Chapter VIII
Governance Structure for Alignment

1. Governance Structure for Alignment

Given the political nature of back-office integration, should cross-organizational back-office integration be seen as a command and control challenge or a process management challenge? This question was phrased by Bekkers (2007), who found that comparative case studies primarily have shown that integration is the outcome of a process, in which offices have been able to create a shared understanding about the necessity of integration and in which conflicting rationalities, with their own core values, internal logic and legitimacy, have to be weighted against each other. Bekkers (2007) argues that it is a goal-searching, incremental process, which should anticipate a changing political agenda in order to gain support. Understanding is reached through the ongoing recognition of the interdependencies among back-offices, and as a result of a focus on the content of the problem and not on jurisdictions and costs. Trust and political and legal pressure are the drivers that facilitate this process. Co-ordination in terms of governance has to consider a mix of conflict and co-operation.

We start this chapter trying to answer what is IT governance. We take look at the broader issue of organizational governance and contracts in governance, and we list reasons why IT governance is important. Other topics covered are such
as decision makers and decision rights, categories of decisions, stakeholders and
distribution of decision rights.

1.1 What is IT Governance?

*IT governance can be defined as specifying decision rights and accountability framework to encourage desirable behavior in the use of IT* (Weill & Ross, 2004).

This is the definition we will use here.

Other definitions are for example: (i) IT governance is the structures and processes
that ensure that IT supports the organization’s mission. The purpose is to align IT
with the organization, maximize the benefits of IT, use IT resources responsibly and
manage IT risks, (ii) A structure of relationships and processes to direct and control
the organization in order to achieve the organization’s goals by adding value while
balancing risk versus return over IT and its processes, (iii) IT governance is the
responsibility of the board of directors and executive management. It is an integral
part of organizational governance and consists of the leadership and organizational
structures and processes that ensure that the organization’s IT sustains and extends
the organization’s strategies and objectives, and (iv) IT governance is the system
by which an organization’s IT portfolio is directed and controlled. IT Governance
describes (a) the distribution of decision-making rights and responsibilities among
different stakeholders in the organization, and (b) the rules and procedures for
making and monitoring decisions on strategic IT concerns (Peterson, 2004).

An extensive definition was presented by the IT Governance Institute (2004)
as follows. It is a board or senior management responsibility in relation to IT to
ensure that:

- IT is aligned with the business strategy, or in other words, IT delivers the
  functionality and services in line with the organization's needs, so the organ-
  ization can do what it wants to do.
- IT and new technologies enable the organization to do new things that were
  never possible before.
- IT-related services and functionality are delivered at the maximum economi-
  cal value or in the most efficient manner. In other words, resources are used
  responsibly.
- All risks related to IT are known and managed and IT resources are se-
  cured.

A distinction has to be made between IT management as discussed previously
in this book and IT governance that we introduce here. IT management is focused