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# ANTECEDENT OF ORGANIZATIONAL PERFORMANCE IN PT "XXX" PHARMA, TBK

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**Abstract**

The objective of this study is to investigate the influence of information technology capability on knowledge management capability, the influence of information technology capability on organisational performance, the influence of knowledge management capability on organisational performance, and the indirect impact of information technology capability on organisational performance through knowledge management capability in PT. "XXX" Pharma, Tbk. The research is based on the understanding of the interconnectedness between information technology cap. The present study utilised a quantitative approach, employing both explanatory and survey methodologies. The process of data collection involved the distribution of a questionnaire to a sample of 44 respondents, which was selected using the purposive random sampling technique. The data processing was performed using route analysis, utilising the IBM Predictive Analytic Software (PASW) version 24. The empirical evidence suggests a statistically significant and positive correlation between the capability of information technology and the capability of knowledge management. Additionally, there is a positive and significant impact of information technology capability on organisational performance. Furthermore, knowledge management capability is found to have a positive and significant effect on organisational performance. Lastly, it is observed that information technology capability positively and significantly influences organisational performance through its impact on knowledge management capability.

**Keywords**: Information Technology Capability, Knowledge Management Capability, Organizational Performance.

## 1. INTRODUCTION

Business organization always interacts with its environment, at either local or global environment level. Environment has ever-changing character. The change occurring in global business environment has higher acceleration than that in local environment. Undoubtedly, the alterations will present novel obstacles to company entities. According to Venkatraman and Zaher (1990), the existence of globalisation and heightened international competitiveness has led to an acceleration and enhancement of organisational efforts to adopt and leverage information technology. One of important business organization resources in dealing with its environmental change is information technology used, constituting the part of physical resource. The increased importance of cross-border operation coordination and the need for fast reaction to the world

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competition threats confirm the importance of information technology in corporate governance in this global era.

Environmental change is a recurring phenomenon that often leads to intense competition, necessitating a company's response in the form of strategy formulation and capability development. One crucial aspect of capability development is the acquisition of technological proficiency. Technology capability refers to the capacity of a business organisation or individual to utilise resources such as knowledge, skills, and experience in order to design and produce products. This includes the development of new innovative products, enhancing competitive advantage, devising novel marketing strategies, and acquiring proficiency in new logistic management techniques. The ultimate goal is to outperform rivals or competitors in the market. The acquisition of technological proficiency enables the organisation to evaluate its internal strengths and weaknesses, hence facilitating the development of an effective strategic plan.

In the contemporary period, the acquisition and utilisation of knowledge have emerged as a crucial strategic asset for companies. The findings of multiple research studies indicate that the long-term survival and growth of a firm are not contingent upon the quantity of its physical resources. However, it is essentially the company's ability to quickly react to external changes that primarily influences these outcomes.

The expeditious attainment of a company's objectives is contingent upon its ability to effectively assimilate and leverage the knowledge resources possessed by its members. The present competitive environmental condition is one of the aspects that require the firm's attention. The success of a company is no longer solely defined by investments, labour, and basic materials, but rather by the ability to innovate, which is a result of the collective knowledge of all individuals inside the organisation. Therefore, the acquisition and use of knowledge emerge as a critical factor in effectively managing business organisations with the aim of enhancing overall organisational performance.

The possession of knowledge management capabilities is essential for a company to establish a competitive advantage within its industry. The implementation of an optimal knowledge management method confers a significant competitive advantage when compared to the utilisation of physical resources within a company's operations. The enhancement of competitiveness for business organisations in uncertain circumstances necessitates the adoption of business strategies that align with the dynamic demands of the environment. Consequently, the concept of knowledge management becomes a significant consideration in effectively navigating this constantly evolving situation.

In accordance with the findings of preliminary study, PT. "XXX" Pharma, Tbk has implemented innovative measures to offer a diverse range of pharmaceuticals. One such initiative is to mitigate the mortality rate among pregnant women. Consequently, the company consistently engages in numerous research endeavours and novel product advancements. The company is headquartered in New Jersey, United States of America, with the objective of becoming a leading pharmaceutical company in terms of scientific advancements and striving to ensure global accessibility to its goods. The corporation

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has set a goal to have their product utilised by 80% of the global population, however, this objective remains unfulfilled as of the present day.

