

Crisis, Politics and IT

Pierre Bonnet, November 2008

Political software doesn't change. Politicians struggle against the crisis by waving a magic wand to create new economic regulations. But before making new laws, the lack of effectiveness of existing ones should be studied (Sarbanes-Oxley, Basles, etc.).

The current crisis is happening because those regulations are not being applied sufficiently. Politicians point an accusing finger at rating agencies. These agencies weren't able to alert the market at the right time to prevent the crisis from happening. But it must be admitted, available information for auditing companies are not accurate enough. The poor quality of financial data is so frequent that companies' activity reports contain a lot of errors and don't allow an accurate audit and evaluation of their risks. **Politicians, by adding new regulations, don't tackle the core issue, that is to say the lack of data quality.**

This loss of quality is the result of an unprecedented increase in the complexity of human organizations. Due to globalization and the use of new communication tools, innovation and change are accelerating. To remain competitive, companies must innovate and change very quickly, both of which generate an additional complexity of their organizational and business rules. When this complexity is not well-managed, the loss of data quality increases and prevents companies from controlling their business risks.

However, IT tools and methods are available to manage this complexity better. Unfortunately, the ability and know-how to use them still remain underdevelopment. Upper managers don't understand the link between their IT and the management of the complexity of their organizations. IT specialists are mobilized to maintain old IT systems that don't meet competitiveness objectives. Existing IT systems no longer allow companies to evaluate and oversee their business risks in a reliable manner, on a day-to-day basis. This is true whatever the existing business regulations and what they may become tomorrow.

The gap between political observation and IT concern is wide. The IT resonance inside the political sphere is not developed enough yet. **Politics should demand a regulation that forces a well-adapted IT governance to leverage data quality and traceability.** Information has become an extremely rich and complex asset on which decisions are made and audits are based. If this asset is not well-managed with help from strong and unified regulations then the opacity of risk-taking will increase and we will go from crisis to crisis.

To foster a sustainable growth, which will be able to keep the complexity of modern organizations under control, politicians and upper managers must take IT systems into account in a strategic way. The wealth of companies depends on their ability to manage information as a real asset. Rules of transparency, traceability and well-adapted governance of this asset are the precondition for succeeding with business regulations such as those mentioned above (Sarbanes-Oxley, Basles, etc).

To regain the quality of their information, companies must restart data modeling and deploy a Master Data Management strategy (see here: www.orchestranetworks.com).



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<http://www.sustainableitarchitecture.com/home>