THE RELATIONSHIP BETWEEN INNOVATION AND INFORMATION TECHNOLOGY ON ORGANIZATIONAL PERFORMANCE

NOOR AZINUDDIN BIN AHMAD

MASTER OF HUMAN RESOURCE MANAGEMENT
UNIVERSITI UTARA MALAYSIA
December 2015
THE RELATIONSHIP BETWEEN INNOVATION, INFORMATION TECHNOLOGY, AND ORGANIZATIONAL PERFORMANCE

By

NOOR AZINUDDIN BIN AHMAD

Thesis submitted to
School of Business Management (SBM),
University Utara Malaysia
in partial Fulfilment of the requirements for the
Master of Human Resource Management

©Noor Azinuddin bin Ahmad, 2015. All rights reserved.
PERMISSION TO USE

In presenting this project paper in a partial fulfillment of the requirements for a Post Graduate degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this project paper in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor or in their absence, by the Dean of School of Business Management, College of Business where I did my project paper. It is understood that any coping or publication or use of this project paper or parts of it for financial gain shall not be allowed without any written permission. It is also understood that due recognition shall be given to me and to the UUM in any scholarly use which may be made of any material in my project paper.

Request for permission to copy or to make other use of materials in this project paper on whole or in part should be addressed to:

Dean of School of Business Management, College of Business
Universiti Utara Malaysia (UUM)
06010 Sintok Kedah Darul Aman
ABSTRACT

Organizational performance is important to the organization. This is because it will be the benchmark to the organization whether the organization achieves their vision and mission or not. In order to ensure the company stay competitive, the organizational performance can be as a determined in order to ensure that the organization could be successful in the future. Hence, the purpose of this study is to know the relationship between innovation and information technology on the organizational performance in Malaysian Public Listed Companies. A cross-sectional study was chosen for this study. There are two objectives in this study, first is to evaluate the relationship between innovation with organizational performance in Malaysian Public Listed Companies. Second is to examine the relationship between information technology and organizational performance in Malaysian Public Listed Companies. Data were gathered through the online questionnaire survey of organizations (n=31). A total of 214 questionnaires were distributed to the Malaysian public listed companies by email and only 31 questionnaires were returned for analysis. The data has been analysed by using Statistic Package for Social Sciences (SPSS). Regression results have shown the innovation has no relationship with the organizational performance. Meanwhile, the results indicated that information technology has a significant and positive relationship with organizational performance. The implications of this study is the organization need to use information technology in order to enhance the organizational performance of the company. Besides that, information technology is the important tool to make the work become more effective and at the same time, the company can stay competitive in the market.

Keywords: Innovation, Information Technology, Organizational Performance, Malaysian Public Listed Companies
ABSTRAK

Prestasi organisasi adalah penting kepada organisasi. Ini kerana ia akan menjadi penanda aras kepada organisasi sama ada organisasi mencapai visi dan misi mereka atau tidak. Dalam usaha untuk memastikan syarikat kekal berdaya saing, prestasi organisasi menjadi penting dalam usaha memastikan organisasi berjaya pada masa hadapan. Oleh itu, tujuan kajian ini adalah untuk mengetahui hubungan antara inovasi dan teknologi maklumat kepada prestasi organisasi dalam Syarikat Tersenarai Awam Malaysia.


Implikasi bagi kajian ini adalah penting terhadap keperluan organisasi untuk menggunakan teknologi maklumat supaya meningkatkan prestasi organisasi syarikat. Selain itu, teknologi maklumat adalah alat yang penting untuk membuat kerja-kerja menjadi lebih berkesan dan pada masa yang sama syarikat dapat kekal berdaya saing dalam pasaran.

Kata Kunci: Inovasi, Teknologi Maklumat, Prestasi Organisasi, Syarikat Tersenarai Awam Malaysia.
ACKNOWLEDGEMENT

In the name of Allah SWT, the Most Gracious and Most Merciful, I praised to Allah for the completion of this project paper. Without the dedication and support from these people, the completion of this dissertation will not be possible.

I would like to express my deepest appreciation to my project supervisor, Dr Zurina Adnan for her invaluable efforts and time in providing proper guidance, assistance and support throughout the entire process. Her understanding, consideration and untiring advice effortlessly drive me to complete this project paper.

My sincere appreciation to the Malaysian Public Listed Companies that were willing to help and significantly contributed by participating and answering questionnaires for this study.

Last but not least, thanks should go to my friend En. Ariff Fikri Bin Azhari, En Raimi Bin Mesari and my beloved mother, Pn. Salmiah Binti Romli who give moral support and encouragement throughout this project paper.
# TABLE OF CONTENTS

PERMISSION TO USE i  
ABSTRACT ii  
ABSTRAK iii  
ACKNOWLEDGEMENT iv  
TABLE OF CONTENTS v  
LIST OF FIGURES vii  
LIST OF TABLES viii  
LIST OF APPENDICES ix  
LIST OF ABBREVIATIONS x  

## CHAPTER ONE: INTRODUCTION
1.0 Introduction  
1.1 Background of the Study  
1.2 Problem Statement 3  
1.3 Research Questions 5  
1.4 Research Objectives 5  
1.5 Significant of the Study 6  
1.6 Scope of the Study 6  
1.7 Definition of the Variables 7  
  1.7.1 Innovation 7  
  1.7.2 Information Technology 7  
  1.7.3 Organizational Performance 7  
1.8 Organization of the thesis 8  

