


IT Governance mechanism and IT-enabled dynamic capabilities drives firm performance: An empirical study in Sri Lanka

Information Development
1–17
© The Author(s) 2022
Article reuse guidelines:
sagepub.com/journals-permissions
DOI: 10.1177/02666669221074259
journals.sagepub.com/home/idv


Aboobucker Ilmudeen 

Department of Management and IT, Faculty of Management and Commerce, South Eastern University of Sri Lanka, Oluvil, Sri Lanka

Abstract

Despite the growing amount of IT investment, IT governance decisions have ever more become complicated due to vague cost relationships, uncertain payoffs, rapid technological changes, and uncertain business environments. This study examines how IT governance mechanism and IT-enabled dynamic capabilities (ITDC) impact on firm performance in the turbulent environment. Drawing on the resource-based theory and dynamic capability theory this study conceptualizes that IT governance mechanism positively effect ITDC, that in turn positively impact on business process agility and firm innovative capability to achieve firm performance. Further, the moderating effect of turbulent environment is hypothesized between ITDC - business process agility and ITDC - firm innovative capability relationship. The finding from 188 senior IT and business manager's responses from Sri Lanka reveals the strong and positive relationship in the hypothesized relationship. In contrary to the expectation, the turbulent environment's both hypotheses (H6a and H6b) failed to show a significant moderating effect. This study proposes the theoretical and practical implications by empirically testing the proposed model in the Sri Lankan context. This study adds to the existing literature and extends the managerial practice by focusing on the key constructs such as IT governance mechanism, ITDC, Turbulent environment, and firm performance

Keywords

IT governance mechanism, IT-enabled dynamic capabilities, turbulent environment, firm performance

Submitted: 27 August 2021; accepted: 28 December 2021

Introduction

Businesses have invested a massive amount of money in IT; however, the payoff from IT is always a major concern for managers and executives. In spite of the growing amount of IT investment, IT governance decisions have ever more become complicated due to vague cost relationships, uncertain payoffs, rapid technological changes, and uncertain business environments. The traditional view of IT governance may not sufficiently address today's strategic, managerial, and technological complexity and it no longer resembles with what is trendy in the real world business phenomenon. Likewise, today's business environments have become ever more dynamic and competitive

hence the dominance of IT-enabled dynamic capability (ITDC) in modern firms have deepened the significance of adopting IT governance mechanisms.

Though, the effect of IT governance on firm performance has been extensively studied still a gap exists to study how IT governance impact on firm performance (Wu et al., 2015). IT governance requires a set of IT governance mechanisms to implement more effectively as to inspire with the corporate mission, strategy, culture,

Corresponding author:

Department of Management and IT, South Eastern University of Sri Lanka, Oluvil, Eastern 32360, Sri Lanka.

Email: ilmudeen16@gmail.com, ilmudeena@seu.ac.lk