A combination of the existing background and identified issues, the following problems have been formulated: 1) To what extent does the capability of information technology substantially impact the capability of knowledge management? 2) To what extent does the capability of information technology considerably impact organisational performance? 3) Can the capability of knowledge management have a substantial impact on organisational performance? 4) Can the capability of information technology influence organisational performance by means of knowledge management capability?

## 2. LITERATURE STUDY

### 2.1. Theoretical Study

#### 2.1.1. Information Technology Capability

Bharadwaj (2000) defined *information technology capability* as a company's ability of mobilizing and implementing resource based on information technology combined with resource and other capabilities. The information technology-based resource is the activated information technology resource, consisting of technical and managerial skill of information technology; information technology resource is intangible, such as knowledge, asset, customer orientation and synergy – distribution of resource and ability throughout organizational divisions.

Capability can be a competency indicated by organization in its ability of using information technology tool and process necessary to maintain market information and customer. Therefore, information technology competency is conceptualized to encompass three dimensions: *information technology* operation, object, and knowledge. High level of information technology experience enables the organization to be innovative in service delivery and cost control strategy that will improve performance and satisfy the customers' need (Bhatnagar, 2006).

*Information technology* ability duty to improve organizational performance is discussed in literature. Many studies on information technology shows that information technology capability underlies the competitive advantage and improves organizational performance (Bhatnagar, 2006).

Most of literatures on information technology capability agree that information technology capability is the resource facilitating the effective collection and utilization of information, one of which is Bharadwaj (2000). Bharadwaj (2000) stated that information technology capability improves service credibility, reduces transaction error, and improves performance consistency. Further observation conducted by Tippins and Sohi (2003) remarked that information technology capability can improve performance through removing inefficiency, reducing long-term cost, improving service credibility, and reducing transaction error.

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In this research, the term *information technology capability* is adapted from a study conducted by Tippins and Sohi (2003). Tippins and Sohi's (2003) concept was also adopted by Perez Lopez and Alegre's (2012) study conceptualizing information technology capability as the concept consisting of three dimensions:

1. *Information technology knowledge*: related to the extent to which a company has technical knowledge on objects such as computer-based system (Tippins and Sohi, 2003). *Information technology knowledge* is the extent to which an organization understands information technology capability existing and just growing, or how the organization is aware of *information technology possibilities*.

   *Information technology knowledge* includes professional skills such as programming, analysis and system designing, and competency in new technology.

2. *Information technology operation:* is the term "IT adoption" refers to a company's endeavour to leverage information technology in order to enhance its operational efficiency, as well as its methods, processes, and techniques pertaining to information technology. This encompasses activities such as utilising information technology, coordinating its implementation, and fostering engagement with the user community. The operationalization of information technology refers to the degree to which an organisation employs information technology in order to effectively handle market information and customer relationships.

3. *Information technology object:* is the object of information technology encompasses hardware, software, support staff, tools, and resources that collectively contribute to the acquisition, processing, storage, dissemination, and utilisation of information. Its primary purpose is to enhance performance by eliminating inefficiencies, reducing immediate costs, enhancing service credibility, and minimising transaction errors.

Overall, these three dimensions of *information technology capability* interact with each other and affect the extent to which organization can utilize its investment in information technology to obtain strategic advantage.

Numerous studies have demonstrated that the utilisation of information technology capabilities significantly contributes to an organization's attainment of competitive advantage (Lew Sook Ling, 2017).

The concept of information technology capability encompasses three distinct components: dynamic information technology capability, integrating information technology capability, and utility information technology capability (Lew Sook Ling, 2017).

The company requires access to internal data pertaining to its financial status, product efficacy, production expenses, and other relevant factors. In order to achieve sustainable competitive advantage, it is essential for organisations to possess external information pertaining to the environment in which they operate, as well as their competitors, customers, suppliers, and other relevant factors.

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This external information enables organisations to identify their customers and promptly and efficiently meet their demands, so gaining a sustainable competitive advantage (Lia et al., 2006).

