ABSTRACT

Legislators, regulators, and shareholders increasingly demand good governance over all aspects of their business. While much is made of financial governance, most legislation and regulation implicitly recognizes the need for prudent governance of information technology (IT) functions. In this study we conduct an exploratory collective case study of IT governance (ITG) in two financial mutuals—one in Australia and one in Canada—using a contextual lens. In one case, the mutual governs its IT through Board participation in a subsidiary. In the second, governance is delegated to management and a lead director. Both of these mechanisms appear to minimize ITG risk, and are the result of their respective regulatory environments. This research begins to lend some clarity regarding ITG governance choices by firms, and denotes important contextual differences between countries’ regulatory environments. This will allow researchers, managers, and directors to better understand and discriminate between ITG processes and structures. [Article copies are available for purchase from InfoSci-on-Demand.com]

Keywords: Case Study; Financial Services; IS Risk Management; Outsourcing of IS; Strategic Alignment

INTRODUCTION AND RESEARCH OBJECTIVES

Legislators, regulators, and shareholders increasingly demand that directors and managers exercise good governance over all aspects of their business. Indeed, since the release of the Cadbury Report (1992) into corporate governance, much effort has been put into ensuring governance remains high on the agenda of directors and managers. In the wake of such failures as Enron, Parmalat, One-Tel, WorldCom, and HIH, regulators too have made no secret of their willingness to pursue directors and managers who do not exercise good governance over their organizations. As the inimitable Donald Trump recently stated (regarding the Sarbanes-Oxley Act [SOX]): “They [regulators] make you sign documents that basically say every transaction made by everybody in your company is 100 per cent honest. If it isn’t, you go to jail for the rest of your life” (Pitts, 2007).

While much is made of financial governance, implicit in most governance legislation and regulation is the need for prudent governance of organizations’ IT functions. Further,