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**INFORMATION TECHNOLOGY GOVERNANCE AND ACCOUNTING PERFORMANCE
ON FIRM PERFORMANCE OF THAI-LISTED FIRMS**

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Information Technology Governance and Accounting Performance On Firm Performance of Thai-Listed Firms

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ABSTRACT

The objective of this research is to examine the relations between Information Technology Governance on Firm Performance via Accounting Discloser Quality, Accounting Information Transparency, Accounting Information Valuable and Accounting Performance. Data collection is done by sending the questionnaires to chief financial officer in Thai-Listed Firms; measurements of constructs both the validity and reliability use the Ordinary Least Squares (OLS) regression analysis to test the hypotheses relationship and estimate factors affecting the Firm Performance. The results show the Information Technology Governance has positive relationships with Accounting Discloser Quality, Accounting Information Transparency, Accounting Information Valuable and Firm Performance. Theoretical, managerial and research implications are also discussed.

Keywords: *Information Technology Governance, Accounting Discloser Quality, Accounting Information Transparency, Accounting Information Valuable, Accounting Performance, Firm Performance*

1. INTRODUCTION

The Enron Bankruptcy, accompanied by the WorldCom debacle and other corporate scandals, has caused a sea change in the attention given corporate governance and in how directors are viewed by the public, shareholders, employees, and the courts (Brancato & Plath, 2003, p.7). These high-profile corporate governance failures have led to new laws and regulations designed to force improvement in organizational governance, security, controls and transparency (ITGI, 2006).

Information technology governance is a subset discipline of Corporate Governance. Although it is sometimes mistaken as a field of study on its own, IT Governance is actually a part of the overall corporate governance strategy of an organization. IT Governance focuses specifically on information technology systems, their performance and risk management. The primary goals of IT Governance are to assure that the investments in IT generate business value, and to mitigate the risks that are associated with IT. This can be done by implementing an organizational structure with well-defined roles for the responsibility of information, business processes, applications and infrastructure. IT governance is the responsibility of the board of directors and executive management. It is an integral part of enterprise governance and consists of the leadership and organizational structures and processes that ensure that the organization's IT sustains and extends the organization's strategies and objectives. IT governance is needed to ensure that the investments in IT generate value-reward-and mitigate IT-associated risks, avoiding failure. In summary, IT is an integral part of the public sector programmed delivery. IT governance is an integral part of corporate governance. IT governance ensures that IT goals are met and IT risks are mitigated such that IT delivers value to sustain and grow the organization. IT governance drives strategic alignment between IT investment and programmed delivery and must judiciously measure performance. Accounting information System (AIS) to make the reported financial information useful, the AIS must provide meaningful information to inform financial statement users in making rational decisions. According to FASB Concepts Statement 2, "the qualities that distinguished better (more useful) information from inferior information (less useful) are primarily the qualities of relevance and reliability, with some other characteristics that those qualities imply" (FASB, 1980).

