INTEGRATING ORGANIZATIONAL FACTORS, QUALITY MANAGEMENT AND KNOWLEDGE MANAGEMENT TO ORGANIZATIONAL PERFORMANCE IN MALAYSIA’S MANUFACTURING COMPANIES: THE MEDIATING ROLE OF INNOVATION

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Julian Paul Sidin
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ABSTRACT

INTEGRATING ORGANIZATIONAL FACTORS, QUALITY MANAGEMENT AND KNOWLEDGE MANAGEMENT TO ORGANIZATIONAL PERFORMANCE IN MALAYSIA’S MANUFACTURING COMPANIES: THE MEDIATING ROLE OF INNOVATION

The study focused on the relationship between organizational factors, quality management, and knowledge management, and organizational performance in Malaysia’s manufacturing companies. This conceptualization of organizational factors, quality management and knowledge management demonstrate four important issues investigated in this study. The first issue focuses on the relationship between organizational factors and organizational performance. The second issue stresses the relationship between quality management and organizational performance. The third issue addresses the relationship between knowledge management and organizational performance. Lastly, the fourth issue concerns with the role of innovation on mediating the relationship of organizational factors, quality management and knowledge management on organizational performance. A questionnaire survey was developed as a research instrument and distributed to manufacturing companies in Malaysia selected from the list of the Federation of Malaysian Manufacturers (FMM) Industries Directory 2003. A total of 600 survey questionnaires were distributed and 233 survey questionnaires were received, representing a response rate of 38.8 percent. However, only 201 questionnaires were usable for data analysis. The findings of this research support a positive relationship between the aforesaid research constructs and organizational performance. This study also found that innovation mediated most of the relationship between the research constructs and organizational performance. The findings were based solely on organizations from Malaysia and may not reflect in other geographic, economic or cultural settings. The contributions of this study are significant in terms of theoretical and managerial perspectives. Firstly, in terms of theoretical implications, the findings of the study provide empirical evidence supporting the relationship between organizational factors, quality management and knowledge management, and organizational performance. Given the importance of innovation in providing the mediating effect on these relationships, some set of results in this study seems to influence the others and some do not. Secondly, in terms of managerial implications, evidence from this study signals the importance of developing an environment or culture of support to further enhance the performance outcomes of quality management and knowledge management implementation.
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CHAPTER 1
INTRODUCTION

1.1 Background of the Study
The issue of firm performance has been central in strategy research for decades and encompasses most other questions that have been raised in the field, for instance, why firms differ, how they behave, how they choose strategies, and how they are managed (Porter, 1991). It has been a subject of study for social scientists from a wide range of disciplinary perspectives. In addition, Rainey (2003) says that organizational performance has become central to the study of business firms because it can be considered as the ultimate goal of organizations. Measuring organizational performance in the practical and theoretical circles has attracted growing attention in recent years. However, most of these fields have been studied in isolation. This has resulted in fragmented and disparate findings.

Business firms could measure its performance using the financial and non-financial measures (Chong, 2008). According to March and Sutton (1997), business firms using the financial measures are usually setting their measurement criteria based on profits, sales, market share, productivity, debt ratios, and stock prices. However, management accounting researchers (Otley, 1999; Norreklit, 2000) have criticized researchers relying solely on financial performance measures.

Several researchers have found the use of non-financial performance measures to be crucial and relevant in today's organizations facing intense competition and increased customer demand for quality services (for example, see Kaplan and Norton, 2001; Hoque and James, 2000; Otley, 2003, Henri, 2006). Speckbacher, Bischof and Pfeiffer (2003) have stated that companies started to include key non-financial measures within their performance measurement systems to provide managers with the appropriate information about their overall company situation. Chong (2008) has added that the non-financial measures can be applied by focusing on issues pertaining to customers' satisfaction and customers' referral
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