Tippins and Sohi (2003) defined *information technology competency* as how the company uses this technology to manage its information effectively. While *information technology* is a generic term fundamentally used to refer to program, computer, and telecommunication, the term *information technology competency* is broader and refers to this technology use to meet the company's need for information (Mithas *et al*., 2011).

Orlikowski and Lacono (2001), *information technology* can conceptualize as a means of governing and strengthening human business, particularly in information-related tasks. In accordance with this particular understanding, we embrace the definition of information technology capability proposed by Zhang et al. (2008), which refers to the capacity of a computer system, comprising a collection of computers and associated technologies within an organisation, to effectively store, process, and transmit information.

The distinction between component and configuration gives rise to the concept of information technology capability, which may be elucidated in terms of the capacity, quality, and speed of storing, processing, and transmission operations.

The provided definition effectively circumvents the behaviour of associating information technology capacity with information technology investment.

According to Nokata et al. (1995), the concept of information technology capability encompasses a computer system, a collection of computers, and the technological capacity to store, process, and transmit information. Information technology capability is considered as something inherent to process and routine activity of company enabling it to create some values from its assets (Robey *et al*., 2000).

### 2.1.2. Knowledge Management Capability

It builds on knowledge integration theory (Grover & Malhotra, 1999).

### 1) Infrastructure Capabilities

### a. Information Technology

Grover & Malhotra, (1999) said technology consists of important elements of structural dimension necessary to mobilize social capital to invent new technology. Technology can deal with temporal and spatial constraints that should be inhibiting factors in knowledge management activity. It can also serve as a repository where knowledge can be securely preserved and effectively utilised (Chua, 2004). The utilisation of technology infrastructures serves as a facilitator in enabling the implementation of knowledge management initiatives within organisations. Technology infrastructure consists of hardware, software, middleware, and protocol enabling electronic knowledge coding and exchange (Meso and Smith, 2000).

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### b. Knowledge Structure

Grover & Malhotra, (1999) argued that structure is defined as rule, policy, procedure, and process, reporting relation hierarchic, incentive system, and department limit governing design in company. Gold et al. (2001) assert that organisational structure holds significant importance as the second most crucial element for the effective implementation of knowledge management. According to the findings of Mukherjee et al. (1998), organisations commonly categorise their personnel based on many criteria such as knowledge and skill, working method and function, time, output, client, or place. The organisational structure of a company is significantly influenced by the diversity present in its external environment.

While the primary purpose of an organisational structure is to streamline particular tasks and units within an organisation, it is worth noting that certain structural elements might inadvertently hinder collaboration and impede the sharing of knowledge across internal organisational boundaries.

It is noteworthy that organizational structure is designed for flexibility (the opposite of rigidity), thereby encouraging sharing and collaboration. The company realizes that bureaucratic structure retards the process and generates constraint in information current. In addition, such procedure often takes long time for the knowledge to be filtered in each level.

The elements composing organizational structure are, among others, flexibility, modularity, policy, and process such as reward and incentive system. Some studies have proposed the development of knowledge management's roles (rather than exclusive KM job) including chief knowledge officer (CKO), knowledge programmer, portal manager, content manager, and knowledge analyst (Davenport & Prusak, 2000).

They argued that some specialist positions are needed to develop knowledge structure in organization. This structure is sustainable because: (a) people in knowledge management positions are also involved in the core business activity; (b) each of functional divisions spends knowledge management cost with the knowledge management role inculcated; (c) knowledge management program is integrated into functional division.

### c. Knowledge Culture

Organizational culture is very important in knowledge management. Organizational culture is considered as facilitator and constraint or hindrance all at once to effective knowledge management. Organizational culture exerts key effect on knowledge management, particularly, concerning the effectiveness of knowledge in an organization (Marquardt, 2002). Because there is an important role of organizational culture in *knowledge management*, it is very important to know how to affect and to develop knowledge culture in an organization. Oliver and Kandadi (2006) has defined knowledge culture as a means of organization life enabling and motivating people to invent, to share, and to utilize knowledge for the organization's sustainable benefit and success.

