

ABSTRACT

Due to the disruption of the latest technology, such as startups, the acceleration of the COVID-19 pandemic and changes in stakeholder behavior have forced many organizations to be able to digital transformation (DT). However, the facts prove that many failures in investment are related to the lack of good governance practices. Previous research has shown IT governance (ITG) significantly improves organizational performance. However, there are still not many studies that can show the effect of structural, process, and relational ITG mechanisms on the success of DT. Current research has found an impact of implementing hybrid ITG on DT, but it has not shown any relationship to performance. Therefore, the researcher proposes a hypothesis: the influence of agile/adaptive and traditional ITG mechanisms on DT and organizational performance. The survey method is performed by distributing questionnaires to 73 respondents on three lines of defense, from senior management to IT managers (architects, planners, operations, developers, services, quality assurance, security) and business (HR and planning), as well as auditors internal and risk management. The analysis in this study uses Structural Equation Modeling assisted by SmartPLS tools. Bank B was the research object chosen because the banking industry in the digital era is greatly affected by the rise of fintech. This study's results showed a significant and positive correlation between agile/adaptive and traditional ITG mechanisms on DT and a significant and positive correlation between DT and organizational performance. This research contributes to researchers exploring details about the ITG mechanism on the success of DT and subsequent organizational performance as well as practitioners implementing it in related industries.

Keyword—IT governance, digital transformation, performance, structural equation modeling, bank