

# Information technology (IT) governance and IT capability to realize firm performance: enabling role of agility and innovative capability

IT governance  
and IT  
capability

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## Abstract

**Purpose** – With the ever-growing turbulent business setting, there is a great interest to study how a firm tailors information technology (IT) capability to shape agility and innovation capability to stay ahead of the competition. This study examines how IT governance and IT capability can be tailored to achieve firm performance through agility and innovative capability in a turbulent environment.

**Design/methodology/approach** – Drawing on the dynamic capability theory, this study based on the primary survey data of 253 responses from senior IT and business executives in China proves the hypothesized relationship in the proposed model.

**Findings** – This study shows that the IT governance mechanism positively impacts on IT-enabled dynamic capabilities. Further, IT-enabled dynamic capabilities positively impact on agility and innovative capability that in turn support to achieve firm performance. The environmental uncertainty is only significant in the IT-enabled dynamic capabilities–business process agility relationship.

**Research limitations/implications** – This study suggests corporate leaders and executives to better exploit their resources and tailor IT capabilities in the turbulent environment. Further, this study offers theoretical and practical implications.

**Originality/value** – This study proposes ways for executives to examine the multifaceted nature of environmental uncertainty to achieve agility, innovation and firm performance rather than simply investing in IT.

**Keywords** IT governance, IT capabilities, Dynamic capability, Agility, Innovative capability, Firm performance

**Paper type** Research paper

## 1. Introduction

Effective information technology (IT) governance allows to create IT capability, and that in turn results in superior firm performance (Zhang *et al.*, 2016). The IT governance capabilities lead to IT-based synergies through IT collaboration and business process connectivity (Kude *et al.*, 2017). The conventional perspective of IT governance does not adequately address today's strategic, managerial and technical uncertainty in the business environment (Dong, 2012). As an essential part of enterprise governance, IT governance involves a collection of IT governance mechanisms to be applied more efficiently to inspire a connection with corporate mission, policy, culture, morals, customs and business processes (Wu *et al.*, 2015; Van Grembergen and De Haes, 2009; Ali and Green, 2012; Dong, 2012). Irrespective of the few studies on the IT governance–firm performance relationship, there is a little consent on how exactly IT governance delivers firm performance (Wu *et al.*, 2015).

The prior studies permit further investigation to shed more light on the effects of IT governance with other facets, for instance, structures and process (Ali and Green, 2012), IT-enabled capabilities (Boh and Yellin, 2006), sustainable IT-related capabilities

