Chapter II
IT Governance–Based IT Strategy and Management:
Literature Review and Future Research Directions

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ABSTRACT

Domestic and global companies are increasingly using information and communication technologies as a means of delivering their strategic visions and thus maintaining a competitive advantage. The value of information assets has increased as firms' asset base shifts from tangible to intangible properties, placing a premium on firms' capacity to develop, manage and utilize their information assets. In this environment, companies aim to strengthen their business control over IT resources, maximizing performance through defining the responsibilities of all staff involved in IT resource management and processes. However, while most managers acknowledge the importance of managing IT assets within a framework of IT governance (ITG), only a small number of academic treatments deal with ITG, meaning that businesses often find themselves making their governance decisions in a vacuum. This chapter therefore aims to clarify the concept of ITG through conducting a literature review, suggesting some implications of this work for practitioners, and indicating directions for the future study of ITG.

INTRODUCTION

As information and communication technology develops, an increasing number of companies are recognizing the potential value of IT resources in delivering their firm's strategic vision. IT is no longer a supporting tool for business, but a fundamental component of company strategy in such roles as operations, internal audit, compliance and decision support. A recent survey conducted by the IT Governance Institute (ITGI) with CEO/CIOs drawn from 22 countries shows that 87% of respondents agree that IT plays an important role in achieving company goals in the broadest sense (ITGI, 2006).

In recent years, leading international organizations have focused attention on effective corporate governance as means of improving the performance of firms' IT assets. These efforts have intensified in the wake of large-scale frauds such as Enron and WorldCom in the United States and shareholders ensuing dissatisfaction with companies. Multinationals and others have devised corporate governance structures to clarify and monitor the respective roles and responsibilities of shareholders, management, and employees (OECD, 2004). These structures have laid greater emphasis on the importance of IT assets and ITG structure, aiming to minimize financial risks on IT investment by providing transparency, accountability, and manageable processes. These criteria entail the effective allocation of IT resources in terms of clear structures and decision-making procedures for IT management. In this juncture, it has become imperative to redefine effective ITG, seeking to understand governance's role in aligning organizations' information assets with their strategic goals (Webb, Pollard & Ridley, 2006). This alignment contributes to the creation of value in companies, through suggesting optimal amounts of risk for companies to take both in designing their management structures and in proactively responding to new business circumstances.

Despite the importance of ITG, however, little informed academic research has been carried out on the subject. While business's level of awareness for the need for good ITG is rising in practice, current research has yet to address the potential use of ITG as a soft-side of IT infrastructure (e.g., of decision-making bodies and policies) in improving organizational competency. The purpose of this chapter is, therefore, to examine the current literature and to suggest a future direction for research on ITG. This chapter attempts to examine various definitions and frameworks of ITG through conducting a literature review, classified into six different taxonomies: (1) the origin of ITG, (2) ITG definitions; (3) research topics related to ITG; (4) the timeline of ITG research; (5) levels of ITG analysis; and (6) methodology. Lastly, we analyze existing ITG frameworks, concluding by suggesting the necessity for the development of an integrated ITG framework

RESEARCH METHODOLOGY

In reviewing the existing ITG research relating to ITG, we surveyed a wide range of recent research in academic and industrial fields. While most review articles take account only of articles in the top academic journals in their areas, we found it desirable to take in as many references as possible covering IT-related practitioner articles and the industrial presentations given by consulting firms (Webster & Watson, 2002). This is because research in ITG is led by industry as much as by academics. The source materials surveyed for this chapter include: first, the leading journals n the MIS field, such as *MIS Quarterly*, *Information System Research, Journal of Management Information Systems*, *Communications of the ACM*, the *Harvard Business Review*, and the *Sloan Management Review*, and second, related articles found through academic search engines such as Business Source Premier, Science Direct and the AIS e-library. In addition, we

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