

IMPACT OF IT CAPABILITY ON THE PERFORMANCE OF RETAIL ENTERPRISES IN KUNMING, CHINA: THE MEDIATING ROLE OF ORGANIZATIONAL REFORM



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Abstract

With the development of Internet technology, life has become simpler with more high-tech. A unique selling model, e-commerce on the Internet, has now formed a new business model. The huge advancement and expansion of the e-commerce model have had some effect on traditional offline retailing in China. However, the emergence of e-commerce is a challenge and an excellent opportunity for the retail industry. This study aims to find the current situation of online sales of retail enterprises in Kunming China, and then investigate the relationship between information technology capabilities, corporate performance, and organizational reform, and try to find whether organizational reform in mediating the relationship between information technology capabilities and corporate performance. Questionnaires were used in this study with survey way, 521 questionnaires were sent to retail company' managers and employees in Kunming China, there were 442 questionnaires were collected and 400 questionnaires were valid. Finally, the study found that retail workers believe that IT capacity has a significant impact on corporate performance, and that organizational reform can mediating the relationship between IT capacity and corporate performance. The study offers a number of suggestion tips for managers of retail businesses in China who face problems with online business model.

Keywords: Retail Enterprises, IT Capability, Company Performance, Organizational Reform, E-commerce

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Introduction

Since the advent of e-commerce in the early 1990s, the U.S. e-commerce demand has grown immensely and rapidly (Yu & Zou, 2022). In the initial stage of e-commerce development, American researchers discovered that e-commerce posed a danger to the retail industry and the retail market. Many evidence showed that online retailers are taking a bigger share of the market, threatening traditional retailers and causing offline retail performance to deteriorate (Ratchford et al., 2022). The declining status of traditional stores could lead to higher vacancy rates and an oversupply of retail space in department stores and malls. As a result, many leading retail companies and owners of commercial retail establishments, malls and shopping centers have started their e-commerce business when they faced this ominous situation. The development of E-commerce toward retail company not only increased their sales but also help them reduce space and waste.

More recently, in China, Ali-baba captured the world's attention with its splashy initial public offering. Currently, the development of e-commerce in China has witnessed significant growth in recent years. Chinese e-commerce market has grown at an average CAGR of more than 60 percent from 2009 to 2021 (Nougarahiya et al., 2021). China has the world largest number of internet users and huge consumption potential, and its online retail market is functioning exceptionally well. In 2021, China's online retail sales grew 20 percent to nearly \$6.04 trillion. In 2021, Singles Day, which falls on November 11, is the biggest online shopping day of the year, with an estimated \$137.8 billion in online retail sales across China (Nougarahiya et al., 2021). By 2021, China's total online consumption is projected to exceed that of the United States, Britain, Japan, Germany and France combined.

As online or electronic shopping becomes more acceptable to people than physical shopping, many traditional stores and retailers will face severe consequences. The growing number of online stores and the dramatic growth in online sales certainly threaten the performance and development of many retail companies. Online shopping is gradually becoming a substitute for a lot of in-store shopping. Chinese retailers are concerned that the rapid growth of e-commerce in China is affecting the offline retail market, as it has in the United States and other countries. As many researchers (Guo et al., 2021) have argued, the rise of e-commerce has devastated traditional retail. Some analysts believe e-commerce will pose a more pronounced threat to traditional stores in China than in other developed countries because the Chinese retail market is still developing, immature and lacks well-known retail brands. As a result, many Chinese retail enterprises seek to combine online and offline retail business models, and there is a clear relationship between e-commerce and the demand for IT capabilities among Chinese retail enterprises.

Earlier investigations on this subject have been guided in several nations, such as the United Kingdom, the United States, Singapore, South Africa, and Malaysia (Adedayo et al., 2021). But there limited researches try to find the relationship between corporate performance and organizational reform in e-commerce in China, even based on the IT capabilities of Chinese retail enterprises is rare. Most studies do not have sufficient data and quantitative or qualitative analysis to back up those studies. This paper used a survey way to collect data to show how Chinese retail enterprises used E-commerce to combine both online and offline sales model in China

is affected by the growth of e-commerce. And then, this research aimed to find the relationship between IT capability, company performance and organizational reform in Kunming China.

Objectives

The main aim of this study is three folds: First of all, this study aimed to find out the relationship between IT capability and organization performance of retail enterprises in Kunming China. Secondly, this study aims to find out how the organizational reform mediating the relationship between IT capability and organization performance of retail enterprises in Kunming China. In this study, researcher filled the gap by investigating the mediating role of organizational reform. The last but not the least, this research also tried to find a good way to get better organization performance toward retail enterprises in Kunming China.

