IT-Governance, a Premise for Business Performance?

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The paper presents the impact of organization and decision in IT departments on the general business performance. The paper focuses on the individual performance of various stakeholders in a company.
Keywords*: organization structure, business performance, corporate governance, IT architecture, IT strategy*

Business performance
Profit is the main reason to exist, of a company. Profit is the result of short and long time efforts within the organization. It depends both on many intern factors like productivity, workflow efficiency, decision taking system, technology and on external factors like macro-economical environment, competition, legal frame, etc. All this factors can act as opportunities, if well managed, but are also risk factors, if they are mishandled. The business performance is an expression of the potential of a company to make profit. Knowing and measuring the components of the business performance allows the company to use all opportunities and to minimize the risks.

Business performance is given by the performance on the organizational level and on the individual level. On the organizational level, the performance is given by:
- the mission, the goals and objective, the policies,
- the strategy and the strategic process,
- the structure,
- the systems,
- the organizational culture, and
- the shareholder of the company.

For measuring the organizational performance, more criteria were defined. The most used are: global efficiency, productivity, effectiveness, profit, quality, growth, stability of labor, motivation, planning, management abilities, managerial communication, perception of stakeholders, stability, research and development, the learning processes, etc. Measuring the organizational performance will allow better substantiation of decisions, monitoring the strategic plans, problem analysis, real-time detection of change management necessity, motivation of employees, and better positioning towards the competition.

The individual performance can be achieved only with self conscientious and motivated personnel. Modern human resource management bases not any more on job descriptions, but on management by objectives. This leads to a better coverage of the needs of customers addressing the company, because the individual objectives are derived from the overall company objectives. By permanent and various monitoring measures, a development plan can be made for according to the specific skills and particularities of each individual. A carrier plan can be worked out to fit the expectations of both employer and employee. Training and educational activities can be efficiently planned, so that the company benefits anytime from the human resources of its employees.

The frame for business performance
The frame for business performance is given by the macro-economic environment, the legal organization form of the company, the corporate governance, the company structure and the proper organization chart, the personnel, the company strategy, the infrastructure and the company culture. The macro-economic environment must ensure the liberty of the organizations to choose their activity field, strategy, dimension of the organization, structure, legal form, customers or market share. The market is healthy only if this variety exists.

The structure can influence the communication within the company, the business processes, in particular of the decision ones. It has also impact on the information systems that support the whole activity. The organizational chart derives directly from the organization structure, the number of special service staff and line personnel being in correspondence to the number of structure levels. The largest structure has up to eight levels, as shown in figure 1.
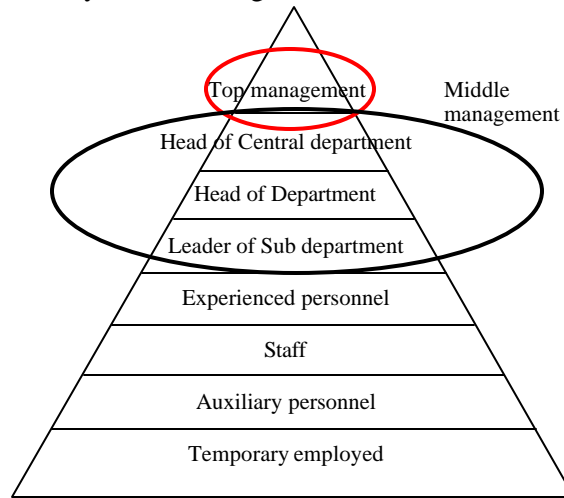
Fig. 1. Company structure

The structure of the company depends not only on the activity field, on the number of employees, on the number of locations, but also on vision of the responsible stakeholders. The vision is the part of the strategy that says how the philosophy will be shaped, and it's more concrete expression is the mission of the company.

Thee company structure does not show the direct subordination, it expresses the levels of decision in the company. For medium and small companies, for to five levels can cover the need: general director, head of department, experts, staff, and, if necessary, auxiliary employees.

