

The Investment of Information Technology and Firm Performance: The Study of Manufacturing Industry in Sri Lanka

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Many organizational leaders and strategy scholars would agree that the ability to effectively manage information within the firm has become critically important because it may provide a basis for gaining a competitive advantage. Many business people invest large amount of funds for information technology to improve the performance of the organization. Performance is the main area of measuring success of the organizations. Many researchers have shown the effect of information technology on the financial performance of organization by finding the relationship among information technology and the return on investment, growth in sales, return on equity and on assets. The objective of this research is to find the relationship between investment of IT and firm performance of the manufacturing organizations. According to this research independent variables are Investment of IT on Total annual sales, Investment of IT on Total assets and Investment of IT on Total investments. Dependent variable is Return on assets (Weill, 1992). Secondary evidence is used for this research. Seven years of historical data on IT investment and performance were collected using Annual reports of CSE website .In the recent past, researchers have shown conflicting results regarding the returns to IT investment .Some researchers posit that the equivocal results of IT investment are due to inconsistent measurement of firm performance and investment (Roberts, et al., 2004). Multiple regression analysis and correlation analysis technique were used to analyze the variables and data. The importance of this research is to gain more knowledge about IT and its effect of the organizations.

Keywords: Information technology, Investment, Firm performance, computers, Manufacturing, Competitive advantage