Materials and Methods

1. Literature review

Nowadays, electronic commerce (e-commerce) in China facing the world's biggest online demand and market, which is evolving into a better and better significant financial driving force. The rise of the internet and new technology has led to a new reform for retailing business (Kumar et al., 2022). Traditional brick-and-mortar retailers are turning to e-commerce as choice online store shopping demands rapid growth in customer numbers.

The current business environment is constantly changing due to the progress of new technologies that are constantly emerging. E-commerce is a technological tool to conduct business in a new way, that is, to organize and conduct all types of electronic transactions between stakeholders (Mehmood, 2021). In addition, with the implementation of e-commerce technology, corporate internal communication has become faster and resource management has become more effective. And this technology also can benefit all stakeholders of retailing value chain.

For more than a decade, the government has been advocating the adoption and use of electronic commerce by Chinese retail enterprises (Kartiwi et al., 2018). Electronic commerce is widely billed as a technology that will pit China's retail businesses against their colleagues (Xiao et al., 2022). Previous studies have shown that two important drivers of competitive pressure are consumer demand and the adoption of e-commerce by business units of Chinese retail enterprises. Much attention has been paid to the benefits, and existing literature on the benefits or value of retail e-commerce enterprises in China, such as lower operating costs, improved customer retention, improved outreach, and improved sales.

For decades, the business value of information technology (IT) has been one of the most concerns of practitioners and academics. Many studies (Fernando et al., 2019) have proved that IT capability a positive impact on organizational performance, but because of a lack of focus on the e-commerce retail business environment, our understanding of the realization of the revenue is still limited.

The proliferation of computer devices for mobile communications has led to a gradual shift in consumer online shopping behavior away from computers and toward smartphones and other mobile terminals (Tong et al., 2020). Applications (apps) as a mobile terminals with a variety of functions have been widely used in electronic commerce retail sectors, to support consumers shopping online (Tang, 2019). In e-commerce retail campaigns, consumers want to access information from mobile apps for online shopping. So powerful IT can help retail businesses move quickly and consumers easily find convenient information. This process involves e-commerce retail mobile applications in terms of ease of use. IT Capability of retail companies can improve their online shopping app with good user experience and design improvements to help customer used to make purchase decisions. IT Capability also can increase the App's ease of use to increase the degree of customer satisfaction. If consumers do not have enough apps to use and do not find enough information, they leave. And, if a human-computer interaction mobile application is not user-friendly, consumers will shift their attention to other applications. Therefore, a review of IT capabilities for e-commerce retailing is warranted.

For decades, the business value of information technology (IT) has been one of the most concerned of practitioners and academics. Many studies (Fernando et al., 2019) have documented the positive impact of IT capabilities on organizational performance, but our processes for realizing the benefits of knowledge remain limited due to a lack of focus on the business environment. As a result, the link remains a subject of debate in literature information systems.

However, there are many obstacles for organizations to USES the disadvantages of e-commerce, including high operating costs, high staff training costs, etc. In this study, we fill in the gaps by investigating the role of organizational reform intermediaries.

Companies become bigger, more professional, more differentiated, and more affluent as they apply both online and offline business models (Zhang, 2019). At the same time, they often use organizational reform to make large-scale changes. This study defines organizational reform as the change of individuals to achieve a goal through their organizational structure and administrative procedures, a chain of command, and channels of communication. There has been a visible change in the reform of the organizations in question and these conscious relations between attempts at internal reform. Extensive organizational reform. Some of them focus on the mapping of changing functions between agencies, for example, creating a charge premium to purchase products and services across the value chain. The goal of the researcher is to find the point at which decision control is transferred to the provider of the organization's own organizational reform and to try to gain exposure to the market, or something similar, under market pressure to improve performance. They also sought to establish a new incentive and accountability mechanism to encourage management to use this autonomy to improve the performance of the facility. These reforms can be classified as autonomous, corporation, title, and privatization.

Taking a different approach to some of the central issues in organizational theory, he discovered the relationship between IT capabilities, organizational reform, corporate performance, and retail business in Kunming.

2. Research Hypothesis

Based on above literature review, researcher found that the development of information technology (IT) and its use has become a topic of recent literature. IT has always been seen as an internal and external collaboration. This is the foundation of supply chain management. Corporate cooperation and information sharing, on the other hand, are expected to improve performance. In this paper, we propose a relationship between IT capability and enterprise performance model and use empirical data to test it. The results show that corporate IT capabilities directly affect corporate performance. This discovery has important implications for managers evaluating information technology investments. According to these articles, we make the following assumptions:

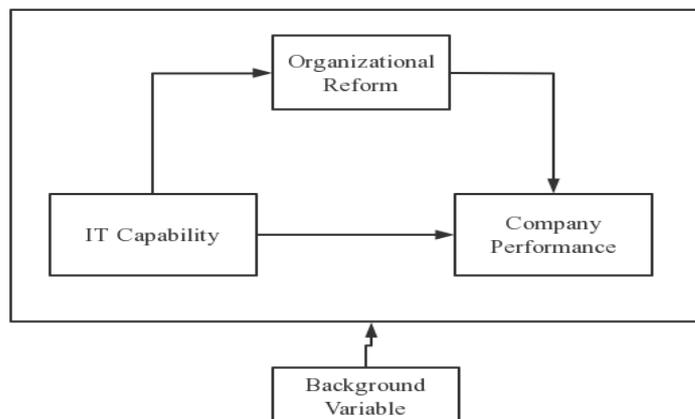
H1: The IT Capability of retail companies has a significant positive impact on Company performance of Customers in Kunming China.