## CHAPTER TWO: LITERATURE REVIEW 9
2.0 Introduction 9  
2.1 Organizational Performance 9  
2.2 Innovation 12  
2.3 Information Technology 14  
2.4 Relationship between Innovation and Organizational Performance 15  
2.5 Relationship between Information Technology and Organizational Performance 16  
2.6 Underpinning Theories 18  
2.7 Conclusion 21  

## CHAPTER THREE: METHODOLOGY 22
3.0 Introduction 22  
3.1 Research Framework 22  
3.2 Research Hypothesis 22  
3.3 Research Design 22  
3.4 Sampling Design 24  
  3.4.1 Population of Interest 24  
  3.4.2 Target Population 24
3.5 Operational Definitions 25
3.6 Measurement of the Variables 25
   3.6.1 Innovation 26
   3.6.2 Information Technology 27
   3.6.3 Organizational Performance 28
3.7 Data Collection Techniques 29
3.8 Sample Size 30
3.9 Sampling Technique 31
3.10 Units of Analysis 31
3.11 Data Analysis Technique 31
3.12 Conclusion 33

CHAPTER FOUR: FINDING AND DATA ANALYSIS 34
4.1 Introduction 34
4.2 Response Rate 34
4.3 Profile of the Respondents 35
4.4 Factor Analysis 36
   4.4.1 Factor Analysis of Innovation 36
   4.4.2 Factor Analysis of Information Technology 37
   4.4.3 Factor Analysis of Organizational Performance 38
4.5 Reliability Analysis 39
4.6 Descriptive Analysis 40
4.7 Correlation Analysis 41
4.8 Regression Analysis between Innovation, Information Technology and Organizational Performance 42
4.9 Summary of Hypotheses Testing 44
4.10 Conclusion 44

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION 46
5.1 Introduction 46
5.2 Relationship between Innovation and Organizational Performance 46
5.3 Relationship between Information Technology and Organizational Performance 47
5.4 Implication of the Study 48
5.5 Recommendation for Future Research 49
5.6 Limitation of the Study 49
5.7 Conclusion 50

REFERENCES 52
LIST OF FIGURES

Figure 3.1: Research Framework 22
LIST OF TABLES

Table 2.1 The Life Cycle of Resource Based View 19
Table 3.1 Section of Questionnaire 25
Table 3.2 Items and Operational Definition of Variable for Innovation 26
Table 3.3 Items and Operational Definition of Variable for Information Technology 27
Table 3.4 Items and Operational Definition of Variable for Organizational Performance 28
Table 4.1 Rate of Respons 34
Table 4.2 Profile of the Respondents 35
Table 4.3 Result of Factor Analysis for Innovation 37
Table 4.4 Result of Factor Analysis for Information Technology 38
Table 4.5 Result of Factor Analysis for Organizational Performance 39
Table 4.6 Reliability Analysis Results 39
Table 4.7 Descriptive Statistic of the Variable 40
Table 4.8 Correlation between Variables 42
Table 4.9 Result of Regression Analysis of Innovation and Information Technology on Organizational Performance 43
Table 4.10 Summary of Hypotheses Testing 44
LIST OF APPENDICES

Appendix A  Selected Malaysian Public Listed Companies  67
Appendix B  Profile of the Respondents  78
Appendix C  Factor Analysis for Innovation  79
Appendix D  Factor Analysis for Information Technology  80
Appendix E  Factor analysis for Organizational Performance  83
Appendix F  Reliability Analysis  85
Appendix G  Descriptive Analysis  90
Appendix H  Correlation Analysis  90
Appendix I  Multiple Regression Analysis  91
Appendix J  Permission Letter  95
Appendix K  Online Questionnaire  96
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLCs</td>
<td>Public Listed Companies</td>
</tr>
<tr>
<td>IV</td>
<td>Independent Variable</td>
</tr>
<tr>
<td>DV</td>
<td>Dependent Variable</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package of Social Science</td>
</tr>
<tr>
<td>RBV</td>
<td>Resource Based View</td>
</tr>
<tr>
<td>OP</td>
<td>Organizational Performance</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>INN</td>
<td>Innovation</td>
</tr>
<tr>
<td>M</td>
<td>Mean</td>
</tr>
<tr>
<td>SD</td>
<td>Standard Deviation</td>
</tr>
<tr>
<td>KMO</td>
<td>Kaiser-Mayer Olkin</td>
</tr>
</tbody>
</table>
CHAPTER ONE
INTRODUCTION

1.0 Introduction

In the fast forward challenging economy nowadays, many aspects should be considered in order to ensure the company stays alive in the market. Aspect of the organizational performance (OP) is one of the important things. Hence, this research has come out with data and input that explains about the relationship between innovation and information technology on organizational performance in Malaysian public listed companies (PLCs). Based on that, the purpose of this chapter is to provide some basic information regarding this study. This chapter starts with the discussion by providing some background information surrounding the issue. After that, the problems that lead to the need for the present study are presented, followed by the research questions, the research objectives and the significance of the study. Eventually, the definitions of the variables are detailed out.

1.1 Background of the study

In the new era today, organizational performance is very important to ensure whether or not the organization would be successful. Organizational performance is also important in terms of knowing whether the organization has achieved its mission and vision of the company. The organization that has poor organizational performance might be having
The contents of the thesis is for internal user only
REFERENCES


http://dx.doi.org/10.1080/10438599500000002


Ho, Shirley J., Mallick, Sushanta K., 2006, *The Impact of Information Technology on the Banking Industry: Theory and Empirics*, National Chengchi University, Taiwan


