

CHAPTER 1

INTRODUCTION

1.1 Background of the study

The E-business and E-government landscape in Malaysia was initiated primarily through the Multimedia Super Corridor (MSC) project, launched in 1996, by former Prime Minister of Malaysia, Tun Mahathir Mohammed. The MSC story began alongside the Vision 2020 goals within Malaysia. The Vision 2020 statement is a national objective and commitment to assist Malaysia in becoming a fully developed nation by the year 2020. (Raman et al. 2007)

E-business offers buyers and sellers a new form of communication and provides an opportunity to create new marketplaces. E-business enables firms to conduct electronic transactions with any business partners along the value chain, and create the opportunities for companies to establish interactive relationships with business partners (such as suppliers, logistics providers, wholesalers, distributors, service providers and end customers), improve operating efficiency and extend their reach all at a very low cost (Ash and Burn, 2003).

E-business is more than just establishing an internet presence or conducting e-commerce transactions, concerns redefining old business model and maximizing business value (Kalakota and Robinson, 1999). E-business is complex to use involving business process changes and significant financial investments in areas such as computing and networking infrastructure and human resource

management (Aldin et al.,2004; Wang and Cheung, 2004). E-business includes e-commerce as well as both front and back-office systems that constitute the engine of modern business (Kalakota and Robinson).

Fahey et al. (2001, p. 890) states that “e-business embodies the most pervasive, disruptive, and disconcerting form of change: it leaves no aspect of managing organizations untouched, it challenges long-accepted business models, and organization leaders have little to draw on from their past experience to manage its effects. In particular, its capacity to transform business processes is no longer in dispute”.

1.2 Statements of Problem

Malaysia’s global ranking in terms of its E-readiness has declined. In 2004, Malaysia was positioned 33rd in the ranking is classified as the followers in E-business framework. However, in the 2005 E-readiness report published by the Economic Intelligence Unit, Malaysia is ranked 35 in the global E-readiness ratings. Malaysia is ranked 37 in 2007, 34 in 2008 and 38 in 2009 based on report by Economic Intelligence Unit (www.eiu.com). The decision makers particularly the chief executive officers and chief financial officers in most organizations have difficulties in evaluating and adopting Internet strategies. There are many factors affecting decision-making in the adoption of Internet, and

knowing the organization's level of e-readiness can help managers make better decisions (Ramayah., T. et al. 2005).

Of all the information technologies, the Internet and the Web may have had the most profound impact on business integration and collaboration (Rabinovich et al., 2003). The Internet, Web, and web-based applications, termed here e-business technologies, have had a particularly significant impact on managerial practices due to their interoperability and open-standard settings for the transfer of data among organizations (Bailey and Rabinovich, 2001; Rabinovich et al., 2003). In fact, the Internet has surpassed information technologies such as electronic data interchange (EDI), a technology available for more than 20 years, in its information sharing capabilities and cost (Chopra et al., 2001). The Internet, in particular the Web, has become a critical aspect of today's business so that understanding how organizations utilize technology to compete is invaluable for a firm's survival and profitability (Krause, Scannell, & Calantone, 2000).

Today almost all organizations are in the process of adopting some type of e-business technology to streamline Supply Chain Management (SCM) activities. For example, e-procurement has automated and streamlined many corporate purchasing processes (Sengupta, 2001); in the auto industry, supplier firms are using Internet features such as e-mail and discussion forums to understand details of the automaker's requirements not completely conveyed in formal documentation (Takeishi, 2002). Studies by Bharadwaj, 2000; Kearns and Lederer, 2003 have found overall IT capability to be positively linked to organizational performance and shown to have the potential of providing a

significant competitive advantage to firms (Earl, 1993; Ives and Jarvenpaa, 1991; Kathuria et al., 1999). Similarly, organizational integration has been shown to have a positive impact on performance (Vickery et al., 2003; Stank et al., 2001). Less attention has been paid to the direct impact of e-business technology used on facilitating integration and impacting organizational performance. It is observed that most of the e-business studies are largely based upon the experience of e-business implementation in the developed countries (Huang et al., 2004).

