CRITICAL SUCCESS FACTORS FOR DIGITAL INNOVATION AND ORGANIZATIONAL PERFORMANCE : A CROSS INDUSTRY ANALYSIS FROM SRI LANKA

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Abstract

Despite the growing importance of digital innovation driving organizations towards digital transformations and improved performance, empirical studies examining the determinants of digital innovation and the relationship between digital innovation and organizational performance are scarce, leading to a knowledge gap within the context. In prior studies, it was observed that the findings were inconsistent, and that researchers have primarily examined digital innovation from a technical perspective. Hence, this research focused on identifying the critical success factors affecting digital innovation and examining the relationship between digital innovation and organizational performance from technological, managerial, and organizational perspectives.

Past literature between 2010 and 2020 revealed the existence of six factors affecting digital innovation. Dynamic Capabilities Theory was used to classify managerial and organizational factors and Resource Based View was used to identify technological factors. Managerial factors included transformational leadership and top management support. Organizational factors included open communication, organizational culture, and organizational learning. Technological factors included digital capability. Based on the literature review, the conceptual framework and hypotheses were developed. A self-administered online survey questionnaire was used for the data collection. The conceptual model was empirically tested by analyzing the data collected from managerial-level employees of organizations belonging to industry, trade, and services sectors within the Western province, that are engaged in digital innovation processes within their organizations. A single organization was the unit of analysis, and the sample was 135 respondents. Data were primarily analyzed using PLS-SEM.

The findings revealed that amongst the six factors identified, digital capability and organizational learning had a positive and significant effect on digital innovation. Further, the study could establish a positive and significant effect of digital innovation on organizational performance.

The study has some important theoretical contributions. Since there is a dearth of research in the context of digital innovation, this study helps to fill the existing knowledge gap in this context. Especially, this study could reveal six factors classified under technological, managerial, and organizational perspectives, while the previous studies had primarily focused on the technical perspective. In addition, the study has some practical implications as well. Since the study revealed that digital innovation has a significant effect on organizational performance, organizations could explore the possibilities for improving their digital innovation processes to enhance organizational performance. As per the findings of the study, the organizations need to focus more on digital capability and organizational learning to improve on digital innovation within organizations, which in turn will help them to enhance their organizational performance.

Keywords: Sri Lanka, Digital innovation, Organizational performance, Dynamic Capabilities, Digital capabilities

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List of Abbreviations

RBV - Resource Based View

COM – Open Communication

CUL – Organizational Culture

DCT – Dynamic Capabilities Theory

DC – Digital Capability

DI – Digital Innovation

HTMT- Heterotrait-Monotrait

IS – Information Systems

OL – Organizational Learning

PLS – SEM – Partial Least Squares – Structural Equation Modelling

SEM – Structural Equation Model

TL – Transformational Leadership

TMS – Top Management Support

VIF- Variance Influence Factor

List of Appendices