



Chapter XVI

Implementing IT Governance

Enterprises implement their governance arrangement through a set of governance mechanisms and an effective IT governance architecture. Implementation success may be dependent on a variety of factors, such as leadership, relevance, resistance, communication, and planning.

IT Organization and Governance

There is no universal best IT governance structure. Rather, the best IT governance solution for a given firm is contingent on its organizational context. Many research studies point to the importance of organizational context for predicting a firm's IT governance solution.

However, for the most part this literature assumes that firms adopt a uniform IT governance solution for all business units and that this solution can be predicted by context variables at the overall organizational level. This assumption is incorrect in cases where organizations adopt hybrid IT governance solutions.

Hybrid IT Organization

Hybrid IT governance can be defined as management decentralized to some business units, but not to other business units, within the same enterprise. Different governance solutions for different business units within the same firm suggests a growing management interest in customized solutions for different business units in order to exploit the unique capabilities of a given strategic business unit.

By inference, then, context variables at the business unit level need to be addressed to understand why business units within the same firm exhibit the same or different IT governance arrangements. Brown (1997) phrased the following research question: Why do firms adopt a hybrid IS governance form in which centralized and decentralized governance solutions for the management of systems development coexist?

Brown (1997) studied why large, multidivisional firms implement hybrid IT governance solutions in which systems development is decentralized to some business units, but not to others. Study findings suggest that a configuration of four variables characterizes a business unit context conducive to decentralized systems development governance: organic decision-making, high business unit autonomy, a differentiation competitive strategy, and an unstable industry environment.

These findings imply that highly autonomous business units with organic decision-making, that are competing in an unstable industry environment with a differentiation competitive strategy, are likely to control their own systems development resources. Furthermore, the influence of these four variables will be overridden and a deviant governance solution adopted in the presence of perceived deficiencies in IT capabilities by business units that have a culture that places a high emphasis on change.

Horizontal Mechanisms

In response to increased complexity and uncertainty, today's enterprises are adopting organizational designs that balance not only the hierarchical trade-offs of control vs. autonomy, but also a third design criterion: collaboration. Among the design tools for collaboration are horizontal mechanisms, defined as structural and non-structural devices that encourage contacts between individuals in order to coordinate the work of two units.

Horizontal mechanisms directed at collaboration have been utilized in IT management. For example, cross-functional teams and liaison roles have been implemented to achieve collaboration not only across IT units and business units, but also across multiple systems development units under a federal form of IT governance. Brown (1999) identified the following mechanisms:

- *Formal groups*: Steering committees and IT standing teams.
- *Formal roles*: Cross-unit integrators and corporate IT oversight roles.

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