1.3 Research Objectives

The research strategy undertaken depends on how the problem looks, what questions the problem leads to and what end result is desirable (Merriam, 1994). This study considers e-business systems in terms of technological innovation (Jackson and Harris, 2003), and examines the organizational learning and knowledge management factors facilitating their adoption. This study will investigate the organizational learning capabilities and knowledge management and its impact on the successful e-business implementation.

Specifically this study will:

- a) Analyze the relationship between organizational learning capabilities with e-business implementation success.
- b) Evaluate the impact of knowledge management capabilities in successful e-business implementation.

- c) To provide useful information and practical suggestions that may help practitioners implement e-business in their organizations.

1.4 Research Questions

Though several issues motivated this study as mentioned above, there are two main research questions that will be answered by the end of this research which are:

- What is the relationship between the organizational learning capabilities and e-business successful implementation?
- What is the relationship between the knowledge management capabilities and e-business successful implementation?

1.5 Significance of Study

The success of every business entity depends very much on its strategic plan. This study will provide organizations with factors that contribute in e-business implementation. There is significant evidence that e-business has the potential to capture new business opportunity, increase productivity and build competitive advantage.

This research is to extend knowledge on the use of e-business technologies which impact organizational collaboration, a form of integration (Stank et al., 2001), and organizational performance. The study is useful to both practitioners and academics in the fields of relationship between organizational capabilities and e-business implementation.

The study mainly aims to find out the factors that affect the successful implementation of e-business in Malaysia. Besides that, this study will also give an insight view on capabilities of Malaysian firm since no research has been done in this subject before.

1.6 Scope of the study

This study was conducted in Klang Valley using convenience sampling where questionnaire were distributed among organizations through e-mail and normal mail. In this study, we examined two factors that contribute to e-business implementation success. The two factors are organizational capabilities and knowledge management. Organization capabilities have three independent variables which are training availability, technical expertise and knowledge level while the other factor is knowledge management capabilities which consists of three independent variables namely knowledge acquisition, knowledge application and knowledge sharing. The scope of this study is to investigate factors that impact the successful of e-business implementation in Malaysia.

1.7 Limitations of the study

The first limitation of the empirical study is to identify firms or companies that have e-business implementation. The use of a convenient sample such as IT/IS people may have introduced sampling bias especially in Malaysia.

The second limitation is low return of questionnaire through e-mail. The problem could be the area of study is more focus on information technology or specifically e-business where there are not many people directly involved in this area. However, to perform vigorous test to qualify the best set of variables would take too much time and could possibly extend the duration required for data gathering.

The third limitation is the limited geographical area of the study. This study covered the companies located within Klang Valley. Respondents from other part of Klang Valley may answer differently from the respondents from Klang Valley due to internet infrastructure and in term of technical support from companies like Microsoft, IBM and also internet providers. Therefore, the results cannot be generalized and data from all Malaysian organizations should be taken cautiously. Although the Malaysian government has emphasized the use of ICT in Seventh National Plan (1996-2000), Eight Malaysia Plan (2001-2005) and the latest Ninth Malaysia Plan (2006-2010), the results does not show much success.

Even though this study expands our knowledge about the relationship between knowledge management, organizational capabilities and it impact on the

successful e-business implementation there is viable prospect for further research to be conducted.

1.8 Organization of the Study

This study is divided in to five chapters. Chapter I provided the background of the study, the research objectives, scope, important and limitation of the study. Chapter 2 presents the literature review of e-business while in Chapter 3 is discussed of the research design and the methodology proposed in this study. The proposed data sources, data analysis technique, populations and sample are presented at this chapter. The summary of the results, analyses of measures and testing of the hypotheses and overall result of the study is presented in Chapter 4 and the results as well as the summary of the findings and implications of the study is discussed in Chapter 5. Some suggestions for future research are also presented in the study.