



# Benelux IT Organisation 2010

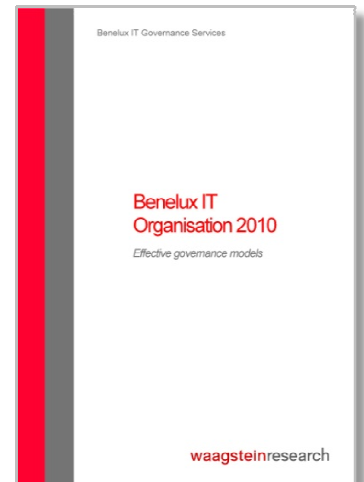
## *Effective governance models*

### **Benelux IT Organisation 2010 – Effective Governance Models**

maps out what key decisions Benelux companies have made concerning the governance of their IT function. This entails looking at what IT funding models they have chosen, how decision rights on IT strategy and direction have been allocated and how successful the methods and models they have chosen have been in meeting key objectives.

#### *The report is designed to:*

- ▶ Enable a better understanding of IT governance models in general and the use and success of these in Benelux companies in particular.
- ▶ Show how successful Benelux companies are in reaching various IT unit objectives.
- ▶ Provide information on what IT funding models Benelux companies follow and the satisfaction with these.
- ▶ Give an overview of how strategic the CIO and IT function are considered by Benelux companies to the success of the whole company.
- ▶ Provide information on what decision-rights allocation models Benelux companies follow and the satisfaction with these.
- ▶ Show to what extent the IT governance models used are contributing to providing value to the business operations overall.



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Report excerpt:

## Effective governance crucial to success

The strategic choices a company makes about the IT governance structure of its IT function is a key determinant of the success of the IT function in providing value to the organisation it is charged with supporting. This is because those choices create the environment in which the IT function must operate. With the wrong strategic decisions on IT governance, for example on what IT funding model to use, even an exceptionally competent IT management will have to struggle to succeed in creating value.

### Basic IT governance models

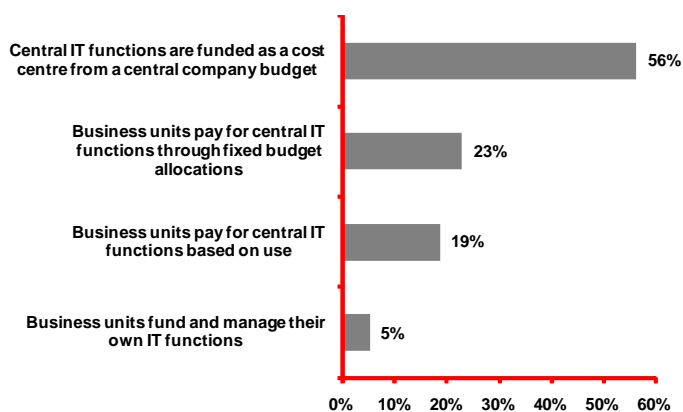
There are many models for organising the IT function in a company. All models are however in essence a variation of three different models:

- Centralised IT function
- Decentralised IT function
- Federated IT function

Centralisation is a rather complex, ambiguous concept. There are three separate perspectives through which it is relevant to discuss centralisation: Location, control and structure. Location concerns the physical location of the IT staff and equipment. Control refers to where in the company decision making takes place. Centralised control means that decision making is concentrated at one place, usually in the IT unit, of the company, whereas decentralised control means that decisions are taken at various places, for example in every business unit. Issues of control are also connected with aspects of how IT is funded within the company. Structure refers to whether responsibilities and staff are centralised within an IT unit or decentralised to user departments. This again has connections with funding IT. In this report we are mainly concerned with where control is situated.

### Key IT governance choices

How and who makes decisions concerning IT have a major impact on how successful IT can be in supporting the needs of a company. Given the same strategic objectives; companies with better than



IT funding models followed: All sectors (% of companies)

average IT governance can earn considerably higher profits than those with less strong governance.

### IT funding models

Who should pay for IT and how IT should be paid are vital IT governance decision issues to consider. There are three basic models for IT funding which will be discussed in this chapter:

- Allocation
- Central budget
- Chargeback

It should be kept in mind there could be a mix of these models, especially in companies using the federated model discussed in the preceding subchapter, for different parts of the IT function. Infrastructure costs could for example be paid out of a central budget while ERP system costs could be allocated.

### Method

This report is based on data collected from surveys of 100 large (300 or more employees) Benelux companies. The respondents are all leading decision makers with solid knowledge of their respective companies' IT spending. In the majority of the cases these are IT managers or CIOs but in some cases other persons such as CFOs and CEOs have also been interviewed.

The respondents were selected randomly from a comprehensive database of survey targets. The interviews were made in the second quarter of 2009.

The results from the survey is presented and analysed broken down by industry: **Trade**, **Services** and **Manufacturing**.

## Answering your key questions:

**What are the most effective methods for allocation of decision rights on IT strategy?**

**Which IT funding models are used and how satisfied are Benelux companies with them?**

**What is the effect of different IT funding models on meeting key IT goals?**

**To what extent does a decentralised model for deciding IT strategy and goals contribute to increasing the value?**

**Which IT funding model contributes the most to increasing IT service quality?**

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Our customers are large North European companies and organisations and our target audience is decision-makers such as IT managers, IT strategists, financial managers and controllers.

Waagstein Research's industry-specific analysis, competitive insight and strategic advice give businesses the tools they need to optimise their IT operations.

### Who should buy this report?

**Benelux IT Organisation 2010** is written based on mainly the needs and requirements of the IT management of large Benelux companies. The target group of the report is primarily: CIO/IT managers, CFOs, Controllers, IT strategists, Consultants and CEOs. The report will however also be interesting for vendors of IT products and services in order to better understand their customers.

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