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## The Effects of Business–IT Strategic Alignment and IT Governance on Firm Performance: A Moderated Polynomial Regression Analysis

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### Abstract

Organizations use IT to navigate uncertain, rapidly changing, and competitive environments. To achieve this, understanding the implications of the interplay among firm strategy, information technology (IT), and IT governance is critical to understanding firm success. In this work, we investigate the synergistic effects of business–IT strategic alignment (hereafter “alignment”), misalignment, and effectiveness of IT governance on firm performance among organizations with proactive/first-mover strategic orientations (hereafter “proactive organizations”). Using data from 87 organizations, we tested a moderated polynomial model that predicts alignment and misalignment’s effect on firm performance. The results indicated that effective IT governance in proactive organizations positively moderated the curvilinear relationship between alignment, misalignment, and firm performance. This paper contributes to research by offering a curvilinear and three-dimensional representation of the relationship between alignment, misalignment, and firm performance and by illustrating the moderating facets of IT governance. Moreover, for practice, it sheds light on the effects of misalignment, suggesting that proactive organizations with more effective IT governance are not likely to struggle with mild misalignment but may suffer more deleterious effects from severe misalignment. Our research sheds light on the conditions under which IT governance and alignment influence firm performance.

**Keywords:** Business–IT strategic alignment, IT governance, firm performance, moderated polynomial regression analysis, response surface analysis methodology