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The presence of knowledge culture is very important to the successful knowledge management in an organization (De Long & Fahey, 2000; Nahm, Vonderembse, & Koufteros, 2004), because it indicates managerial commitment to knowledge management initiative and promotes tacit knowledge sharing for making more quality decision. The literature on knowledge management discusses a range of aspects and concepts that are identified as influential elements in the creation and advancement of knowledge culture. The components encompassed within this framework consist of organisational structure, personnel, reward system, leadership, business process, and information system.

The promotion of employee interaction can be facilitated through both official and informal means. Interaction and collaboration play a crucial role in establishing an organisational framework that is conducive to the management of knowledge. For instance, the act of openly exchanging information, engaging in cooperative efforts with colleagues, and cultivating interpersonal relationships within a professional setting are all interconnected with the concepts of interaction and cooperation. Numerous scholars have provided definitions for a type of interaction inside organisations wherein seasoned workers or managers impart their knowledge to their less experienced counterparts, as an integral component of the organisational culture.

**2) Process Capabilities**

Marquardt, (2002) confirmed that knowledge process can be viewed as structured coordination created to manage knowledge effectively. Particularly, knowledge management process capabilities is very important to enable the organization to capture, to reconcile, and to transfer knowledge efficiently, thereby giving theoretical foundation useful for determining important aspect of organizational capability (Gold, Malhotra &Segars; 2001). Process capability in knowledge management is the organizational capabilities to invent new knowledge through the process of converting silent (implicit) into explicit knowledge and in turn changing it into organizational knowledge (Nonaka & Takeuchi 1995). The effective knowledge management process should be performed frequently, consistently and flexibly (Grant, 1996).

Different knowledge process is modeled in life cycle model. Life cycle approach process of knowledge management relates to a fact that organization utilizes internal and external knowledge source. This knowledge should be available to those caring about the organization. Thus, knowledge management cycle starts with inventing and or acquiring knowledge that should be organized, mapped and or formalized in order to change it into the reusable form. It should be accessible or distributable to everyone in organization. Eventually, it should be applied, used, reused, and or exploited to achieve the organization’s benefit.

Gold et al. (2001) has classified it into four broad dimensions of process capabilities to acquire knowledge, to change it into usable form, to apply and to use, as well as to protect it. Dimensions of process capability are *acquisition*, *storage*, *dissemination)*, and *application.*

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### 2.1.3. Organizational Performance

Organizational performance used in this study was *overall organizational performance* measured using four indicators or constructs: *Operational Excellence, Customer Intimacy, Product Leadership* and *Financial Performance* adopted from Zack, Michael, (1999)'s studies.

#### 1) Operational Excellence

Operational excellence is intended to achieve cost leadership. It focuses primarily on automating the manufacturing process and the working procedure to streamline operation and to reduce cost. This strategy is compatible to high-volume production, transaction-oriented, and standard with little need for much differentiation.

Operational excellence strategy is very ideal to the market where customers value cost more than preference, occurring frequently in a matured and commodified market in which cost leadership provides a means for sustainable growth. The leader in operational excellence is highly concentrated, with strong organizational discipline and standardized rule-based operation.

Measuring key process performance and benchmarking cost is an integral part of these companies' operation incessantly attempting to streamline their error erasing process. Discipline such as TQM, SCM and Six Sigma is habituated in volume-oriented business model.

#### 2) Customer Intimacy

Customer intimacy focuses on offering a variety of unique customer services allowing for service personalization and product adjustment to satisfy different customer needs. The company pursuing this strategy often bundles service and product into "solution" designed specifically for individual customers.

The successful solution design requires vendor to have in-depth knowledge on their customers and insight into their customers' business process. Solution offered rarely presents the cheapest preference to customer, but it is most innovative and considered as "fairly good".

Customer intimacy focuses on individual customers' need. The true customer intimacy can arrive only at synchronizing product development, manufacturing, administrative function, and executive focus around individual customers' need. Customer-centric company tends to have decentralized organization enabling them to learn and to change quickly corresponding to the customers' need. This company often stores all partner ecosystems for actual production and product delivery and service to their customers.

#### 3) Product Leadership

The objective of product leadership is to cultivate a corporate culture that consistently delivers exceptional products to the market. Product leaders are able to command a premium market price due to the exceptional experience they provide for their clients.

