

# GOVERNANCE VS MANAGEMENT

## WHAT'S THE DIFFERENCE?

### Corporate governance

Governance can be explained as “management of management”. Strictly speaking, governance in a corporate context is the domain of the highest body that represents the owners’ or shareholders’ interests. This is usually referred to as the board of (non-executive) directors. The shareholders’ role in governance is to appoint the directors and auditors, and to satisfy themselves that an appropriate governance structure is in place. The board of directors determines the highest levels of responsibilities in the organization and directs and controls the chief executive officer. In the eyes of the board, the CEO is ‘just’ a manager. He or she is not a governor but is governed. Finally, the board reports to shareholders on their stewardship. An authoritative source for guidance on corporate governance is the Report of the Committee on the Financial Aspects of Corporate Governance by Adrian Cadbury (1992), often referred to as “Cadbury”. Another valuable source is the King IV Report on Corporate Governance for South Africa (2016), or “King” for short.



It's a frequently asked question: what is the difference between governance and management?

The reason why the question is frequently asked is probably because of the frequent misuse and abuse of “governance”. So let's take a closer look.

### Unhelpful etymology

Sometimes it's useful to look at the origin of words but in this case it isn't particularly helpful. Governance comes from the Greek *kybernan* for steering ships, and management from the Italian *maneggiare* for steering horses. So that's doesn't help much to distinguish between the two but at least we know that they're both about steering something. Or in corporate language, directing. Governance is usually described as the combination of directing and controlling. Or directing, monitoring and evaluating, that form a continuous cycle of activities. ISO 38500 and COBIT® 5 both use this terminology trio.



## Corporate governance of IT

Both COBIT® 5 and ISO 38500 provide excellent guidance for governance of IT from a corporate perspective. ISO 38500 is a compact standard and specifies the requirements to which an organization should comply. It doesn't specify how. This is where COBIT® 5 kicks in. This is a much more extensive body of knowledge. It refers to ISO 38500 and describes how an organization can fulfil governance requirements. ISO 38500 describes governors as the most senior governing body of an organization, and include owners, board members, partners, senior executives or similar, and officers authorized by legislation or regulation. They fulfil their non-executive role with respect to governance of IT through three main tasks:

- a. *Evaluate the current and future use of IT*
- b. *Direct preparation and implementation of plans and policies to ensure that use of IT meets business objectives*
- c. *Monitor conformance to policies, and performance against the plans*

## Lower-level governance

So, what's all this nonsense about governance at lower management levels? It's often used to inflate the value of an activity. "Governance" sounds more important than "control". But strictly speaking, it's not governance but management of lower management by higher management.

The intention is usually to ensure a stronger degree of control. More assurance. If that's what you need, COBIT® 5 has an extensive range of controls to choose from, and a "goals cascade" mechanism that ensures that the various management levels align operational activities with corporate goals. If you choose to use "governance" to denote managerial control, I'd recommend talking about "governance of X" rather than "X governance". The use of "of" emphasizes that X is governed or controlled by somebody else. You can't govern yourself – you are governed.

## Potential product portfolio categories

- *Enterprise Architecture*
- *IT4IT™*
- *Business Process*
- *IT Service Management*
- *Project Management*
- *IT Governance*
- *Sales & Marketing*
- *Quality Management*
- *Companies Act 2016 Malaysia*
- *iServer Accreditation*





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