

**ROLE OF
INFORMATION TECHNOLOGY
IN LEVERAGING PERFORMANCE:
A STUDY IN SRI LANKAN BANKING SECTOR**

MASTER OF BUSINESS ADMINISTRATION



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IN

INFORMATION TECHNOLOGY

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Department of Computer Science & Engineering
University of Moratuwa
December 2007

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By



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The Dissertation was submitted to the Department of Computer Science & Engineering of the University of Moratuwa in partial fulfillment of the requirements for the Degree of Masters in Business Administration.

Department of Computer Science & Engineering

University of Moratuwa

December 2007

DECLARATION

I certify that this dissertation does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any university to the best of my knowledge and believe it does not contain any material previously published, written or orally communicated by another person or myself except where due reference is made in the text. I also hereby give consent for my dissertation if it is accepted, to make available for photocopying and for interlibrary loans, and for the title and summary to be made available to outside organizations.

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To the best of my knowledge, the above particulars are correct.

Mr. Kithsiri Samarasinghe

Date

ABSTRACT

During the last few years, when the field of strategic management evolved, strategy researchers have shown increasing interest in the role of information technology (IT) in formulation and implementation of strategies, and its impact on financial performance. As a result, the Resource Based View (RBV) was introduced and much research was carried out on the RBV for IT. This research examines existing literature, and integrates RBV with IT, and presents the results from a new empirical study for the banking industry of Sri Lanka. The objective of this study is to research on information technology and information technology related resource complementary factors that would bring performance variance in the banking industry of Sri Lanka.

This study explains the ways in which that IT can be used as a competitive weapon by pointing out the complementary resource factors that needs to combine with IT to bring performance advantage. Here the focus is on human resource factors and organizational procedural factors that play a key role in enhancing the IT effectiveness. This is the first study carried out in the Sri Lankan banking industry to empirically specify the complementary factors that can synergy the impact of IT.

The results were obtained by using SAS/STAT statistical software. The stepwise multivariate Principal Component Analysis (PCA) was carried-out to prove the necessary hypotheses. The survey was carried out for bank population of 23 licensed commercial banks and 14 licensed specialized banks. The findings shows that IT alone have not produced performance advantage in the banking industry, but resource complementary factors when combined with IT bring a performance advantage among Sri Lankan banks.

The findings of this research suggest that, owing to IT similar IT usages by competitors in the banking industry, the extensive use of IT alone have not produced performance advantage. The results supports the RBV approach, and explains why sophisticated IT users did not generally outperform less sophisticated users, but banks that combined IT with complementary resources gain performance advantages over the others.

ACKNOWLEDGEMENT

There are a number of persons who helped and guided me in various ways to accomplish the successful completion of this project. With a deep sense of gratitude, I wish to acknowledge their invaluable contribution.

First and foremost, I am extremely grateful to Mr. Kithsiri Samarasinghe for supervising my work in this research study and for his immense guidance throughout the thesis writing.

I wish to extend my sincere gratitude to Ms. Vishaka Nanayakkara and to Dr. Sanath Jayasena, for the prompt comments and advices at each milestone of the research.

I am deeply grateful to Lord Jesus Christ and Mother Mary for giving me guidance and strength to make my studies a success.



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I wish to thank all the bank managers and executive staff who filled and returned my questionnaires despite their busy schedules.

Last but not the least, my warmest gratitude goes out to my mother Anna De. Silva, and especially to my brother Roshan Damian Silva, for all the support and encouragement given to me. My family actually kept my spirits high not only through the research work but also throughout my academic years.

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LIST OF ABBREVIATIONS

CEO	Chief Executive Officer
HR	Human Resources
IS	Information Systems
IT	Information Technology
LCB	Licensed Commercial Banking
LSB	Licensed Specialized Banking
OP	Organizational Procedures & Dissertations
PCA	Principal Component Analysis
RBV	Resource Based View
SAS	Statistical Analysis Software
SIB	Systemically Important Banks



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