Chapter IV
Effectiveness of Information Technology Governance:
Perceptions of Board Directors and Senior Managers

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ABSTRACT

IT governance is viewed as a managerial innovation, which responds to the needs of strong leadership, strategic direction, and control from the highest level within an organization. In today's business world, most organizations depend on information technology (IT) for their day-to-day activities and attainment towards their future business strategies. However, despite improved project management, according to KPMG the track record of IT initiatives in many organizations is not strong, and many fail—particularly when measured against the outcomes they were intended to produce. Recent studies have found "an IT attention deficit" at board level, despite calls for directors to consider a wide range of IT matters including governance. This chapter examines practices and frameworks for effective IT governance in industry and business settings. Utilizing a multi-method research approach comprised of survey and interview techniques, 20 board directors' and senior mangers' perceptions of IT governance and management were sought and analyzed. The findings show there is a need and opportunity for improvement in IT governance and that in most organizations, Australian Standard AS8015-2005—provides a sound foundation for such improvement.

INTRODUCTION

Today's leading companies embrace information technology not as a means of cost-cutting, but as a tool for generating innovation, business success, and sustainability. Innovation is viewed as an essential element in the entrepreneurial process (Schaper & Volery, 2003) and creates benefits to the organization, which often manifest themselves in an economy's wealth creation. Innovation is linked to knowledge and learning and is frequently viewed as an organization's capability, knowledge asset and resource, which, in a global marketplace, provide new platforms for competitive advantage that others find difficult to replicate (McMurray & Dorai, 2003).

Studies show that the key success factor of information technology (IT) use is strongly linked to effectiveness of **IT governance** (Toomey, 2006). The IT literature is predominantly focused on outcomes addressing tangibles such as key performance indicators and innovation. International competitiveness, innovation capacity, and sustainability of industry and business are significantly influenced by the ability to develop and harness the power of IT. While IT has created abundant business opportunities, it has also rendered many traditional business management models obsolete. For example, IT requires digital transformation and profound changes in corporate governance, organizational internal and external business structure, including strategy (Zhao, 2006) and furthermore require an organizational culture embracing such values, attitudes, and beliefs to become embedded in and move across traditional organizational boundaries (McMurray, Cross, & Caponecchia, 2007). Recent proposed new initiatives under development to promote best practice in corporate governance of investment projects involving IT in Australia are evidenced in Australian Standard AS8015:2005 (Standards Australia, 2005).

This study examines directors' and senior managers' perceptions of IT governance in terms of effective structures, systems, processes for corporate monitoring, and the governance of IT in their organizations. The findings of the study may be used to inform organizational policies, procedures, and practices that will lead to the development of sustainable business practices through responsible IT governance that reflect the interests of all stakeholders. The study is significant given the current global trend of the booming e-business and IT economy and the increasingly dominant roles that IT plays in helping organizations improve the efficiency and productivity of their business. The study assists board directors and senior managers to formulate and implement effective strategies to align and integrate technology, operation, strategy, structure, culture, and human resources in IT governance. The findings provide a greater understanding of the important issues involved in IT governance and management within industry and business contexts.

LITERATURE REVIEW

IT Governance Definition Issues

Australian Standard AS8015-2005 (Standards Australia, 2005, p6) defines: "Corporate governance of information and communication technology is the system by which an organization's current and future use of IT is directed and controlled. It involves evaluating and directing the plans for the use of IT to support the organization and monitoring this use to achieve plans. It includes the strategy and policies for using IT within an organization." The definition provides a straightforward and clear meaning of IT governance, linking it explicitly to the common definition of corporate governance originally credited to Sir Adrian Cadbury. The AS8015 definition makes explicit reference to a "system." A system is comprised of processes, people (including structure and skills), and tools, or technology.

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