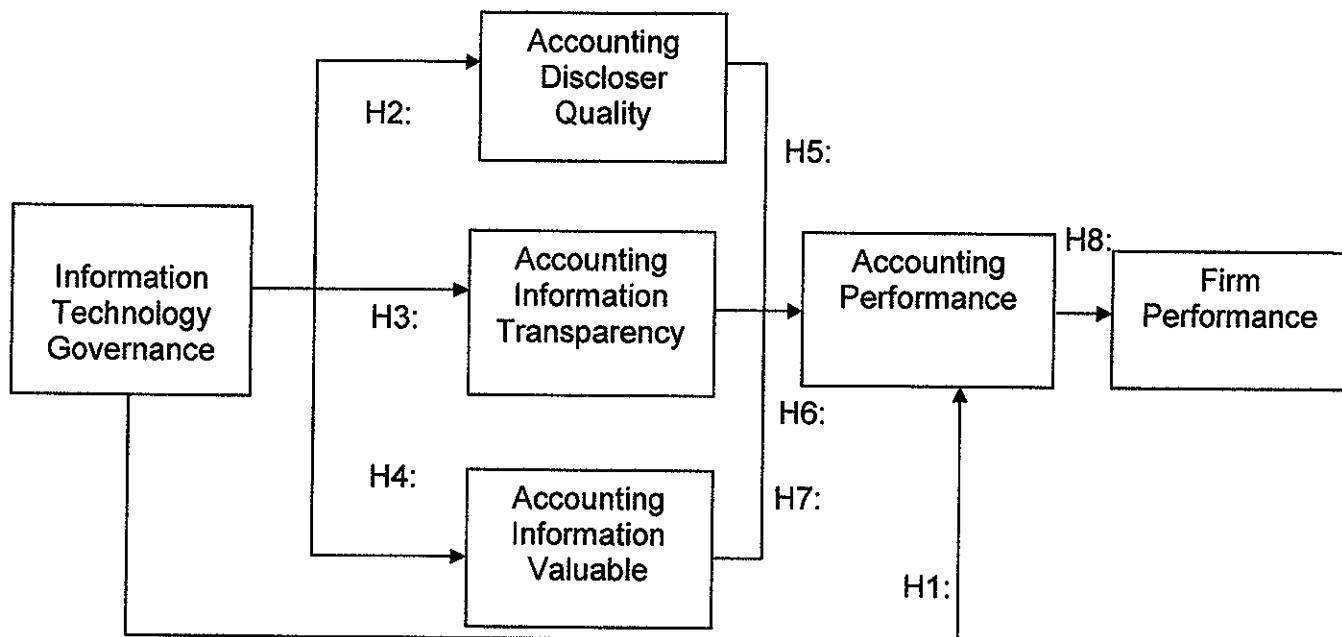
There is a lack of knowledge of the implementation of Information technology governance within accounting information system and does not find studies that have examined the relationship between the usefulness of accounting information and IT governance in the accounting sector in Thailand, the benefits of implementing such technologies and identification of the best model for implementation in Thailand. The purpose of this research is also proposed to develop a model to guide the implementation of Information technology governance with focus on five information technology domains (ITGI, 2003). Domains are used as a framework for building an IT governance program in the Thai-Listed Firms sector in Thailand.

In the next section, the conceptual framework is presented, and a set of testable hypotheses is proposed. Methods of the study are then introduced, which include information about the sample, study measures, data analysis, and test results. Following a discussion of the results, implications and limitations are offered.

2. RELEVANT LITERATURE ON INFORMATION TECHNOLOGY GOVERNANCE AND ACCOUNTING PERFORMANCE

The conceptual model shown in Figure 1 was drawn based on the literature review and uses the responsibilities checklist (Brancato & Plath, 2003) is intended to assist directors of publicly traded companies in identifying effective board practices (Brancato & Plath, 2003) and structures (Varallo & Dreisbach, 1996) within the five IT governance domains identified by the IT Governance Institute (ITGI) (2003) including IT Strategic Alignment, IT Value Delivery, IT Resource Management, IT Risk Management, and IT Performance Management. Human capital theory suggests that the potential value contribution of a partner depends on her competence to solve the tasks and problems that are connected with her job profile (Richards, J.; 2006).

**FIGURE 1 CONCEPTUAL MODEL
INFORMATION TECHNOLOGY GOVERNANCE AND ACCOUNTING PERFORMANCE
ON FIRM PERFORMANCE OF THAI-LISTED FIRMS**



1. Information Technology Governance, Accounting Discloser Quality, Accounting Information Transparency and Accounting Information Valuable, Accounting Performance and Firm Performance

