Chapter III
IT Governance:
A Critical Review of the Literature

David Musson
Macquarie Graduate School of Management, Sydney, Australia

ABSTRACT

This chapter reviews the IT governance literature. It proposes that there are three different concepts that are grouped together as IT governance. These concepts are IT governance as a framework or audit process, IT governance as IT decision-making and IT governance as a branch of corporate governance. It argues that the first of these concepts is not a senior management issue, but an aid to a business process and that the remaining two concepts are complementary. The chapter recommends that the term IT governance is seen as a crucial part of the board's wider corporate governance task, and suggests that is concerning that the view of IT governance as IT decision-making rarely pays any attention to the role of the board in a crucial decision-making process. The chapter is intended to bring together the disparate views of IT governance so as to permit a broader view of this important subject.

INTRODUCTION

IT governance is a much-used term, but it has a confusing literature, with the term being used with several different meanings. This may partly be because different target audiences each seek information focussed on their requirements. So, for example, CIOs are pressed to adopt "best practice" in their IT service management; risk managers need to manage IT risk; senior managers wish to ensure that their staff manage their IT projects efficiently; board members want to discharge their corporate governance obligations towards IT. These different activities are lumped together under the heading of IT governance. Perhaps this is because IT governance sounds grander than service management or risk management; whatever the reason, IT governance has a diverse literature. This chapter examines the literature on IT governance, and proposes a three-way division of the broad field covered by the term.

BACKGROUND

Most organizations rely on their information technology, and, it is widely claimed, expenditure on IT is a large proportion of company budgets (e.g., Weill & Olsen, 1989). It is not surprising then that a global survey by KPMG in 2004 found that 77.4% of respondent companies were vitally dependent on IT for their continuing operation (KPMG, 2004). In most companies, the top-level management of IT is seen as a matter of corporate governance; the literature shows that poorly performing IT systems can jeopardize the entire organization (see, for example, the role of IT in the collapse of One.Tel (Avison, 2003; Avison, Wilson & Hunt, 2003)). The corporate governance of IT, which is referred to as IT governance in the literature, is a significant part of the total corporate governance task for a board. However, unlike corporate governance, there are no standards for IT governance (Nolan & McFarlan, 2005), and "Because there has been no comparable body of knowledge and best practice, IT governance doesn't exist per se" (Nolan & McFarlan, 2005, p. 98). The literature on IT governance is largely concentrated on the operational management of IT and there is little on the requirements for the corporate governance of IT. Weill and Ross (2004) suggest that IT governance is normally delegated to the CIO, although the board retains overall responsibility for governance. Perhaps this delegation is explained by Jordan (2001) and Jordan and Musson (2003), who offer evidence that many Australian board members have "at best only survival skills in IT"; however, no clear picture arose from their research on how a board's IT governance responsibilities were discharged. A survey by PricewaterhouseCoopers (PwC, 2004) found that, whilst more than 91% of CEOs understood that IT was central to the continuing success of their companies, more than two-thirds of them were unable or unwilling to answer questions on their system of IT governance. In fact, 42% of them worldwide and 44% in the Asia-Pacific region said that they did not intend to implement a system of IT governance (PwC, 2004). However, two studies have found that board members have little interest in IT. One study, Jordan and Musson (2003), investigated Australian board members' attitudes to the governance of e-commerce, and noted that, "…boards do not appear to carry out their corporate governance duties, at least in respect of electronic commerce risk" *(Section 5).*

The second study, of 17 medium to large Canadian companies, noted that "The risks and opportunities IT presents …. may require a level of technical insight that is often absent from the boardroom. …. The net effect is that many boards are reluctant to deal with IT governance issues" (Huff, Maher & Munro, 2004, p. 1), and that "…most boards seem to be passive receivers of information about IT as opposed to aggressive, proactive questioners. We saw little board-level concern about the company's return on its IT investment, for example, or the appropriate level of IT expenditures" (Huff, Maher & Munro, 2004, p. 3).

A review of the literature suggests that directors may not be the only people confused about IT governance; it shows that there are at least three different meanings applied to the term. This chapter reviews the use of the term IT governance in the literature.

LITERATURE REVIEW

There is an extensive literature on IT governance, but much of it is theoretical, and there is little on the actual processes involved with IT governance; a gap exists between theoretical frameworks and contemporary practice (Ribbers, Peterson & Parker, 2002). Analysis shows that there are three principal schools of thought on IT governance in the literature. These are:

- IT governance as a framework or an audit process.

Related Content

Aligning IT/IS with Business Strategy Re-Visited: A View from Complex Adaptive Systems
Kevin Grant, Ray Hackneyand David Edgar (2010). *International Journal of IT/Business Alignment and Governance (pp. 1-18).*
www.irma-international.org/article/aligning-business-strategy-visited/46639

Practical Approach for Data Breach Cases in ERP Systems
Pedro Sousa, José Costaand Vitor Manso (2014). *Organizational, Legal, and Technological Dimensions of Information System Administration (pp. 270-281).*
www.irma-international.org/chapter/practical-approach-for-data-breach-cases-in-erp-systems/80723

Auditing Agile Release Management: Balancing Speed and Control
Nikitha Agnew, Manish Guptaand Raj Sharman (2023). *Modernizing Enterprise IT Audit Governance and Management Practices (pp. 25-67).*
www.irma-international.org/chapter/auditing-agile-release-management/333177

Technical Issues Related to IT Governance Tactics: Product Metrics, Measurements and Process Control
Michalis Xenos (2004). *Strategies for Information Technology Governance (pp. 216-245).*
www.irma-international.org/chapter/technical-issues-related-governance-tactics/29905

AI/ML Within IS Auditing and Cybersecurity
Robert Casal, Raghvendra Singh, Daniel Della Postaand James Quinn (2023). *Modernizing Enterprise IT Audit Governance and Management Practices (pp. 1-24).*
www.irma-international.org/chapter/aiml-within-is-auditing-and-cybersecurity/333176