

# The Impact of Information Technology Capabilities on Business Performance

Ngo Tan Hiep\*

\*(Van Hien University, Viet Nam

Email: Hiepnt@vhu.edu.vn)

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## Abstract:

The article uses the literature review method to find evidence of the relationship between information technology capabilities and business results of enterprises. Through identifying research directions for these concepts, the study has shown the positive influence of information technology capabilities and business results. From there, the article also proposes some recommendations to increase results through information technology capacity.

**Keywords —Information technology, capabilities, performance.**

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## I. INTRODUCTION

Competitive advantage theory suggests that each firm will achieve better performance if decisions are made based on competitive advantage. The development of theories that help explain competitive advantage has received the attention of many researchers. Competitive advantage is obtained when an organization acquires characteristics or attributes that make it superior to its competitors. In the process of theoretical formation and development, there exist two main views on competitive advantage built on two different perspectives on the factors that create competitive advantages for the organization. These include the Market-Based View (MBV) and the Resource-Based View (RBV). These two perspectives form the basis for determining the competitiveness of enterprises.

The market approach view looks for factors affecting the competitiveness of enterprises, the market approach view considers that the factors related to the field of operation as well as market orientation are the factors that affect the competitiveness of enterprises. determines the performance of the business (Bain 1968; Porter 1980). Assessing external factors affecting the

competitiveness of enterprises, Bain (1968) conducted a case study of a monopoly company, which has absolute competitiveness in the market. Bain's basic findings confirm that competitive strength is formed due to barriers to entry, product differentiation and small number of competitors, these external factors govern the behavior of firms and determine business performance.

In contrast, the approach to resources views that competitiveness is formed from the resources that enterprises own. This theory places emphasis on the internal environment of the enterprise rather than the external business environment. This approach emphasizes the use of resources that companies have accumulated to compete in the business environment. Birger Wernerfelt (1984) was one of the first to lay the foundation for the theory of resource-based to create competitiveness of enterprises. The main point of this theory is that the resources an organization owns, deploys, and uses are more important than the structure of the industry (Penrose, 1959).

## II. COMPETITIVENESS

The use of resources that businesses own will create competitive advantages for businesses. Or competitive advantage in this view is formed from

the ability to use the resources that the enterprise owns. This is the main content of the resource-based perspective. The key competitiveness of enterprises in different socio-economic contexts may be completely different. A competency may offer an advantage in one context, but not the value of creating competitiveness in another. This is the basis of a temporary competitive advantage. In the current socio-economic context in Vietnam in general as well as in Ho Chi Minh City in particular, when consumers tend to products that are environmentally and socially friendly, businesses own related competencies will create a better competitive advantage. From those arguments, within the limits of the research, the considered competencies include: management responsibility capacity of managers and information technology capacity of enterprises.

### **III. INFORMATION TECHNOLOGY CAPACITY**

In the context of increasingly developed information technology, information technology resources as well as the ability to use these resources have become a standard and indispensable aspect of an enterprise. Information technology capabilities can be applied by organizations to improve their operating environment, to meet environmental requirements, improve profitability and enhance their competitive position in the global market. market (Antoni et al., 2020)

The most basic, Tippins and Sohi (2003) argue that information technology capacity is the level of understanding and effective use of information technology to perform information management tasks in the company. This fundamental view is supported and developed by many other scientists.

For example, Chae et al (2018) assert that IT competence is the ability of an organization to create value by using IT resources and know-how/secrets. its technology. Or as stated by Chen et al (2020), information technology capacity includes the ability to discover, develop and exploit information technology resources.

The information technology resources of an enterprise can include many components such as: information technology infrastructure, information technology human resources (information technology, technical and management skills) and information technology-enabled intangibles (knowledge assets, customer orientation and synergy) (Bharadwaj, 2000). Based on these resources, the enterprise's information technology capacity will be formed through the exploitation ability. Specifically, the ability of enterprises to exploit information technology is classified by Chae et al (2018) according to the following application directions: (1) Automation: Replace human labor by automatic streamline business processes; (2) Two-way information: Provide data/information for exchange and decentralization for managers and employees; (3) Transformation: A fundamental change in industry business processes and relationships.

In general, most views support that information technology competence is the use (Tippins and Sohi, 2003) to explore, develop and exploit (Chen et al., 2020) public resources information technology to perform information management tasks in the company (Tippins and Sohi, 2003) and create value using IT resources and technology know-how/secrets own (Chae et al., 2018). This is also the thesis's approach to this research concept.

### **IV. THE IMPACT OF INFORMATION TECHNOLOGY CAPABILITIES ON BUSINESS PERFORMANCE**

With the increasing importance of information in today's global marketplace (Glazer, 1991), it has become imperative to gain competence in the tools and processes used to manage information. new. From a resource-based point of view, the ability to develop in its own way the specific resources of an enterprise, if not placed in a specific enterprise context, the resource becomes of no value. This inimitableness can form the basis of competitive advantage (Lei et al., 1996). As a result, firms that achieve a higher level of IT competence are said to have a higher position in the management of the

"intangible assets" constituting market leadership (Itami, 1987).

As Chae et al (2018) asserted, companies can improve their business performance by leveraging information technology capabilities to increase revenue, reduce costs, or both – this is an achievement. economic part of sustainable business outcomes. On the other hand, information technology has also changed the nature of the product itself (Venkatraman, 1991). In some cases, information becomes an important part of a good or service. In other cases, the product itself will be digitized to become digital versions of the product (music CD, digital video, online magazine...). Such changes to the nature of products can lead to changes in the basis of competition between firms and changes in industry structure that affect business performance in all aspects.

Barriers to entry into the industry are also reduced due to the development of technology. The Internet accelerates industry transformation by reducing the size of capital required for investments in information technology, thereby reducing barriers to entry into high-tech industries. Information technology capacity is always important and companies should focus on building this capacity (Chae et al., 2018). Information technology has changed the traditional way of doing business by redefining business processes and relationships. Such industries undergo drastic changes due to new developments in information technology, from the rise of the Internet, enterprise applications and mobile platforms. If information technology is a must for the industry/business sector, businesses should actively cultivate

information technology capabilities to compete successfully in the market (Chae et al., 2018).

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