Prior Researches have studies describe the positions of chief executive officer (Hoffman, 2004), chief information officer (Rau, 2004), and chief financial officer (Hoffman, 2004) are all identified as essential to IT governance leadership. These professionals must provide the leadership, organizational structures, and processes that are needed to ensure that IT governance becomes an integral part of overall enterprise governance (ITGI, 2003, p.6). To analyze literature related to the role of information technology (IT) within IT governance, concerning both the practice (Brancato & Plath, 2003)

The Information Technology Governance Institute (ITGI) (2003), (a research think tank with a mission to be the leading reference on IT-enabled business systems governance), describes the overall objective of IT governance thusly: to understand the issues of and strategic importance of IT, so that the enterprise can sustain its operations and implement the strategies required to extend its activities into the future. Rau (2004) defines IT governance as the way senior management interacts and communicates with IT leaders to ensure that technology investments enable the achievement of business strategy in an effective and efficient manner (p. 35). IT governance concerns can be framed by two larger overarching goals: 1) the ability of IT to deliver value to the business, which is driven by the strategic alignment of IT with business, and 2) the mitigation of IT risks, which is driven by embedding accountability into the enterprise (ITGI, 2003, p. 19). The IT governance domains are chosen as categories for content analysis (Colorado State Writing Lab, 2006) because ITGI (2003) has identified them as a suitable framework for building an IT governance program. The categorized in relation to the five domains of IT governance, including IT Strategic Alignment, IT Value Deliver, IT Resource Management, IT Risk Management and IT Performance Management. IT governance consists of the leadership and organizational structures and processes that endure the organization's IT sustains and extends the organizations strategies and objectives (ITGI, 2003, p. 10). The FASB has identified the qualitative characteristics of accounting information to ensure that information reported in the financial statements is of adequate quality to assist users make decisions. These qualitative characteristics were revised in 2010 by the International Accounting Standards Board (IASB) and FASB (FASB 2010; IASB 2010). As a result, it is now a hierarchy of qualitative characteristics: fundamental and enhancing. To be useful for decision making, information must have both the two fundamental characteristics. The enhancing characteristics are not essential, but can improve the usefulness of the information (Rankin, Stanton, McGowan, Kimberly & Tilling, 2012, 35). Under the new conceptual framework the two fundamental qualitative characteristics are relevance and faithful representation (previously referred to as reliable). Relevance addresses the pertinence of an economic construct (e.g., fair value, historical cost) to a user's decision (W.R.& Balloon, A.M.; 2005, Brancato, K.B. & Plath; 2005, Bost, T.H. (2003; 2003).

Information Technology Governance and Accounting Discloser Quality

AIS is the core system of organization and involved data from every department and functions in the entity (Gordon & Seller, 1984) and its output is considered the primary source of necessary information in the decision making process. Most companies must decide on the optimal organizational structure to support the work flow, risk controls and communication necessary for effective governance (Atkinson & Leandri, 2005, Chaveerug; 2011) and IT governance related to specific aspects of financial reporting or internal controls. IT governance framework designed to meet raised expectations for information asset security and information reporting. Information security governance must be an integral part of enterprise governance and aligned with the IT governance framework. For this reason, this reference is selected as one entry in the data set for content analysis. Coding reveals any presence of concepts describing IT governance and information security governance (Damianides, M.; 2005, Romney & Steinbart, 2006).

Information Technology Governance and Accounting Information Transparency

Transparency is the most important issue in today's business environment. Transparency is defined as going beyond the obligation of a corporation to disclose information. The addition of transparency is identified as the driving force for restoring trust (Peterson, R., 2004) and IT governance is identified as the driver of transparency across the organization (Richards, 2006). Corporations optimizing transparency to become more competitive and profitable. It helps covers the oversight of internal control by management through continuous and point-in-time assessment processes (ITGI, 2004, p. 55; Lander; 2004, Pagano B. & Pagano E; 2004).