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Corporate discipline they inculcate includes, among others:

- Research portfolio management
- Team work
- Product management
- Marketing
- *Talent management*

The product leader recognises the significance of proficiency in creativity, problem-solving, and teamwork in achieving their objectives. The reliance on costly talent necessitates that product leaders strive to use their expertise in order to transcend geographical and organisational boundaries through the mastery of disciplines like as collaboration and knowledge management.

**4) Financial Achievement**

As long as organization can be superior or excellent in one or more value discipline, they should realize competitive advantage (value of disciplines) and also positive financial performance (Tracy and Wiesema, 1995).

### 2.2. Review on Previous Studies

#### 2.2.1 Agus Pebrianto (2013), The Influence of Information Technology Capability, Organizational Learning and Knowledge Management Capability on Organizational Performance (A Study of Banking Branches Company in Southern Kalimantan Province)

The research aimed to investigate and elucidate the impacts of Information Technology Capability on Organisational Learning, Information Technology Capability on Knowledge Management Capability, Information Technology Capability on Organisational Performance, Organisational Learning on Knowledge Management Capability, Organisational Learning on Organisational Performance, and Knowledge Management Capability on Organisational Performance.

A quantitative methodology was utilised in this study, and the data was subjected to analysis by Path Analysis. The findings indicate that there is a significant relationship between Information Technology Capability and Organisational Learning, Knowledge Management Capability, and Organisational Performance. Specifically, Information Technology Capability has a significant impact on each of these variables. However, it was observed that Organisational Learning does not have a significant effect on Knowledge Management Capability. Additionally, Organisational Learning was found to have a significant influence on Organisational Performance. Lastly, Knowledge Management Capability was shown to significantly affect Organisational Performance.

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#### 2.2.2. Vahid Fattahi Sarand et.al (2015), Explaining the Relationships of Knowledge Management Processes with Organizational Performance through the Mediator Organizational Learning

The primary aim of this research study was to investigate the interconnections among the variables of Knowledge Management, Organisational Performance, and Organisational Learning inside the Subsidiary of Shabestar Universitas Azad Islam.

The research employed a quantitative methodology, utilising the structural equation modelling (SEM) tool for data analysis. The findings indicate a statistically significant positive correlation between Knowledge Management and both Organisational Learning and Organisational Performance. Furthermore, it was observed that there exists a statistically significant positive correlation between the variable of Organisational Learning and Organisational Performance. The research findings have provided confirmation of the substantial impact of Organisational Learning as a mediator in the association between Knowledge Management and Organisational Performance.

#### 2.2.3. Chang, T. C. & Chung, S. H. (2011), The Relationship among Knowledge Management, Organizational Learning, and Organizational Performance

The primary aim of this research is to investigate the correlation between Knowledge Management, Organisational Performance, and Organisational Learning. Additionally, the study seeks to determine whether Organisational Learning acts as a mediator in the interaction between Knowledge Management and Organisational Performance.

The research employed a quantitative approach, utilising Path Analysis with LISREL and Structural Equation Modelling (SEM) as the chosen analytical techniques. The findings indicate that there is a positive association between Knowledge Management and Organisational Learning. Additionally, there is a positive relationship between Organisational Learning and Organisational Performance. Furthermore, Organisational Learning acts as a moderating variable in the relationship between Knowledge Management and Organisational Performance.

#### 2.2.4. Huang Hui et al (2013), Impact of Knowledge Management and Organizational Learning on Different Dimensions of Organizational Performance: A Case Study of Asian Food Industry

The research aimed to examine the correlation between Knowledge Management and Organisational Learning, and its impact on three distinct aspects of Organisational Performance (Financial Performance, Marketing Performance, and Partnership Performance) within the Food Industry. The research employed a qualitative methodology, utilising Path Analysis as the data analysis tool. The findings indicate a statistically significant positive correlation between Knowledge Management and Organisational Learning. Additionally, Knowledge Management has a significant impact on the three dimensions of Organisational Performance (Financial, Marketing, and Partnership). On the other hand, Organisational Learning only significantly affects one dimension of Organisational Performance, while it does not have a significant impact on Financial Performance and Partnership Performance.

