Chapter XXIII
IT Governance Mechanisms in Public Sector Organisations:
An Australian Context

Syaiful Ali
Universitas Gadjah Mada, Indonesia

Peter Green
University of Queensland, Australia

ABSTRACT

Information technology plays a significant role enabling organisations to achieve their objectives. Accordingly, the governance mechanisms over the organisation's IT resources must be in place and operating effectively if the organization is to achieve its objectives. The concern with IT governance is not only evident in the private sector but also in the public sector. This study attempts to examine empirically the individual IT governance mechanisms that influence the overall effectiveness of IT governance in Australian public sector organisations. Using sample data from auditors who currently work in Australian public sector organisations, this study examined the influence of four proposed individual IT governance mechanisms on the overall effectiveness of IT governance. This study found significant positive relationships between the existence of an IT strategy committee and corporate (organisational) communication systems, and the overall level of effective IT governance within Australian public sector organisations.

INTRODUCTION

During the last decade, information technology (IT) has been playing a more important role for organisations in achieving their goals. Both private and public sector[1] organisations have been experiencing higher expenditure on IT, and consequently, higher benefits are expected by their stakeholders (Ward & Peppard, 2002; Gormolski et al., 2001). Thus, it is crucial for both organisational forms to establish good governance in IT to obtain more effective use of IT.

In Australia, the role of corporate governance mechanisms including IT governance mechanisms has been heightened since the spectacular corporate collapses of HIH Pty Ltd and One.Tel Pty Ltd in 2001. In his report on the HIH collapse in March 2003, Justice Owen provided insight into the peculiar circumstances of the type of governance mechanisms required in Australian corporations. He (2003, p. xiii) stated, "Corporate regulation in Australia in the late 1990s and into the present decade was replete with mechanisms designed to detect danger signs and promote the financial health and longevity of commercial entities…. Despite these mechanisms, the corporate officers, auditors and regulators of HIH failed to see, remedy or report what should have been obvious. And some of those who were in or close to the management of the group ignored or, worse, concealed the true state of the group's steadily deteriorating financial position….Those responsible for the stewardship of HIH ignored the warning signs at their own, the group's and the public's peril. The culture of apparent indifference or deliberate disregard on the part of those responsible for the well-being of the company set in train a series of events that culminated in a calamity of monumental proportions."These insights emphasized the need for governance mechanisms that focus on stewardship, and promoting and communicating a culture of compliance to the organisation. These insights were reinforced in the "Principles of Good Corporate Governance and Best Practice Recommendations" promulgated by the Australian Stock Exchange (ASX) for publicly listed companies in Australia in March 2003.

To implement IT governance effectively, the principles and lessons of good corporate governance must be reflected in the individual IT governance mechanisms put in place for the organisation. Accordingly, in this work, we investigate a set of IT governance mechanisms (e.g., IT steering committee, IT organisational structure) that encourages behavior congruent with the organisation's mission, strategy, values, norms, and culture (Vaswani, 2003; Weill, 2004). However, caution should be applied in implementing those mechanisms as the nature of organisations (i.e., private and public sector organisations) has an important role in determining the effectiveness of the mechanisms (Edwards & Clough, 2005).

Several studies have examined the practices of IT governance mechanisms in private sector organisations (Ali & Green, 2005; Vaswani, 2003; Well & Ross, 2004). Public sector organisations have long recognized the importance of effective IT governance to their success (Vinten, 2002). However, little research has been conducted into examining what mechanisms contributed to establish effective IT governance within public sector organisations. Have public sector organizations, particularly, in Australia, learnt from the lessons of the corporate collapses of the early millennium and implemented appropriate individual IT governance mechanisms that would lead to an increased level of overall effective IT governance? Thus, the objective of this study is to identify factors required to establish and implement effective IT governance within Australian public sector organisations.

This article unfolds in the following manner. The second section provides background to the area of IT governance in organisations in Australia. In particular, it focuses on the necessary characteristics of IT governance in Australian public sector organisations. The next section provides a model of IT governance and it sets out testable hypotheses from this model. Section 4 describes the research methodology that was used to gather data to test the stated hypotheses, and section 5 presents the results of the tests that were performed on the data. The final section of this paper summarises the work performed and explains how the results can contribute to the study of IT governance within Australian public sector organisations. Furthermore, this section looks at the limitations of the study and the potential further work that can issue from the results of this study.

19 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/governance-mechanisms-public-sector-organisations/20633

Related Content

Perception Gaps about Skills Requirement for Entry-Level IS Professionals between Recruiters and Students: An Exploratory Study

Sooun Leeand Xiang Fang (2008). *Information Resources Management Journal (pp. 39-63).*

www.irma-international.org/article/perception-gaps-skills-requirement-entry/1344

Virtual Team Trust: Instrument Development and Validation in an IS Educational Environment

Saonee Sarker, Joseph S. Valacichand Suprateek Sarker (2003). *Information Resources Management Journal (pp. 35-55).*

www.irma-international.org/article/virtual-team-trust/1239

U.S. Disabilities Legislation Affecting Electronic and Information Technology

Deborah Deborah Bursa, Larraine Justiceand Mimi Kessler (2009). *Encyclopedia of Information Science and Technology, Second Edition (pp. 3840-3844).*

www.irma-international.org/chapter/disabilities-legislation-affecting-electronic-information/14150

Benchmarking IT

Han van der Zee (2002). *Measuring the Value of Information Technology (pp. 142-164).*

www.irma-international.org/chapter/benchmarking/26180

Observations on Implementing Specializations within an IT Program

Erick D. Slazinski (2005). *Encyclopedia of Information Science and Technology, First Edition (pp. 2161-2167).*

www.irma-international.org/chapter/observations-implementing-specializations-within-program/14578