Information Technology Governance and Accounting Information Valuable

In complex and dynamic business environment, information technology (IT) is used to support AIS to produce beneficial information for decision making. IT is currently important for the AIS to satisfy the information requirements of the decision makers. Accordingly, there are six interrelated components of the AIS: people, procedures and instructions, data, software, information technology infrastructure, and internal controls and security measures (McCollum; 2006). AIS provide information for internal and external users. The companies view the new laws as opportunities to improve internal controls, improve the performance of the board, and improve their public reporting – they will ultimately be better run, more transparent, and therefore more attractive to investors (Richards, 2006). Researchers and practitioners began pointing towards the need to link information systems with business and connect business strategy with information system strategy (Orlikoff, J.E; 2005, Lander, G.P; 2004). This characterization of transparency aligns with characterizations of IT governance supporting improved business value. In an Internet-based , Web applications in the context of the Net Economy are therefore considerably different from traditional enterprise applications, which have a supporting function with respect to value creation activities and are mostly used for internal purposes. IT governance has increased considerably with the passage the SOX and several sections of this act directly affect the IT governance as it is considered as an integral part of overall enterprise governance. Also, due to its significant role that plays in the security and stability of AIS computer-based and enhancing the usefulness of accounting information that is provided to financial statement users.

Therefore, posit the hypotheses as below:

H1: Information Technology Governance is positively associated with the Firm Performance

H2: Information Technology Governance is positively associated with the Accounting Discloser Quality

H3: Information Technology Governance is positively associated with the Accounting Information Transparency

H4: Information Technology Governance is positively associated with the Accounting Information Valuable

2. Accounting Discloser Quality, Accounting Information Transparency, Accounting Information Valuable, Accounting Performance, Firm Performance

IT governance perspective, the choices regarding the acquisition, training and development of the individual competencies required to effectively manage and operate the IT infrastructure are of particular interest (Henderson & Venkatraman, 1999; Van Grembergen, De Haas & Guldentops; 2004, Galliers, R.D. & Leidner, D.E.; 2003). Management has put processes and practices in place that ensure IT delivers provable value to the business involves the identification and analysis by management of relevant risks to achieve predetermined objectives, which form the basis for determining control activities (Galliers, R.D. & Leidner, D.E; 2003) and improving the quality of corporate disclosure and financial reporting, strengthen the independence of accounting

firms, and increase the role and responsibility of corporate officers and directors in financial statements and corporate disclosures (Bost, 2003, p.1) Accessibility of information to stakeholders of institutions, regarding matters that affect their interests (Tapscott & Ticoll, 2003, p. 22). Therefore, posit the hypotheses as below:

H5: Accounting Discloser Quality is positively associated with the Accounting Performance

H6: Accounting Information Transparency is positively associated with the Accounting Performance

H7: Accounting Information Valuable is positively associated with the Accounting Performance

H8: Accounting Performance is positively associated with the Firm Performance

3. RESEARCH METHODS

3.1 Sample Selection

The sample data for this study were chief financial officer *in* Thai-Listed Firms. Deducting the undeliverable from the original 484 mailed, the valid mailing was 18 surveys from which 387 responses were received. Of the surveys completed and returned, only 356 were usable. The effective response rate was approximately 20.26%. According to Aaker, Kumar and Day (2001), the response rate for a mail survey, without an appropriate follow-up procedure, is less than 20%. Thus, the response rate of this study is considered acceptable. Following Armstrong and Overton (1977) tested for differences between early and late respondents and found no significant differences, indicating that non response bias was not a major problem in this study.

3.2 Questionnaire Design and Measurements

3.2.1 Questionnaire Design

The design of the questionnaire of this study is adopted several from sources of data, including previous instruments developed by other researchers and the research framework developed from the relevant literature. Most of the questions were in closed form using a Likert-type scale, all scored on five-point numerical scale from 1=strongly disagree to 5=strongly agree. A half page empty space at the end of the questionnaire is provided to give respondents an opportunity to express anything else that they would like to add. Before using the data collected, the pre-testing was undertaken (Hunt et al., 1982, Presser & Blair, 1994, Babbie, 2005). Pre testing was intended to identify whether there were any ambiguous or unanswerable questions, to identify whether the wording or layout could be adjusted, whether the meaning the researcher believed was associated with a question, and how others perceived it. A draft of the questionnaire was sent to academics at University of Mahasarakham to examine and approve the construct validity. Academics are served as respondents and assist in testing the instrument; comments and suggestions were used to revise the instrument in terms of readability, validity.

