IT Governance and Human Resources Management: A Framework for SMEs

Helena Garbarino-Alberti, Universidad ORT Uruguay, Montevideo, Uruguay

ABSTRACT:

Information Technology (IT) plays an important role in organizations, particularly in small and medium-sized enterprises (SMEs). These firms have a simple structure with less specialized tasks and tight human, financial and material resources, so it is particularly important to use an appropriate IT governance framework (ITG) to such enterprises. This paper shows the results of applying an ITG framework designed for SMEs in a case study focused on IT Human Resources (IT HR) and the lessons learned. Conclusions highlight the importance of the quality of IT HR along with the key role played by related enterprise policies.

Keywords: Enterprise Policies, Human Resources Management, Information Technology (IT) Governance, Resources, Small and Medium-Sized Enterprises (SMEs)

1. INTRODUCTION

In the global economic environment, small and medium-sized enterprises (SMEs) play an important role in promoting economic development (Chang, Chang, Ho, Yen, & Chiang, 2011). Recent studies show that SME development is closely linked to growth. Furthermore, in many economies the majority of jobs are provided by SMEs. In OECD (Organization for Economic Co-operation and Development) countries, for example, SMEs with less than 250 employees employ two-thirds of the formal work force (Ardic, Mylenko, & Saltane, 2011). It is difficult to define what an SME is, though SMEs are commonly defined as registered businesses with less than 250 employees (IFC, 2009). In Italy, Japan and France, the number of SMEs accounted for 99% of the total number of enterprises. In the United States there were more than 15 million SMEs, accounting for 98% of the total number of enterprises, although America was famous for its large enterprises. In Germany, SMEs-related exports value accounted for over 60% of the country total. In China, SMEs accounted for 99.3% of total number of enterprises according to 2006 statistics (Liu, Li, & Zhang, 2012).

In addition, in EU-27 between 2002 and 2008, the number of jobs in SMEs increased at an average annual rate of 1.9% while the number of jobs in large enterprises increased by only

DOI: 10.4018/jhcitp.2013070104
0.8% (Ardic et al., 2011) and represented 99.8% of the enterprises, 99.9% in Spain (European-Commission, 2012). Nowadays, SMEs in the EU are operating their businesses in a difficult macroeconomic environment. In 2011 only Austria, Germany and Malta exceeded their 2008 levels of real value added and employment in their SMEs. One differentiation factor explaining these exceptions is that SME employment is relatively concentrated in high-tech and medium high-tech manufacturing and knowledge-intensive services in those countries. (ECORYS, 2012)

Information Technology (IT hereinafter) has been considered fundamental for the development of productivity and knowledge-intensive products and services (Soto-Acosta, Martinez-Conesa, & Colomo-Palacios, 2010). In European countries, high-tech SME activity is considered to be crucial for achieving the desired structural transformation of economies (Nunes, Serrasqueiro, & Leitão, 2012). But, when compared to larger enterprises, SMEs usually have a simple structure with less specialized tasks and tight human, financial and material resources. Most SMEs have low levels of internal IS expertise, although this varies depending on industry sector. While there are many high-tech SMEs, many have no IS department; no staff with formal IS training, and no IS manager. This situation is a constant, as stated by different authors over time (Adam & O’Doherty, 2000; Cragg, Caldeira, & Ward, 2011).

In a highly competitive world, strategic decisions are a key element for achieving economic success and management excellence in the organizations (Van-Grembergen & De-Haes, 2007). Some of these decisions are related to IT, and in particular, to IT human resources. In any case, IT has become ubiquitous and essential in both ongoing operation and strategic development of almost all organizations (Toomey, 2009). In consequence, many frameworks have been developed, like Cobit 5 (ISACA, 2012) and Calder-Moir (Calder, 2008b). In particular, the IT governance standard ISO/IEC 38500 has been designed for company directors (or equivalents) in all sizes of organizations, making emphasis on the whole business context of IT use, not only technical, financial and scheduling aspects (ISO/IEC, 2008). Some authors conclude that both the foundations and the current application of IT governance suffer from serious limitations (Kooper, Maes, & Roos Lindgreen, 2011); however and according with Mark Toomey (2009), this limitations refer to the implementation of IT-management and IT-control frameworks like the ones mentioned above. The IT contribution to the business is widely recognized, with value creation of IT-investments being one of the most important dimensions of it (ITGI, 2011).

According to the literature (e.g. Colomo-Palacios, Casado-Lumbreras, & García-Crespo, 2011; Colomo-Palacios, Tovar-Caro, García-Crespo, & Gómez-Berbis, 2010), Information Technology work is highly intensive in human capital, which is a key factor in all life cycle of IT related activities; thus, many frameworks have taken human capital into consideration (ISO/IEC, 2008). In the business equation defined by people, process, structure and technology, the last one, technology, has become the enabler of transformation in organizations, but technology alone does not result in improved business systems (Toomey, 2009). People, who can fill different roles, are considered a strategic asset because they are simultaneously resources and capabilities (Taylor et al. cited by Gama, Nunes-da-Silva, & Mira-da-Silva, 2011).

The purpose of this paper is to provide an overview of the lessons learned and the issues that emerged from a project aimed at implementing an IT Governance framework within an SME, focusing the analysis in Human Resource Management issues because “people are still the most complex part of modern, technologically advanced service systems” (Freund & Spohrer, 2013). In agreement with P. Runeson and M. Höst (2009) the case study methodology is well suited to many kinds of research (Colomo-Palacios, Fernandes, Soto-Acosta, & Sabbagh, 2011), and this will be the approach adopted in this paper. In order to do this, the remainder of the paper is structured as follows. Section 2 defines IT Governance, the main principles
Identifying HRM Practices for Improving Information Security Performance: An Importance-Performance Map Analysis
[www.igi-global.com/article/identifying-hrm-practices-for-improving-information-security-performance/212356?camid=4v1a](www.igi-global.com/article/identifying-hrm-practices-for-improving-information-security-performance/212356?camid=4v1a)

Leading Techies: Assessing Project Leadership Styles Most Significantly Related to Software Developer Job Satisfaction
[www.igi-global.com/article/leading-techies-assessing-project-leadership/53826?camid=4v1a](www.igi-global.com/article/leading-techies-assessing-project-leadership/53826?camid=4v1a)