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Configurations of Information Technology Governance Practices and Business Unit Performance

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ABSTRACT

The main objective of this article is to investigate the existence of configurations of information technology governance within organizations and to zoom in on their role in driving business value. This study proposes a research model that relies on the configurational theory in an attempt to reveal different clusters of IT governance practices and link them with the performance of business units from a financial and non-financial perspective. To test the model, 57 matched surveys were collected from medium to large international organizations. Three configurations of IT governance practices have emerged with distinct and significant impact on the business unit non-financial performance. However, no significant impact on the business unit financial performance was directly found. The results show that more mature IT governance practices within organizations can result in higher levels of performance at the business unit level in terms of business processes, decision making, innovation, and legal and ethical compliance.

KEYWORDS

Balanced Scorecard, Business Unit, Configurational Theory, Delphi Method, Financial Performance, IT Governance, Non-financial Performance

INTRODUCTION

Although the past ten to fifteen years have witnessed an increasing complexity in the deployment of information technology (IT) and an important rise in IT investments, CIOs are still struggling to justify and sometimes attain success from those IT applications. Measuring and proving the value delivered from IT in general, and as an outcome of having implemented IT governance practices in particular, is not a straightforward task and has been an ongoing challenge in the MIS literature (Neirotti & Paolucci, 2007). Some studies argue that the performance measurement conducted at the organizational level is far from the first-order effects of the implemented IT solutions (Barua et al., 1995). Such level of measurement dilutes the IT effect and makes it harder to see the real value. This represents a stream of calls for conducting further research to move the performance measurement level from the organizational level to the business unit one. Therefore, our research is designed to answer this call by assessing the value of IT governance practices at the business unit level.

It was also highlighted that existing studies are focusing on the short-term financial measurement such as return on investment (ROI) while forgetting that some solutions will only make a difference after two or three years (Peppard, 2005). This uncovers another problematic area of measuring only the financial performance while overlooking other performance facets. To overcome that aspect of

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measurement, our research will not only capture the financial performance of the business unit but also its non-financial performance.

In response to these research calls regarding the level of analysis and the performance measurement, the main objective of this study is to compile a set of IT governance practices and investigate the relationship of the different combinations of these practices with performance outcomes, including both non-financial and financial, at the business unit level instead of the organizational one. Thus, the main research question is:

What are the configurations of IT governance practices that contribute to the non-financial and financial performance measured at the business unit level?

To do so, a research model was developed based on the balanced scorecard framework. A Delphi method was conducted to compile a list of essential IT governance practices. A matched-pair survey of 57 organizations was performed, with participants from the IT and business units, to measure the non-financial and financial impact of the compiled list of the IT governance practices.

LITERATURE REVIEW

Most definitions of IT governance as presented in the IS literature can be grouped into two main streams: one that focuses on accountability and decision-making (Sambamurthy & Zmud, 1999; Weill & Ross, 2004; Wilkin & Riddett, 2009) and another one that refers to processes and the how to (Webb et al., 2006 cited in Willson & Pollard, 2009). However, it should be noted that some authors such as Van Van Grembergen & De Haes (2005, p. 3) have combined those two streams into one definition: "IT governance is the organizational capacity exercised by the board, executive management and IT management to control the formulation and implementation of IT strategy and ensure the fusion of business and IT."

Why should firms care about IT governance? Scanning the IT governance literature lead to the identification of different types of IT governance objectives. Some of the main and most prevailing objectives are IT alignment with business (ITGI, 2003; ITGI, 2007; Lee et al., 2008; Van Grembergen & De Haes, 2005); effective use of IT for growth and effective use of IT for business flexibility (Weill & Ross, 2004); risk management (Van Grembergen & De Haes, 2005; ITGI, 2007; ITGI, 2003; Brown, 2006; Ragupathi, 2007; Lee et al., 2008); and value delivery or generating business value from IT, which is noted by many studies as the overarching objective for implementing IT governance within organizations (Van Grembergen & De Haes, 2005; ITGI, 2007; ITGI, 2003; Lee et al., 2008; Ragupathi, 2007).

A synthesis of the IT governance literature was conducted in order to perform a taxonomy of the existing studies according to the topic and research questions they try to address. The taxonomy exercise took into consideration, as a general guideline, the three elements of the DeLone and McLean model (2003): quality, usage, and impact, in addition to the IT artifact issue as discussed in Orlikowski and Iacono (2001).

Accordingly, the IT governance studies were grouped under three main areas. The first area is about the IT governance frameworks: What is IT governance and how does it function? The second area looks into the quality and usage of IT governance over time: How mature can it be and to what extent can it be fully implemented? The third area investigates the impact of IT governance on organizations' performance: Does IT governance lead to better finances?

Our research falls under the third area related to IT governance and business performance, among which we have identified two main areas for further research development. Firstly, the business performance is most of the time measured at the organizational level (Weill & Ross, 2005), while there is a need to measure it at the business unit as recommended by Weill and Ross (2005) and Barua et

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