3.2.2 Measurements

The design of the questionnaire of this study is newly developed from several sources of data, including previous instruments developed by other researchers and the research framework developed from the relevant literature.

All of the questions are in closed form using a Likert-type scale. All are scored on five-point numerical scale from 1=strongly disagree to 5=strongly agree. The measurement analysis emphasizes explanation of the reliability and validity of new instruments for measuring these constructs.

3.2.2.1 Dependent Variables

Accounting Performance measured via 6 items that the operational efficiency, cost savings, reduction of human errors and it offers a means for increasing productivity and management, control of data; the management and control of the transactions processed; and the management and control of the information produced

Firm Performance measured via 6 items that the provide an organization with good opportunities to add value to its products and services, assist in competitive positioning, contain costs and improve administrative efficiency; and increase an organization's managerial effectiveness.

3.2.2.2 Independent Variables

Information Technology Governance measured via 15 items include the five IT governance domains identified by the IT Governance Institute (ITGI) (2003) including IT Strategic Alignment, IT Value Delivery, IT Resource Management, IT Risk Management, and IT Performance Management.

Accounting Discloser Quality was measured using 6 items to test the Integrity, accuracy and currency of information, to produce high quality information

Accounting Information Transparency was measured using 6 items to test the gathers, classifies, processes, analyzes, and provides financial information to external parties and management for decision making

Accounting Information Valuable was measured using 6 items to test the usefulness of accounting information that is provided to external users, as well as keep pace with inventions concerning the IT governance

3.3 Validity and Reliability

An assessment of the reliability of the constructs and the validity of the instrument were conducted to establish the reliability and validity of the instrument.

Reliability; the most common measure of scale reliability is Cronbach's Alpha. Prior to conducting factor analysis on the data, it was considered useful to check the reliability of the scale used to confirm that the scale used consistently reflects the scale they are measuring (Field, 2005).

Validity; to identify any remaining issues the test instruments pre-testing was undertaken (Hunt et al., 1982, Presser & Blair, 1994, Babbie, 2005). Pre testing was intended to identify whether there were any ambiguous or unanswerable questions, to identify whether the wording or layout could be improved, whether the meaning the researcher believed was associated with a question was how others perceived it.

Factor analysis was firstly utilized to investigate the underlying relationships of a large number of items and to determine whether they can be reduced to a smaller set of factors. The factor analyses conducted were done separately on each set of the items representing a particular scale due to limited observations. With respect to the confirmatory factor analysis, this analysis has a high potential to inflate the component loadings. Thus, a higher rule-of-thumb, a cut-off value of 0.40 was adopted (Nunnally and Berstein, 1994). All factor loadings are greater than the 0.40 cut-off and are statistically significant. The reliability of the measurements was evaluated by Cronbach alpha coefficients. In the scale reliability, Cronbach alpha coefficients are greater than 0.70 (Nunnally and Berstein, 1994). The scales of all measures appear to produce internally consistent results; thus, these measures are deemed appropriate for further analysis because they express an accepted validity and reliability in this study. Table 1 shows the results for both factor loadings and Cronbach alpha for multiple-item scales used in this study.

