International Journal of IT/Business Alignment and Governance
Volume 10 • Issue 1 • January-June 2019

How to Improve Board Accountability in ISO/IEC 38500 Based on IT Governance Implementations:
Cascading and Rolling up IT BSCs

Carlos Juiz, University of Balearic Islands, Palma, Spain
Beatriz Gómez, University of Balearic Islands, Palma, Spain
Ricardo Colomo-Palacios, Østfold University College, Halden, Norway

ABSTRACT

With the standardization of Information Technology (IT) governance through ISO/IEC 38500 in the last decade, a good number of organizations have implemented IT governance (ITG) frameworks. Although it is not a fully extended practice. Given the fact that the use of balanced score cards (BSC) on ITG is not an unknown practice, the application of BSC in the implementation of ISO/IEC 38500 has been given less importance, since it normally appears as just examples of good practices. This work not only explains why the BSC's applicability to align IT with business in ISO/IEC 38500 implementations is not included in the standard, but also justifies the importance of BSC to report to the board or senior executive team in a clear way, without the details of the particular implementation framework of the standard. Thus, a framework that allows implementing IT BSCs within the context of IT governance is proposed, cascading objectives included in the strategic map through the tactical and operational level and backwards on the construction of the KPIs to better monitor IT.

KEYWORDS

Balanced Score Card, Board Accountability, Cascading KPI, Governance of IT, ISO/IEC 38500, IT Alignment, Monitoring IT

INTRODUCTION

In a world that is increasingly digitalized, the need for a good IT governance (ITG) implementation seems evident, both for the correct decision-making regarding IT based on the organization's strategy, as well as the control that those IT are indeed aligned to the needs of the business (Juiz & Toomey, 2015). In this regard, the *de jure* and *de facto* standard for IT governance was born to mainly guide board or senior executive team in these two matters, among others (ISO/IEC 38500, 2015). Nevertheless, the main difficulties to implement the ISO/IEC 38500 standard probably come from the absence of concrete instruments for ITG in organizations. Particularly, the nature of the standard

DOI: 10.4018/IJITBAG.2019010102

Copyright © 2019, IGI Global. Copying or distributing in print or electronic forms without written permission of IGI Global is prohibited.

does not reference how to direct, monitor and evaluate IT assets, since the standard is concerned of what to govern and do not concern in the same manner of how to do it. In fact, the main contribution of the ISO/IEC 38500 standard is to make possible harmonizing the governance of any of the business assets. Such harmonization should come from using similar decision-making mechanisms across all types of assets as the core between strategic alignment and business performance measurement.

Some of the most useful good practices for implementing IT governance frameworks are about how to direct and to control IT function, particularly, using tools for monitoring the IT strategy performance management. Performance indicators are critical ingredients of performance management, a discipline that aligns performance with strategy (Juiz, Gómez, Bermejo, Cordero, & Mory, 2019). Many organizations are adopting Balanced Score Cards (BSC), as the foundation for their strategic management system. Martinsons, Davison, and Tse (1999) claimed that the BSC emerged as a decision support tool at the strategic management level, more precisely in performance management. BSC are the result of Kaplan and Norton (1996b) proposal as a means to evaluate organization performance from four different perspectives: the financial perspective, the internal business process perspective, the customer perspective, and the learning and growth perspective.

Once there should be no longer any doubts about the necessity of ITG (Juiz & Toomey, 2015), the problem arises once it is attempted to implement the IT alignment monitoring in the organization. The main cause is that ISO/IEC 38500 standard did not emerge as a set of processes to be applied, whereas this is the common case with the IT management (ITM) standards. But being the ISO/IEC 38500 a behavior-based standard, there is commonly an interface gap in the IT assets' governance-management harmonization. This is due to a vicious cycle in its applicability that only the CIO can undo. On the one hand, IT managers are used to applying standards based on processes, procedures and best practices, but they are not belonging of top management structures. On the other hand, top management teams not only expect their strategy to be executed by IT managers but also expect measurable performance results that are directly related to the key performance indicators (KPIs) or key global indicators (KGIs) to control that execution. However, top managers may not have the IT performance information in understandable business controls. This is what in this work is defined the interface gap between governance and management, i.e., how to move from "what to do" to "how to do it" in IT, and particularly, how to feed the KPI into management measures.

Successful IT governance implementations are using different tools as decision support at strategy performance at least on the strategy level, that is why BSCs are emerging as one of these tools to monitor business and IT performance. Thus, the main purpose of this work is building BSCs in the layers of governance, management and operations, based on the necessity to translate strategic objectives and KPIs, by cascading processes of BSCs from governance layer, into managerial and operational measures in their respective layers, and backwards. By performing that, a better interaction and communication between layers, should improve the direction and control of IT aspects and reduce the misunderstandings between governance and management, what seems essential for implementing IT governance (Holt, 2013). Even though cascading BSCs are management instruments, not behavior-based, as ISO/IEC 38500 standard was originally designed and developed, within this work objectives, initiatives and its respective metrics are cascaded with the aim of using elements related to the behavior showing that BSCs can also be used to implement IT governance following the ISO/IEC 38500 standard.

This paper is aimed to understand how to bridge the gap between IT governance and IT management in explaining an ITG framework using the BSC concept. This work details how the BSC can serve as a decision support tool for boards and senior executives, in private and public organizations implementing the ISO/IEC 38500 and also in reporting them in a clear way, without the details of the particular implementation framework. In addition, we believe that this is not sufficiently emphasized in any standard implementation guide document. As Martinsons and colleages claimed, BSCs can be applied not only to assess the contribution of a specific information system or IT project, but also to assess performance and guide the activities of functional IT departments, e.g. IT services (Martinsons

16 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/article/how-to-improve-board-accountability-in-isoiec-38500-based-on-it-governance-implementations/233154

Related Content

Exploring the Business Case Process for IT enabled Investments
Kim Maes, Steven De Haesand Wim Van Grembergen (2015). *International Journal of IT/Business Alignment and Governance (pp. 14-30).*
www.irma-international.org/article/exploring-the-business-case-process-for-it-enabled-investments/138928

Knowledge Management Strategies: Balanced Systems in Public Sector
Salwa Alhamoudi (2015). *Organizational Innovation and IT Governance in Emerging Economies (pp. 184-194).*
www.irma-international.org/chapter/knowledge-management-strategies/123652

Detection of Strategies in IT Organizations through an Integrated IT Compliance Model
Antonio Folgueras Marcos, José Carlos Alva Tello, Belén Ruiz-Mezcuaand Ángel García Crespo (2012). *Business Strategy and Applications in Enterprise IT Governance (pp. 260-279).*
www.irma-international.org/chapter/detection-strategies-organizations-through-integrated/68055

Strategic and Tactical Business-IT Alignment Barriers in Organizations Acting in Sweden
Mohamed El-Mekawy, Lazar Rusu, Erik Perjons, Karl-Johan Sedvalland Murat Ekici (2015). *International Journal of IT/Business Alignment and Governance (pp. 31-55).*
www.irma-international.org/article/strategic-and-tactical-business-it-alignment-barriers-in-organizations-acting-in-sweden/138929

Social Responsibility in Cities With ICT Multidisciplinary Prototypes to Promote Smart Governance
Leonilde Reisand Clara Silveira (2021). *International Journal of Entrepreneurship and Governance in Cognitive Cities (pp. 41-51).*
www.irma-international.org/article/social-responsibility-in-cities-with-ict-multidisciplinary-prototypes-to-promote-smart-governance/294093