

# Inter-Organizational Governance of Information Technology: Learning from a Global Multi-Business-Unit Environment

*Steven De Haes, Antwerp Management School – University of Antwerp, Belgium*

*Wim Van Grembergen, Antwerp Management School – University of Antwerp, Belgium*

*Dirk Gemke, KLM, The Netherlands*

*John Thorp, The Thorp Network, Canada*

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## ABSTRACT

*There is little research available that specifically looks at how organizations define and implement their inter-organizational governance of information technology. The challenge in such environments is also observed in large organizations where multiple business units and activities often have separate strategies and investment priorities. This paper provides both practitioners and academics with an enriched understanding of how the international airline company KLM introduced IT related governance principles and practices tailored for a multi-business-unit global organization. Insights from this exploratory single case study can contribute to further theory building and practitioner guidance regarding the crafting of both intra- and inter-organisational governance frameworks.*

*Keywords: Information Technology, Inter-Organizational, IT Governance, IT Value, Strategic Alignment*

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## INTRODUCTION

Contemporary organizations are increasingly operating in complex networked systems to create value-adding products and service in a complex and uncertain environment (Jones et al., 1997). Such network arrangements create a number new challenges regarding the governance of information technology (IT), including

questions on accountabilities, decision rights and ownership of shared and/or distributed IT resources. Where in the past decade, quite some research was published on how governance of IT can be implemented in an intra-organizational context (Van Grembergen & De Haes, 2009), there is little research available that specifically looks at how organizations define and implement their inter-organizational governance of IT (Croteau & Bergeron, 2009; Grant & Tan, 2010; Croteau & Bergon, 2011).

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Looking at governance of IT implementations in large multi-business-unit environments (Weill & Ross, 2004; Van Grembergen & De Haes, 2009), it is clear that multiple business units within one organization can have their own mission, strategy, structure, processes and IT infrastructure. Such complex intra-organization environments can therefore face very comparable challenges as in a multi-organization network with distributed IT resources. According to Croteau and Bergeron (2009), the design of such intra-organizational, but inter-unit, governance of IT framework is developed in a similar way as in the context of an inter-organizational network.

This paper wants to provide both practitioners and academics with an enriched understanding of how the international airline company KLM introduced IT related governance principles and practices tailored for a multi-business-unit global organization. Insights from this single– multi-unit - case study can contribute in further theory building and practitioner guidance regarding the crafting of both intra- as inter-organisational governance frameworks.

This paper is organized as follows. First, some theoretical background is provided on the concept of governance of IT and its application in an intra- and inter- organizational context. Next, the research approach is discussed, followed by a detailed analysis of how KLM applied governance of IT in their multi-unit and global environment. Finally, we present a discussion and conclusions and future directions for research.

## THEORETICAL BACKGROUND

### Concepts of Enterprise Governance of IT

IT governance is a concept that has increasingly become an important issue in the IT area. It is not exactly clear when the concept as we understand it now originated. In 1998, the IT Governance Institute (<http://www.itgi.org>) was founded to disperse the IT governance concept in the practitioner area. In academic literature,

articles mentioning IT governance in the title also emerged in the 1990's (e.g., Brown, 1997; Sambamurthy & Zmud, 1999). In the context of one of the mini-tracks at the academic Hawaii International Conference on Systems Sciences (HICSS), IT governance was defined as the organizational capacity exercised by the board, executive management and IT management to control the formulation and implementation of IT strategy and in this way ensure the fusion of business and IT (Van Grembergen, 2002).

After the emergence of the IT governance concepts, the notion received a lot of attention. However, due the focus on "IT" in the naming of the concept, the IT governance discussion mainly stayed a discussion within the IT area. In the field, many IT governance implementations are driven by IT, while one would expect that the business would and should take a leading role (De Haes & Van Grembergen, 2008). Many authors agree that that the involvement of business is crucial (Thorp, 2003; Ross & Weill, 2002; Weill & Ross, 2009; Peppard, 2010) which initiated a shift in the naming of the concept towards "enterprise governance of IT", focusing on the business involvement. Enterprise governance of IT is an integral part of corporate governance and addresses the definition and implementation of processes, structures and relational mechanisms in the organization that enable both business and IT to execute their responsibilities in support of business/IT alignment and the creation of business value from IT enabled investments (Van Grembergen & De Haes, 2009).

Enterprise governance of IT clearly goes beyond the IT related responsibilities and expands towards (IT related) business processes needed for business value creation. Also the standardization organization ISO moved into this direction, with the release in 2008 a new worldwide standard defined as "Corporate Governance of IT" (ISO/IEC 38500, 2008). In this standard, ISO puts forward six principles for governance of IT, addressing both business' and IT's roles and responsibilities, that express preferred behaviour to guide IT related decision-making. In the same line of thinking, the IT

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