TABLE 1
RESULTS OF MEASURE VALIDATION

Items	Factor Loadings	Cronbach Alpha
Firm Performance	0.81 – 0.83	0.89
Accounting Performance	0.82 – 0.90	0.90
Information Technology Governance	0.85 – 0.86	0.85
Accounting Discloser Quality	0.82 – 0.86	0.84
Accounting Information Transparency	0.82 – 0.84	0.82
Accounting Information Valuable	0.85 – 0.91	0.90

3.4 Statistic Test

This research uses the Ordinary Least Squares (OLS) regression analysis to test the hypotheses and estimate factors affecting audit performance. Because both dependent and independent variables in this study were neither nominal data nor categorical data, OLS is an appropriate method for examining the hypotheses relationships (Aulakh, Kotabe and Teegen, 2000). In this research, the model of aforementioned relationships is as follows:

$$\begin{aligned} \text{Equation 1: ITG} &= \beta_{01} + \beta_1 \text{AP} + e \\ \text{Equation 2: ITG} &= \beta_{01} + \beta_2 \text{ADQ} + \beta_3 \text{AIT} + \beta_4 \text{AIV} + e \\ \text{Equation 2: ADQ} &= \beta_{02} + \beta_5 \text{AP} + e \\ \text{Equation 3: AIT} &= \beta_{03} + \beta_6 \text{AP} + e \\ \text{Equation 4: AIV} &= \beta_{04} + \beta_7 \text{AP} + e \\ \text{Equation 5: AP} &= \beta_{05} + \beta_8 \text{FP} + e \end{aligned}$$

Where as:

FP = Firm Performance, AP = Accounting Performance; ITP = Data Mining Technology Efficiency; ADQ= Enhancing Accounting Discloser Quality; AIT = Accounting Information Transparency; AIV = Accounting Information Valuable

4. RESULTS AND DISCUSSION

The descriptive statistics and correlation matrix for all variables are shown in Table 2. The results of OLS regression according to hypotheses are estimated as shown in Tables 3.

Table 2 shows the descriptive statistics and correlation matrix for all variables. With respect to potential problems relating to multicollinearity, variance inflation factors (VIF) were used to provide information on the extent to which non-orthogonality among independent variables inflates standard errors. The VIFs range from 1.01 to 2.15, well below the cut-off value of 10 recommended by Neter, Wasserman and Kutner (1985), meaning that the independent variables are not correlated with each other. Therefore, there are no substantial multicollinearity problems encountered in this study.

TABLE 2
DESCRIPTIVE STATISTICS AND CORELATION MATRIX

Variables	AS	DME	EPA	FPA	EDM
Mean	3.82	3.76	3.72	3.84	3.82
Firm Performance					
Accounting Performance	0.62**				
Information Technology Governance	0.68**	0.66**			
Accounting Discloser Quality	0.70**	0.68**	0.70**		
Accounting Information Transparency	0.72**	0.64**	0.70**	0.74**	
Accounting Information Valuable	0.68**	0.66**	0.68**	0.72**	0.74**

* p<.05, ** p<.01

Table 3 presents the results of OLS regression of the relationship between the Information Technology Governance on Firm Performance via Accounting Discloser Quality, Accounting Information Transparency, Accounting Information Valuable and Accounting Performance. The first set of research hypothesis focused on the relationships between the Information Technology Governance and Accounting Discloser Quality, Accounting Information Transparency, Accounting Information Valuable and Accounting Performance (Hypotheses 1 - 4) are shown in Table 3. The evidence indicates that the Information Technology Governance (H1: $b_1 = 0.68$, $p < 0.01$) has a positive and significant effect on the Accounting Performance. Therefore, Hypothesis 1 is supported.

The Information Technology Governance (H2: $b_2 = 0.62$, $p < 0.01$) has a positive and significant effect on the Accounting Discloser Quality. Therefore, Hypothesis 2 is supported.

The Information Technology Governance (H3: $b_3 = 0.60$, $p < 0.01$) has a positive and significant effect on the Accounting Information Transparency. Therefore, Hypothesis 3 is supported.

The Information Technology Governance (H4: $b_4 = 0.64$, $p < 0.01$) has a positive and significant effect on the Accounting Information Valuable. Therefore, Hypothesis 4 is supported.

