is an industry best practice (Giber, D., Lam, S. M., Goldsmith & Bourke, 2009). However, the IT strategy committee needs to broaden its scope to include not only advice on strategy when assisting the board in its IT governance responsibilities, but also to focus on IT value, risks, and performance. This is a mechanism for incorporating IT governance into enterprise governance. As a committee of the board, it assists the board in overseeing the enterprise's IT-related matters by ensuring that the board has the internal and external information it requires for effective IT governance decision-making (Kaplan 2005).

Risk Management

Effective risk management begins with a clear understanding of the organization's appetite (tolerance) for risk (Hopkin, 2012). This focuses on all risk management efforts and, in an IT context, impacts future investments in technology, the extent to which IT assets are protected, and the level of assurance required. (ITGI)

Having defined risk appetite and identified risk exposure, strategies for managing risk can be established and responsibilities clarified. Dependent on the type of risk and its significance to the business, management and the board may choose to:

- Mitigate risk (e.g., acquire and deploy security technology to protect the IT infrastructure)
- Transfer risk (e.g., share risk with partners or transfer to insurance coverage)

- Accept risk (i.e., formally acknowledge the existence of the risk and monitor it)

IT Balanced Scorecard

Use of an IT balanced scorecard is one of the most effective means to aid the IT strategy committee and management to achieve IT and business alignment. Its objectives are to establish a vehicle for management reporting to the board, to foster consensus among key stakeholders about IT's strategic aims, to demonstrate the effectiveness and added value of IT, and to communicate IT's performance, risks, and capabilities. (Clark 1997)

3 Research Method

The organisation under investigation is a Zimbabwean based investment holding company whose principal subsidiary is a Limited Bank, a registered commercial bank in terms of the Banking Act Chapter 24:20. The Group has a dual listing on the Zimbabwean Stock Exchange and the London Stock Exchange. It operates through a branch network in Harare, Bulawayo, Mutare and Gweru. The bank was chosen as a case study to identify and examine the factors believed to be relevant to IT governance effectiveness.

The IT committee of this bank is under the Asset and Liability committee (ALCO) and Finance and Strategy committee which have oversight of all IT governance issues. Purposeful sampling was used to select the participating projects. In-depth, semi-structured interviews were used to collect the data as well as historical data from previous banks board reports. Each interview contained both closed-and open-ended questions. Besides interviews, internal documents and external reports were also examined. .

Two groups of semi-structured interviews constituted the primary source of data. The first group of six senior managers participated in the data collection for IT governance structure at the corporate (IT strategies and policies).The participants were considered knowledgeable about IT governance issues. All six of the respondents have worked in the organization for at least ten years or more.

4 Assessment of IT governance effectiveness

A case study was designed to identify and examine the factors believed to be relevant to IT governance effectiveness and IT implementation success. This bank has a long history throughout Zimbabwe. This bank was selected for this study because of its sound IT governance structure and experience both in an established economy in the UK and emerging economy in Zimbabwe. The organization is a large (over 400 staff), multi-divisional (10 branches in all major cities of Zimbabwe), established organization with in-house responsibilities for IT. The organization spends over two hundred thousand United States dollars on IT capital and operating expenditures each year as noted from its website.

The organization wholly depends on IT for its everyday business activities and thus cannot exist without IT. Business systems initiation and development responsibilities, including IT project management, are centralized to the headquarters in Harare. IT infrastructure development and management responsibilities are also centralized to corporate IT. A corporate chief information officer (CIO) was appointed to the centralized IT department. One of the main roles of the department is to provide a structure for identifying opportunities for sharing infrastructure, applications, and data across branches. The CIO responsibilities involve providing strategic IT direction and coordinating IT activities at the corporate level (Source company website).

In-depth, semi-structured interviews were used to collect the data. All constructs were adapted from existing instruments and underwent pre-testing to ensure construct validity contains the constructs, descriptions, and sources for the questions included in the survey instrument. Each interview contained both closed-and open-ended questions.

Besides interviews, internal documents and external reports were also examined. Two groups of semi-structured interviews constituted the primary source of data. The first group of 6 senior managers participated in the data collection for IT governance structure at the corporate level, (decision making) and (IT strategies and policies).

The participants were considered knowledgeable about IT governance issues. All respondents have worked in the organization for ten years or more.

4.1 Results

IT governance performance involves assessing the level of effectiveness in delivering the four objectives identified by CISA (2006). To assess governance performance, the respondents first identified the importance of the five factors in their organization and then rated the organizational performance of each factor. The results that were found in this research are highlighted in the sections below

4.1.1 IT decision making

ALCO makes final decisions as a result of recommendations made by the IT experts whether internal experts or external experts. The IT steering committee was chartered to provide leadership, guidance, and oversight of IT investments at the corporate level.

To achieve this mission, the CEO works with the General Manager IT and the Chief Financial Officer. The team meets monthly. Their main responsibility is to ratify principles, to handle IT-related investment decisions greater

than US\$10 000, and to balance corporate and business unit priorities. All the respondents stated that the IT steering committee brings the IT budget under control.

4.1.2 Active participation

A positive association between the effectiveness of IT governance and the active participation was shown in by all respondents. The committee is involved in the implementation of enterprise systems. The executive leaders emphasized the value of IT for the organization in performing its mission by committing to transform IT from primarily a back-office function to becoming a strategic enabler. These leaders actively review IT strategies, sometimes even building coalitions with other organizations.

4.1.3 Challenges of IT decision making structure

The respondents considered that there is a reasonable balance of senior business and IT management on the IT steering committee. Typically, the entire organization benefits by focusing more resources on and shaping policies around the needs of dominant business units such as Borrowdale branch and Southerton branch in the capital city of Harare.

4.1.4 IT strategy and policy

This organisation's IT governance structure focuses in a senior management IT steering committee. To ensure reliability, integration, and cost effectiveness, the committee mandated the organization's highly centralised and standardised IT environment. The IT department is responsible for enforcing architecture standards. The IT steering committee works to ensure that the business units' commitment to standards does not unintentionally restrict the organization's flexibility to cope with significant changes in the business environment.

While the IT steering committee determines architecture and promotes standard decisions, business leaders take responsibility for identifying IT priorities and alignment processes. Key alignment processes include formal processes for ensuring that daily IT activities are consistent with IT policies. As of the end of data collection, senior management has not been able to make IT strategies and policies transparent so that everyone understands and follows the processes for proposing, implementing.

5. Conclusions, limitations, and future research

This research investigated the effectiveness of IT governance in a banking enterprise which operates in Zimbabwe. The study indicated that organizations implement their governance arrangements through a combination of structures, processes, and outcome metrics. The results of this study suggest several areas for future research. The research was mostly limited by the time as the needed time to carry a comprehensive research was too short. The authors suggest that given more time to carry out the research and under differing circumstances, a more comprehensive and balanced research would be carried out.

First, more in-depth case studies across the banking industry and then compare with other industries in matters of IT governance, as well as a large scale survey of enterprise practices would likely provide valuable insights. These case studies should also attempt to examine a variety of levels of governance effectiveness. Today, external partners serve a very active role in many organizations' IT governance arrangements. Monitoring the IT performance of joint ventures has become a priority and suggests that the research model could be extended to incorporate external partners. Third, there is a need to better understand the dynamics of organizational adaptation of the IT governance decision making structure in response to the changing organizational and industry contingencies. Further studies can examine the attitude of multiple business units to IT governance within a large and complex organization. Fourth, IT governance is critical to organizational learning about IT value. The alignment of IT governance with IT value drivers seems particularly fruitful for future research.

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