



DO&IT Seminar Series

Speaker: Bin Gu, Assistant Professor
University of Texas at Austin

Date: Friday, October 24, 2008

Time: 2-3:30 pm

Location: VMH 1314

Title: IT Governance and IT Investment Performance: An Empirical Analysis

Abstract: This study analyzes the influence of IT governance on IT investment performance. IT investment performance is known to vary widely across firms. Prior studies find that the variations are often due to the lack of investments in complementary organizational capitals. The presence of complementarities between IT and organizational capitals suggests that IT investment decisions should be made at the right organizational level to ensure that both IT and organizational factors are taken into consideration. IT governance, which determines the allocation of IT decision rights within a firm, therefore, plays an important role in IT investment performance. This study tests this proposition by using a sample dataset from Fortune 1000 firms. A key challenge in this study is that the appropriate IT governance mode varies across firms as well as across business units within a firm. We address this challenge by developing an empirical model of IT governance that is based on earlier studies on multiple contingency factors of IT governance. We use the empirical model to predict the appropriate IT governance mode for each business unit within a firm and use the difference between the predicted and observed IT governance mode to derive a measure of a firm's IT governance misalignment. We find that firms with high IT governance misalignment receive no benefits from their IT investments; whereas firms with low IT governance misalignment obtain two to three times the value from their IT investments compared to firms with average IT governance misalignment. Our results highlight the importance of IT governance in realizing value from IT investments and confirm the validity of using the multiple contingency factor model in assessing IT governance decisions.

The full paper is available at:

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1145102



Bio: Dr. Bin Gu is an Assistant Professor at The McCombs School of Business at The University of Texas at Austin. He graduated from The Wharton School of University of Pennsylvania with a PhD degree in Operations and Information Management. His research interests include business value of IT, IT governance, electronic commerce, online communities and digital piracy. His research has been published in leading academic journals including *Information Systems Research*, *MIS Quarterly*, *Journal of Management Information Systems*, *Journal of Retailing*, and *Decision Support Systems*. His book chapter appears in *The Broadband Explosion* published by Harvard Business School Press.