Information Systems Governance at the Service of the Digital Transformation
Enterprise Governance: A Framework that Includes IS Governance

Enterprise governance is a decision-making process addressing, in a “balanced” way, two main components: compliance\(^1\) and value creation.

As was discussed in the preface, IT assumes a more and more important strategic role concerning the business in the context of the “digital transformation”. Therefore, it must necessarily become a “stakeholder” in all decision-making and enterprise governance processes at the highest level.

The problems, opportunities and challenges posed by the alignment of information systems to the strategy of the company, as well as a consistent management of the investments, resources and technological projects, thus become a major concern for boards of directors and executive committees in enterprises.

In the recommendations of the International Federation of accountants (IFAC), enterprise governance comprises both corporate governance and performance governance, as represented in the following figure.

\(^1\) We use the term compliance within the meaning of compliance to standards, rules and laws, etc., through risk management, internal control and CSR (Corporate Social Responsibility).
This definition has the merit of correctly highlighting that enterprise governance has two balanced objectives, namely “value creation” associated with the performance governance and “risk management” associated with corporate governance.

Enterprise governance deals with all of the decisions made throughout the life of the enterprise aiming to create lasting value by ensuring the development in the medium/long term of the company and by making sure that the risks that might pose a threat to it be quickly identified and controlled.

To do this, enterprise governance specifies all the responsibilities and the practices to be implemented by the boards of directors and the Executive Committees to:

– define the strategy of the company by exploiting as much as possible the opportunities offered by the new technologies;
– establish the targets to be achieved and ensure their declination at all levels of the organization;
– make the necessary resources available to achieve the objectives;
– verify that these are met;
– make sure that the risks are under control at an appropriate level with respect to the objectives of the company.
Enterprise Governance revolves around the company’s “business” macro-processes

By specifying the roles and the responsibilities of the actors of the company in all of the decisions to be taken, in terms of value creation, risk management or resources optimization, enterprise governance is therefore a real process.

It can be represented in the form of a diagram comprising four axes for the implementation of “best practices” plus a “transversal” key success factor: the “business macro-processes”.

![Diagram of Enterprise Governance processes](source: NAIAcadémie)

Figure 1.2.
Axis no. 1: development of the strategy

The company takes into account the expectations of its “stakeholders” (current and future customers, competitors, shareholders, employees, suppliers, bankers, public administrations, etc.) and the predictable evolutions of the environment (technological, economic, social, financial, ecological, political/geopolitical) as part of a formalized and structured approach that relies, for example, on the concepts introduced by M. Porter in his book “Competitive Strategy: Techniques for Analyzing Industries and Competitors”.

At the same time, it ensures the involvement of the relevant actors (“right men”), in this case, the Executive Committee, directors and managers at the “right time” and the “right place” in the decision-making process.

This approach should in fine ultimately lead to ambitious and realistic growth targets for each of the families of the company’s products, but also in the definition of industrial, human and financial resources required to achieve this growth.

Axis no. 2: operational break down of the strategy into objectives

Medium-term business planning makes it possible to assign concrete improvement goals consistent with the strategic objectives to the business macro processes (end-to-end management of customer orders, creation of product and services supply, integration of customers’ expectations, supporting processes, etc.).

Obviously this approach should combine all of the company’s management areas, that are the Executive Committee, the business units management, the finance, management control, audit and IT departments, etc.

Axis no. 3: business projects and resources mobilization in relation with the macro-processes objectives

The improvement goals associated at a first stage to the “macro-processes” of the company are “results objectives”, such as the time to market reduction of a new product for the “offer creation” process, the
production costs reduction for the “supply chain” process and the improvement of the rate of customer satisfaction for the “managing client expectations” process.

They must now be translated into “activities objectives” that can be attributed to the managers in charge of the functions contributing to the operation of the process: optimization of the production work plan, decrease in the response times to customer questions, ideas for new products or services better targeted, faster design of new products or services, etc.

Within the framework of the budgetary approach, “activities objectives” attributed to operational managers will be translated into action plans or business projects likely to mobilize the resources of the company in order to achieve the established objectives. These action plans or business projects always involve three inseparable components, the weight of each being highly variable depending on the context:

– organization;
– internal or external skills;
– information systems.

**Axis no. 4: performance management and risk management**

It concerns in fact two control processes that complement each other.

1) Performance management is a process implemented by the Executive Committee to ensure that business projects that it launches will correctly meet their objectives of performance and value creation for the business.

It is a process of continuous improvement, which results in verifying that the objectives assigned to the business processes are achieved with the aim of:

– implementing the preventive or corrective measures necessary for ongoing projects;
redirecting, when necessary, the project business activities or the resources allocated to these projects;

– capitalizing on the experiences acquired;

– drawing lessons from potential failures to give the maximum chances of success for future projects;

– or even adapt the strategic path if the goals prove to be not achievable or are no longer relevant.

2) Risk management, however, is a process that aims at limiting risk taking to an acceptable threshold by identifying the following events that may affect the enterprise:

– risks of not complying with the performance targets that mainly concern the projects;

– risks related to the operation of the business processes in terms of availability, integrity, confidentiality;

– risks related to the internal control, in particular those related to the compliance with the regulations in force and to the reliability of the financial information;

– risks associated with failures of the regulation system of the company, for example independence of the board of directors and compliance with the ethical rules.

This process, which is implemented by the board of directors, executives and staff at the company, creates the conditions to enable the company to achieve its objectives and be sustainable.

**A key factor of success: the “business macro-process”**

The management of the enterprise is usually organized by functions (production, sales, marketing, design, development, human resources, finance, etc.) that are structured in a hierarchical way.

On the other end, the “macro-processes”, already mentioned previously (end-to-end management of customer orders, creation of products and services, handling of customers’ expectations,
supporting processes, etc.), give a transversal “customer-oriented” vision of the company. They allow:

– assessing the operating performance of the company;

– establishing concrete targets for improvement concerning present and future customers’ expectations, such as:

- improving the quality, compliance with delivery times, reduction of production costs, for the “order to cash” process,

- reduction of the “time to market”, co-engineering development, etc., for the “New Product creation” process,

- improvement of the percentage of very satisfied customers for the “handling of client expectations” process.

As we have seen in axis no. 4, these business macro-processes play an essential role in launching business projects that will contribute to the improvement of the performance of the processes. They are also essential in mobilizing the necessary resources through a number of drivers, namely organizational developments, the management of internal or external skills and the evolution of the information system.