The second set of the hypotheses concentrated on the relationships between the Accounting Discloser Quality, Accounting Information Transparency, Accounting Information Valuable and Accounting Performance (Hypotheses 5 - 7) in Table 3. The evidence indicates that the Accounting Discloser Quality (H5: $b_5 = 0.61$, $p < 0.01$) has a positive and significant effect on the Accounting Performance. Therefore, Hypothesis 5 is supported.

The Accounting Information Transparency (H6: $b_6 = 0.62$, $p < 0.01$) has a positive and significant effect on the Accounting Performance. Therefore, Hypothesis 6 is supported.

Accounting Information Valuable (H7: $b_7 = 0.65$, $p < 0.01$) has a positive and significant effect on the Accounting Performance. Therefore, Hypothesis 7 is supported.

The third set of research hypotheses states that the Accounting Performance is expected to positively drive the Firm Performance (Hypothesis 8) in Table 3. Accounting Performance has a strong influence on Firm Performance (H8: $b_8 = 0.64$, $p < 0.01$);

TABLE 3
RESULTS OF OLS REGRESSION ANALYSYS^a

Independent variables	Dependent Variable					
	AP	EPA	FPD	EDA	AP	FP
Information Technology Governance	0.68*** (0.06)	0.62*** (0.04)	0.60*** (0.08)	0.64*** (0.04)		
Accounting Discloser Quality					0.61*** (0.06)	
Accounting Information Transparency					0.62*** (0.07)	
Accounting Information Valuable					0.65*** (0.10)	
Accounting Performance						0.64*** (0.10)
Adjusted R2	0.68	0.66	0.64	0.62	0.60	0.62

*** $p < .01$, a Beta coefficients with standard errors in parenthesis.

5. CONTRIBUTIONS

5.1 Theoretical Contributions

The research contributes to the extension of the direct effects of IT governance; i.e., value delivery and strategic alignment, risk management, resource management, and performance measurement, on the usefulness of accounting information presented in the financial statements. The outcome of the research provides an empirical evidence for the relationship between IT governance and the usefulness of accounting information.

5.2 Practical Implications

Firm can provides valuable insights into the role of IT governance in enhancing the usefulness of accounting information, which is presented in the financial statements, and improving the ability of the AIS to produce high quality information. Implementation of IT governance and focus on all its domains due to their significant impact on increasing the usefulness of accounting information that is provided to external users, as well as keep pace with inventions concerning the IT governance. Additionally, the Thai companies should take a great and deep interest in developing a governance corporate guide that emphasizes on IT governance.

6. CONCLUSION

In this study, the model to investigate the direct effects of IT governance for uses a set of pre-defined concepts based on the five domains of IT governance (ITGI, 2003): 1) IT Strategic Alignment, 2) IT Value Delivery, 3) IT Risk Management, 4) IT Resource Management, and 5) IT Performance Management on the usefulness of accounting information presented in the financial statements of Thai-Listed Firms sector in Thailand. The results can used to describe IT strategic alignment. Technology investment decisions are aligned with business goals. IT strategy becomes a fully integrated part of business strategy, thus maximizing alignment and used by boards of directors as educational tools and should be distributed to the board company to any IT governance planning and understand the overall architecture of the company's IT applications portfolio as well as its asset management strategy. To sum up, ITG integrates and institutionalizes best practices of planning and organizing, acquiring and implementing, delivering and supporting, and monitoring IT performance to ensure that the organization's information and related technology support its business objectives. IT governance can be framed within the larger field of strategic system planning as corporations direct their focus from compliance as a necessary evil to compliance as a competitive advantage.

7. LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

This study emphasizes the importance of the IT governance and links accounting performance, but it does not address the issue of how the IT governance should be carried out. This research has some limitations. Next study should use detailed field-based studies, longitudinal case studies, and case surveys and to test different audit environmental influences to each of the factors identified in the model in these difference contexts.

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