

## Chapter 89

# The Relationship between Information Technology Governance and Information Technology Performance in Taiwanese Financial Enterprises

**Ruey-Shiang Shaw**

*Tamkang University, Taiwan*

**Ta-Yu Fu**

*Tamkang University, Taiwan*

**Che-Pin Cheng**

*Taipei Chengshih University of Science and Technology, Taiwan*

**Chia-Wen Tsai**

*Ming Chuan University, Taiwan*

**Dong-Cheng Yen**

*Tamkang University, Taiwan*

### ABSTRACT

*More and more enterprises regard Information Technology (IT) as their most valuable property and make full use of IT to maximize the performance of their business operations. As a result, enterprises are attaching more importance to coordinating their IT strategy and enterprise strategy in order to get the most from their IT investment. For the sake of better IT performance and long-term development, firms must adopt a complete strategy for IT governance. In Taiwan, most financial enterprises have not considered IT governance to be a necessity, and those which are implementing IT governance have difficulty explaining, systemically, how it affects IT performance. Based on the five dimensions of IT governance, this study uses the balanced scorecard to measure IT performance and discusses the influence of effective governance on IT performance. The results show that the five dimensions of IT governance (strategic alignment, value delivery, risk management, resource management, and performance measurement) are all positively correlated with IT performance. The results of this study can help Taiwan's financial enterprises set the proper course for IT governance and more clearly understand how it serves to improve IT performance.*

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## INTRODUCTION

Surveys conducted in Taiwan and abroad indicate that Information Technology (IT) has become the biggest capital investment project for enterprises. Financial firms' IT expenditures comprise more than half of their total business investment. Gartner (2011) noted that worldwide IT spending was expected to surpass 3.6 trillion dollars in 2011, a 5.1% increase from 2010. Therefore, managing and making good use of IT to create value for the enterprise is becoming an increasingly serious challenge for senior management (Weill & Ross, 2004). Currently, only a few studies have investigated IT governance and IT performance together. Besides, the financial industry in Taiwan does not universally agree on IT governance. Therefore, uncertainty remains as to whether paying attention to the five dimensions (strategic alignment, value delivery, risk management, resource management and performance measurement) can increase a firm's IT performance (ITGI, 2000). This study selected the financial industry in Taiwan (which attaches great importance to IT) as the object and discusses the relationship between the five dimensions of IT governance and IT performance. This study aims to: (1) know the perception and implementation of IT governance in Taiwan's financial industry, (2) to discuss the relationships between the five dimensions of IT governance and IT performance in Taiwan's financial industry, and (3) to explore the relationship between IT governance and IT performance within financial enterprises in Taiwan. By reporting the current state and engaging in theoretical discussion, this study provides practical suggestions and intends to help clarify an appropriate direction for IT governance.

## LITERATURE REVIEW

### Governance

Santoso (2001) held that the definition of *governance* emphasizes economic management. However, the United Nations Development Programme (UNDP) considers sustainable development to be the major premise of governance (Johnson, 1997). Prakash and Hart (1999) proposed that governance is an organizing collective action, the scope of which comprises issues of structure (observing the forming process of relative decisions), control (using power to make every decision suitable for the structure) and process (concrete procedures of control and regulation).

### Corporate Governance

The Organization for Economic Co-operation and Development (OECD) (2004) defined *corporate governance* as the system by which companies are directed and controlled. The framework of corporate governance should drive the market to be transparent and effective, build consistent laws, and indicate clearly the division of responsibilities between the supervising, monitoring and implementation units.

### IT Governance

De Haes and Grembergen (2004) defined *IT governance* as "the organizational capacity exercised by a 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." Roussey (2000) proposed that "IT gover-

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