Exploring the Influence of IT Governance on Digital Innovation

Jennifer Jewer, Memorial University, jenniferj@mun.ca

As organizations increasingly turn to digital innovation to enable new value propositions (i.e. new products or services using digital technologies), there is a need to understand the IT governance practices that facilitate and provide oversite of this process. Traditionally, the purpose of the IT function has been to provide IT services to increase operational efficiency and enable information sharing; however, with digital innovation the IT function is increasingly expected to provide support for digital innovation in addition to these traditional IT services. This changes the way that IT should be governed in an organization.

We define digital innovation as the creation and use of digital technology to enable new revenue generation and growth, and make the distinction from digitization which is focused on operational efficiency and reliability. Digital innovation is a subset of innovation which challenges the key assumptions regarding how decisions are made around innovation. Key differences include the boundaries of innovation development, the agency for innovation, and the relationship between innovation processes and outcomes (Nambisan, Lyytinen, Majchrzak & Song, 2017). These differences are compelling organizations to re-examine questions such as where should the decision-making power lie, and which IT governance practices would help coordinate the digital innovation process.

This study examines how IT governance design, in particular how different structures, processes and relational mechanisms working together, have an impact on how quickly and effectively organizations are able to innovate digitally. IT governance is the framework of decision rights and accountabilities for the IT decisions that require formal decision making in an organization. The common governance practices address a number of facets, including the formalized structures (i.e. CEO, CIO or top management versus a cross-functional team responsible), processes (i.e. the role of IT performance measurement or service level agreements between business and IT), and relational mechanisms (i.e. the use of cross-training or co-location of business and IT people) for IT decision-making in an organization. IT governance has been shown to influence the benefits received from IT investments; however, there has been limited examination of its impact specifically on digital innovation – where the technology plays a major, strategic role in value generation, not merely as part of the supporting infrastructure.

A Delphi study will be conducted with IT leaders in organizations recognized for their digital innovations in order to identify best practices in IT governance. With the growing rate of digital innovation in organizations, this study has the potential to offer insights into the IT governance mechanisms which stimulate and orchestrate the digital innovation process.

References
Nambisan, S., Lyytinen, K., Majchrzak, A., & Song, M. (2017). "Digital innovation management: reinventing innovation management research in a digital world," *MIS Quarterly*, 41: 223–238.