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## 3. RESEARCH METHOD

This study utilised a quantitative research approach, specifically employing an explanatory and survey methodology. The study was conducted at PT. "XXX" Pharma, Tbk. The study sample comprised a total of 286 individuals that were employed in the research setting. The study utilised a sample size of 44 employees, selected by the purposive random sampling technique. The individuals chosen as the sample for this study were specifically those who held a position of at least a supervisor and had subordinates under their supervision. The process of data gathering involved the distribution of questionnaires to all participants. In addition to employing questionnaires, interviews and documentation were utilised as data collection techniques to verify and enhance the information obtained from the questionnaires.

In order to ensure the credibility and consistency of the data, validity and reliability tests were performed on the questionnaire. Subsequently, the data underwent many classical assumption tests, such as normality, linearity, heteroscedasticity, and multicollinearity tests. The analytical approach employed in this study was path analysis, utilising the International Business Machine (IBM) Predictive Analytic Software (PASW) version 24 for assistance.

## 4. RESULT AND DISCUSSION

### 4.1 Information Technology Capability ($X_1$) Affects Knowledge Management Capability ($X_2$)

Based on the findings of the simple linear regression analysis, a path coefficient of 0.811 (as shown in Table 1) was observed for the variables X1 to X2. This coefficient was accompanied by a t statistic value of 8.979 and a significance level (Sig.) of 0.000. Based on the obtained $t_{statistic}$ value of 8.979, which exceeds the critical $t_{table}$ value of 2.018, and a significance level of 0.000, which is lower than the predetermined threshold of 0.05, we reject the null hypothesis (H0) and accept the alternative hypothesis (H1). This implies that there is a significant impact of Information Technology Capability on Knowledge Management Capability in PT "XXX" Pharma, Tbk. Therefore, a positive correlation exists between the level of Information Technology Capability and the level of Knowledge Management Capability.

**Table 1: Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 10.529 | 7.508 | | 1.402 | .168 |
| | Information Technology Capability (X1) | 1.208 | .134 | .811 | 8.979 | .000 |
| a. Dependent Variable: Knowledge Management Capability (X2) | | | | | | |

The findings of the hypothesis testing indicate a substantial relationship between Information Technology Capability and Knowledge Management Capability in PT "XXX" Pharma, Tbk. The $t_{statistic}$ value (8.979) above the critical $t_{value}$ (2.018), yet the significance value (0.000) is lower than the predetermined significance level (0.05).

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Furthermore, a path coefficient of 0.811 is derived, indicating that for every 1-point gain in Information Technology Capability, there will be a corresponding increase of 0.811 points in Knowledge Management Capability. This discovery aligns with the research conducted by Agus Pebrianto (2013), which found a substantial relationship between Information Technology Capability and Knowledge Management Capability.

The field of information technology enables the rapid search, access, and retrieval of information, while also facilitating cooperation and communication among people inside organisations (Ho, 2009; Migdadi, 2008). The information technology competence assumes diverse functions in order to facilitate the knowledge management process within an organisation. The utilisation of information technology in the context of knowledge management facilitates enhanced efficiency and effectiveness in the development, sharing, storage, and utilisation of knowledge within an organisation. Hence, the provision of support from information technology plays a crucial role in facilitating the initiation and effective implementation of knowledge management, thereby influencing its overall efficacy.

The field of information technology is intricately connected to the discipline of knowledge management as it facilitates the vertical and horizontal dissemination of structured knowledge, hence enhancing the accessibility and utilisation of information. Consequently, organisations and corporations endeavour to implement knowledge management through the utilisation of information technology (Zack, Michael, 1999). Therefore, the findings of this study clearly demonstrate a significant relationship between Information Technology Capability and Knowledge Management Capability.