A very important issue for business performance is the individual performance of each level. That's why the responsibilities and tasks of every person in the company have to be properly defined. In case of top management, its responsibilities are the most important, because it gives the direction in which the company moves, while in the case of middle management skills and abilities are required.
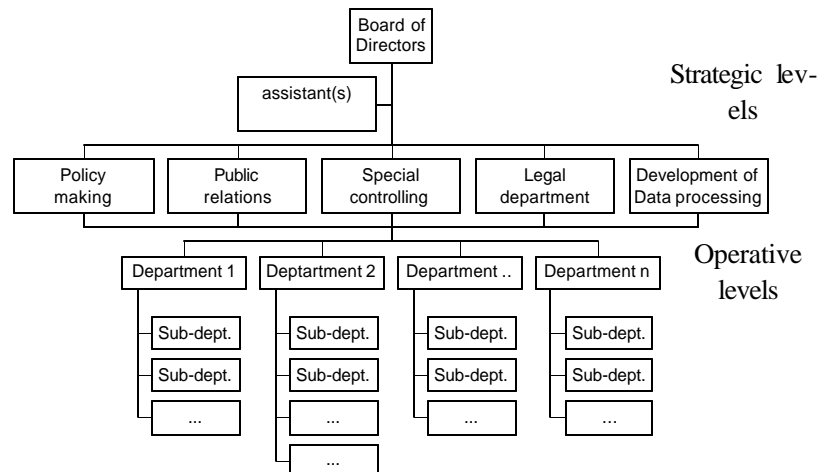
Fig. 2. Organization chart

Responsibilities of top-management

The responsibilities of top management can be resumed to: "it is responsible for the entire activity and results of the company". This means for:

- the business results, with accent on the financial ones
- the image of the company,
- the wright company policy,
- respecting the legal requirements in every business process,
- the relation to officials, partners, customers
- the quality and results of the employees,
- respecting the corporate governance.

Skill required for middle management

Middle management must provide, first of all, organizational skills and must identify itself with the company. It is responsible for implementing all decisions of the upper level, so it must be able to organize the activity of the field it is in charge with, to recognize dependencies between domains and phenomena, to convince the employees, to understand the business processes, to act under stress, to set priorities.

The activities are carried on by humans, and recognizing their strengths and weaknesses can help to put them on the right job. It is the duty of middle management to let the technique-freak in front of the computer or other equipment, and the communicator to do public relations or customer care.

IT-Governance

A few years a go, managers and consultants began to speak about the need of a set of internal rules, besides the legal regulations, that defines the leadership processes in the organization, the corporate governance. Now, more and more top managers speak about the necessity of introducing IT-Governance, defined as the authority of making decisions and defining responsabilities in the IT-organization. Many of them are convinced that IT-Governance means also a harder leadership and cost decrease for the company. Within IT-Governance three character-

istics have to be cleared: the roles (who is in charge), the domains (what is to be reglemented/decided) and structures/processes (how should it be done). The IT-Governance must ensure that the information system of the organization acts in the sense of the company strategy and supports the achievement of its goals and objectives.

The introduction of IT-Governance in the company means, first of all to constitute an IT-Board (or IT Steering Committee, or IT-Council) where all decisions regarding IT are taken, having as target an integrated system and optimization of IT. This means that strategic planning, IT-controlling and know-how transfer must be the main duties of this board. Because IT has such an important impact on the business performance, some companies decided to unify the IT-department with the organization department. The, till now, technology oriented IT departments must now more on added value of IT to the company. IT-Governance has to join the business and IT strategies. It is very important that all managers in the company are aware of the importance of IT decisions for the company.

In global companies, not all IT responsables are happy with these centralized decisions in IT, they want to have some competences delegated at the regional level. However, the trend is to have unified core processes in the whole global organization, even if it means less decision liberty for the local managers. In multi-national companies, a cultural change within the company takes place. Still, there top managers that leave decisions to the operative level when the cost of the decision process at central level proves to be too high.

Some experts agree that the activity of the IT-board is not enough to ensure an effective IT-Governance. Strategic decisions in the company may be delayed or even endangered if IT is involved to late. That's why they recommend that the IT-manager should be member of the Board of Directors. However, researches show that only a quarter of the CIOs in European companies are members of the Board of Directors.

The most important objective for the IT is to be a real part of the business. In the business engineering efforts, IT must involve in designing the most effective business processes. The target of business reengineering projects must not be introducing new technologies but taking advantage of it.

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