

## Chapter VII

# A Comparative Case Study of Three Korean Firms: Applying an IT Governance Framework

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### **ABSTRACT**

*Research has recently begun to place greater emphasis on the strategic application of IT in seeking to integrate firms' IT infrastructures and business processes, thus boosting companies' business values. In this context, efforts have been made to formulate workable structures for companies' IT governance (ITG); however, little practical research has considered the effect of different forms of ITG in a range of domestic and multinational companies. This study undertakes a comparative case study analysis of the ITG setups of three large service sector firms in Korea. This research work sought to identify the activities, types, and determinants of firms' ITG decision making processes, and to suggest the basis on which forms of ITG may represent rational selections for given service companies. The study was based on in-depth interviews with representatives of three firms, analysis of in-house materials, and the application of multiple perspectives dealing with ITG domains. Case study analysis yielded a detailed picture of the characteristics of ITG related decision making within the firms, suggesting the validity of the proposed ITG framework. The proposed and partially validated ITG framework should be useful for further research and practice of ITG.*

## INTRODUCTION

In an increasingly competitive global environment, information systems are becoming more and more critical, forcing firms to turn their attention to decision processes relating to information systems and information technologies (IS/IT). Further, as managers and stakeholders become aware of the potential uses of IT, an increasing number of companies are attempting to use IT as an important strategic tool in maximizing the value of firms' resources and in delivering strategic goals (ACADYDA, 2002; ITGI, 2006; Patel, 2003). However, while firms have grasped the importance of IS/IT, many remain unsure which IT governance (ITG) structures and processes will enable them to get the most out of their considerable IT/IS expenditure (Posthumusa & Solms, 1995; Shleifer & Vishny, 1997; Van Grembergen, 2003). Companies face the challenge of having to proactively design structures and processes for the management of their information assets.

In this regard, ITG aims to strengthen firms' control over their IT resources. ITG deals with risk management in IT investment, with the design of control and performance management systems, and with the strategic management of interactions between IS/IT and other business processes and functions (ITGI, 2000). ITG has emerged as a defined and urgent business problem concerning the demarcation of clear lines of responsibility and accountability in IS/IT management (Weill & Woodham, 2002).

Despite firms' increasing awareness of ITG, however, very little academic literature addresses this emerging topic. Further, it is not simply possible to apply or cascade the characteristics of corporate governance onto ITG, as information resources have different features from other assets (Lee, Lee & Ahn, 2006). Studies found that, while acknowledging the importance of ITG, CIOs are still searching for a comprehensive and applicable ITG framework in which they can deliver ITG (Lim, Lee, Rah, Yoon & Lee, 2004).

The framework would link ITG to other processes and specify appropriate channels for information, reporting, decision-making and control.

In characterizing ITG activities systematically, this chapter develops a comprehensive ITG framework through which it undertakes three case studies of service firms in Korea. In other words, this chapter offers a comparative case study applying a preliminarily identified ITG framework, exploring the following research questions:

1. What are the major decision areas in ITG?
2. What are the key mechanisms for ITG?
3. How are ITG practices designed and implemented within firms?

The first two questions are partially answered by constructing an exploratory framework for ITG in Section 2 through a literature review and interviews with practitioners, and the third question is partially answered through a comparison of the three firms' internal governance structures and processes related to IS/IT.

## THEORETICAL BACKGROUND

As research and practice in the area of corporate governance precedes that in IS/IT, this section provides a brief overview of the literature on CG (Corporate Governance) and extends the review into IT governance topics.

### Corporate Governance

After the large-scale accounting frauds in the U.S. of Enron and WorldCom, many companies are making great efforts to improve their CG, seeking to monitor more effectively the rights and responsibilities of a range of stakeholders, including shareholders, management, and employees (Brown & Grant, 2005). According to the OECD Principles of Corporate Governance (2004), relationships between stakeholders, such

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