### 4.2 Information Technology Capability ($X_1$) affects Organizational Performance (Y)

Table 2 presents the path coefficient of variables X1 to Y, which is determined to be 0.282. The associated $t_{statistic}$ value is found to be 2.145, and the significance value (Sig.) is calculated as 0.038. The $t_{table}$ indicates a value of 2.018 for a two-sided significance level of 0.05, given a sample size (n) of 44 and a degree of freedom (df) of n-2 = 42. Based on the obtained $t_{statistic}$ value of 2.145, which above the critical $t_{table}$ value of 2.018, and a significance value of 0.038, which is lower than the predetermined threshold of 0.05, the null hypothesis (H0) is rejected. Consequently, the alternative hypothesis (H1) is supported, indicating a substantial relationship between Information Technology Capability and Organisational Performance in PT "XXX" Pharma, Tbk. Hence, there exists a positive correlation between the level of Information Technology Capability and Organisational Performance.

**Table 2: Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 5.457 | 3.595 | | 1.518 | .137 |
| | Information Technology Capability (X1) | .207 | .097 | .282 | 2.145 | .038 |
| | Knowledge Management Capability (X2) | .157 | .071 | .317 | 2.219 | .032 |
| a. Dependent Variable: Organizational Performance (Y) | | | | | | |

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The findings of the hypothesis testing indicate a substantial relationship between Information Technology Capability and Organisational Performance in PT "XXX" Pharma, Tbk. The $t_{statistic}$ value (2.145) above the critical $t_{table}$ value (2.018), indicating statistical significance. Additionally, the significance value of 0.038 is lower than the predetermined significance level of 0.05. Furthermore, a path coefficient of 0.282 is derived, indicating that for every one-point gain in Information Technology Capability, there will be a corresponding increase of 0.282 points in Organisational Performance.

This discovery aligns with the research conducted by Agus Pebrianto (2013), which demonstrates a substantial relationship between Information Technology Capability and Organisational Performance. The utilisation of information technology capabilities for production and operational purposes has the potential to enhance organisational performance by facilitating the planning, monitoring, and control of supply, facility, and current product and service operations. According to Laudon and Laudon (2006), numerous production systems and processes have the capability to effectively manage the operation and maintenance of production facilities. These systems are designed to establish clear objectives, acquire, store, and distribute production materials, as well as schedule the necessary instruments, facilities, materials, and workers to fulfil customer orders.

With the enhancing its information technology capabilities, the company can effectively establish a competitive edge and ultimately enhance its overall organisational performance. The capability of information technology, when considered in connection to other organisational capabilities, has the potential to provide a positive synergistic effect that is challenging for competitors to duplicate or replace (Alvarez-Suescun, 2007; Liang et al., 2010). Therefore, this research clearly demonstrates that there is a major impact of Information Technology Capability on Organisational Performance.

### 4.3 Knowledge Management Capability ($X_2$) Affects Organizational Performance (Y)

Table 2 presents the path coefficient of variables X2 to Y, which is seen to be 0.317. The corresponding $t_{statistic}$ is 2.219, and the significance value (Sig.) is determined to be 0.032. Based on the obtained $t_{statistic}$ value of 2.219, which exceeds the critical $t_{table}$ value of 2.018, and considering the significance level of 0.032, which is lower than the predetermined threshold of 0.05, it can be concluded that the null hypothesis ($H_0$) is not supported. Consequently, the alternative hypothesis ($H_1$) is supported, indicating a significant influence of Knowledge Management Capability on Organisational Performance in PT "XXX" Pharma, Tbk. Therefore, a higher level of Knowledge Management Capability directly correlates with improved Organisational Performance.

The findings of the hypothesis testing indicate a substantial relationship between Knowledge Management Capability and Organisational Performance in PT "XXX" Pharma, Tbk. The $t_{statistic}$ value (2.219) above the critical $t_{table}$ value (2.018), yet the significance value (0.032) is lower than the predetermined significance level (0.05). Furthermore, a path coefficient of 0.317 is derived, indicating that for every one-point gain in Knowledge Management Capability, there will be a corresponding increase of 0.317 points in Organisational Performance. This discovery aligns with the research conducted

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by Agus Pebrianto (2013), which demonstrates a strong impact of Knowledge Management Capability on Organisational Performance. Knowledge management capability can be defined as the systematic process by which organisations identify, select, organise, distribute, and transmit critical information and skills that form an integral part of the organisational memory (Turban, 2008: 390). The practise of knowledge management is intricately linked to several strategic indicators of organisational performance, particularly in terms of the transfer of knowledge and its impact on financial outcomes. Based on the evidence shown in this argument, it can be inferred that the enhancement of knowledge management inside an organisation leads to improved performance in the transfer of knowledge, hence resulting in favourable financial outcomes (Lee & Choi, 2003). The practise of knowledge management involves the creation and dissemination of valuable knowledge, which in turn leads to enhanced organisational performance (Davenport & Prusak, 1998). Therefore, this research provides clear evidence that Knowledge Management Capability has a major impact on Organisational Performance.

