Chapter 3
Governance and Management of Information Technology:
Decomposing the Enterprise in Modular Building Blocks Based on Enterprise Architecture and Business Oriented Services

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ABSTRACT

This chapter aims to present a proposal for a model that supports organizational governance through the alignment of business with Information Technology - IT. Firstly, it was observed that there are some paradigms which limit the use of enterprise architectures and hinder governance functions. Secondly, it focuses on the IT unit, where IT systems and subsystems are interrelated and the performance levels of the organization are aggregated, creating a macro-structure system capable of supporting corporate governance and IT. Finally, the IBM`s Component Business Model - CBM® was applied to represent relationships of the IT unit with the organization, through decomposing the organization into business components that supply and demand services to facilitate their governance and management.

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INTRODUCTION

Organizations operate as large systems composed of other systems and subsystems. Considering organizations as systems, questions are raised about the interdependence of these systems and subsystems. This is especially relevant when dealing with issues involving human activity in social systems including production organizations, in which the factors involved depend upon different fields of knowledge and different levels of research (Kasper, 2000).

In this context, Information Technology (IT) appeared in order to facilitate the systemic flow of information in organizations, initially serving as a support tool for routine operations. Nowadays, the existence of IT is an essential factor for maintaining a competitive advantage. So as to fulfill its current mission, two key concepts can be considered: enterprise architecture and the concept of business services.

The application of enterprise architecture in conjunction with business services is capable of generating a competitive advantage, since the final solution allows the attributes of interoperability, flexibility, cost-effectiveness and innovation to be better explored.

This article presents a model that applies the knowledge of enterprise architecture and business services as a way of making corporate governance and IT viable.

The objective is to promote the alignment of business with IT, decomposing the organization into business components that supply and demand services based on elements of enterprise architecture, in order to facilitate their governance and management.

A justification for this article comes from the recurring use of different paradigms of enterprise architecture to map out an organization. This vision is disaggregated due to the application of different paradigms that generates rework in enterprises, as any problem diagnosed is examined from different points of view.

The contribution here is in presenting a model that supports dimensions of organizational governance through the alignment of business with IT. It considers the three paradigms of enterprise architecture to map out the organization and the business services concept.

THEORETICAL REFERENCE

The theoretical reference presents the main knowledge base that subsidized the proposed model: the concept of performance levels; enterprise architecture and services; paradigms of enterprise architecture; IT subsystems; and business components will be presented.

Corporate Governance

In order to work, enterprises need shareholders and managers who manage resource applications to achieve the Enterprise's purposes (Pelanda, 2006). Naturally, there are conflicts of interest between managers and shareholders, when the ownership and corporations' control do not coincide.

The conflict exists because we cannot expect that Enterprise managers, being other peoples' money managers, rein in money with the same vigilance as members of a private company who care about their wealth. This conflict is called the Agency theory (Pelanda, 2006).

Administrative councils were created to decrease these conflicts. Their function is to monitor managers in order to reduce costs, mitigate conflict and align the interests of shareholders with managers.

Due to this problem, a set of control and incentive mechanisms were created, known as Corporate Governance (Pelanda, 2006).

Corporate governance is a system through which companies are addressed and monitored. The Governance system allows that mission, vision and strategy are processed according to the desired goals and outcomes. The Enterprise's