### 4.4 Effect of Information Technology Capability ($X_1$) on Organizational Performance (Y) with Knowledge Management Capability ($X_2$) as mediating variable

The relationship between Information Technology Capability and Organisational Performance through Knowledge Management Capability (X1→X2→Y) has been determined to have a coefficient of 0.257, which is the product of 0.811 and 0.317. The analysis reveals that there exists an indirect relationship between Information Technology Capability and Organisational Performance, which is mediated by Knowledge Management Capability. The mediating coefficient is determined to be 0.257, with a corresponding $t\text{-}_{statistic}$ value of 2.131. Based on the obtained $t\text{-}_{statistic}$ value of 2.131, which exceeds the critical $t\text{-}_{table}$ value of 2.018, the null hypothesis ($H_0$) is rejected, while the alternative hypothesis ($H_1$) is supported. This implies that there is a substantial relationship between Information Technology Capability and Organisational Performance through Knowledge Management Capability in PT "XXX" Pharma, Tbk. The findings of the hypothesis testing indicate a substantial relationship between Information Technology Capability and Organisational Performance in PT "XXX" Pharma, Tbk, mediated via Knowledge Management Capability. The $t\text{-}_{statistic}$ value (2.131) exceeds the critical t-value (2.018), indicating a statistically significant result. Furthermore, the observed indirect effect of Information Technology Capability on Organisational Performance through Knowledge Management Capability (X1→X2→Y) (0.257) is shown to be lower in magnitude compared to the direct effect of Information Technology Capability on Organisational Performance (X1→Y) (0.282). Tanriverdi (2001) conducted an analysis that presented insights into the contribution of the company's information technology knowledge to the process of value creation. This analysis highlighted the importance of transferring relevant knowledge through the company's business units, which subsequently enhances the organisational performance and knowledge management capability of the company. Therefore, this study clearly demonstrates that there is a major impact of Information Technology Capability on Organisational Performance through the mediating factor of Knowledge Management Capability.

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## 5. CONCLUSION

The impact of information technology capability on knowledge management capability is found to be positive, indicating that there is a direct relationship between the two variables. Specifically, as the information technology capability improves, the knowledge management capability also improves.

The capability of a company to acquire, develop, integrate, and utilise information technology resources in order to enhance business strategy, operational processes, and overall performance is a crucial factor in improving the knowledge management capability within the organisation.

The impact of information technology capability on organisational performance exhibits a positive correlation, indicating that higher levels of information technology capability are associated with improved organisational performance.

The level of employees' information technology competency significantly influences organisational performance. The impact of knowledge management competence on organisational performance is found to be positively significant, indicating that there is a direct relationship between better knowledge management capability and increased organisational performance.

The impact of Information Technology Capability on Organisational Performance is substantial, mostly due to its influence on Knowledge Management Capability. The positive relationship between information technology capacity and organisational performance is evident, as evidenced by empirical evidence.

This relationship is further influenced by the favourable association between organisational learning and organisational performance.

## 6. RECOMMENDATION

The utilisation of information technology is of significant importance in facilitating the knowledge process within the organisation. Hence, it is advisable for the organisation to exercise discernment in selecting relevant company information based on prior experience, and thereafter disseminate it to all employees.

This initiative aims to enhance knowledge acquisition in both the current and future periods, with the ultimate goal of enhancing overall organisational performance.

The company should prioritise and enhance its knowledge management capability activities through consistent value inculcation and emphasis on supporting systems. This can be achieved by ensuring that all employees have a comprehensive understanding of management principles, recognising knowledge management capability as a long-term investment, and acknowledging it as a crucial requirement for attaining competitive advantage.

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