Based on above literature review, researcher found that there are many obstacles for organizations to use the disadvantages of e-commerce, including high operating costs, high staff training costs, etc. In this study, we fill in the gaps by investigating the role of organizational reform intermediaries. The goal of the researcher is to find the provider of organizational change that shifts control decisions to the organization and attempts to gain exposure to the market, or something similar, under market pressure to improve performance. They also sought to establish a new incentive and accountability mechanism to promote administration to use this autonomy to improve the performance of the facility. These reforms can be classified as autonomous, corporation, title, and privatization. According to these reports, we create the next hypotheses:

H2: Organizational Reform is playing a mediating role between IT Capability and Company performance toward retail companies in Kunming China.

3. Research Method

Questionnaires were used in this study, 521 questionnaires were sent to retail business managers and employees in Kunming, China, and 442 valid questionnaires and 400 as samples were recovered. And this paper aimed to find whether IT Capability of retail companies has a significant positive impact on Company performance of Customers in Kunming China, and whether Organizational Reform is playing a mediating role between IT Capability and Company performance toward retail companies in Kunming China.



Results and Discussion

According to results in terms of gender, there are 180 female customer) 45% and 220 male customer) 55%. The main age level of respondents is come from Under 25 years old they have 134 people with 33.5%. The second group is aged between 25-35 years old group, they have 111 people with 27.8%. The number of people with College or others' certificate is the largest, 217, accounting for 54.3%. In terms of position, most of them are employee with 220, account 55%. and in terms of Working Experience, most of them working between 1-5 years with 176 people (44%) or less than 1 year with 107 people (26.8%). In term of monthly income, most of respondent won 5001-10000RMB per month with 202 people account 50.5% for total.

Table1 Demographic Information

Variables	Options	Frequency	Percentage (%)
Gender	Male	220	55%
	Female	180	45%
Age	Under 25 years old	134	33.5%
	25-35 years old	111	27.8%
	36-45 years old	63	15.8%
	More than 45 years old	92	23.0%
Education Level	College or others	217	54.3%
	Bachelor's Degree	134	33.5%
	Master's Degree and Above	49	12.3%
Position	Employees	220	55.0%
	Supervisor	82	20.5%
	Division Manager	72	18.0%
	Senior Executive	26	6.5%
Working Experience	Less than 1 year	107	26.8%
	1 year-5 years	176	44.0%
	6 years-10 years	78	19.5%
	More than 10 years	39	9.8%
Monthly Income	5000RMB and Less	118	29.5%
	5001-10000RMB	202	50.5%
	More than 10000RMB	80	20.0%

value both -According to the following Table 2, researcher found that the p more than 0.05, which means the hypothesis is not supported, there are not differences in IT Capability, Organizational Reform, and Company performance for the employees and managers among customer with different backgrounds (gender) of retail companies in Ecommerce business model in Kunming China

Table2 Gender Difference with T Test

Variable	Male		Female		t	p
	M	SD	M	SD		
IT Capability	3.93	0.68	4.04	0.56	0.867	352.
Organizational Reform	3.88	0.66	3.95	0.51	1.476	225.
Company performance	3.85	068	3.86	0.57	0.974	324.

According to following Table 3, researcher found that the F value both significant, that means the there is differences in IT Capability, Organizational Reform, and Company performance among customer with different backgrounds commerce business -(age) for the employees and managers of retail companies in E .model in Kunming China

Table3 CustomerAge Difference with ANOVA Analysis

Variable	IT Capability		Organizational Reform		Company performance	
	M	SD	M	SD	M	SD
Under 25 years old	4.0942	82964.	4.0460	76979.	3.9851	699.
25-35 years old	3.9707	48994.	3.8881	48324.	3.8754	599.
36-45 years old	3.8333	53975.	3.6812	49833.	3.6058	564.
More than 45 years old	3.9334	47262.	3.8850	44797.	3.8207	728.
value-P	0.04		0.01		0.01	
F Value	**2.796		***5.623		***5.370	

value both more -According to following Table 4, researcher found that the p than 0.05, which means the there are no differences in IT Capability, Organizational Reform, and Company performance among customer with different backgrounds -(Education Level) for the employees and managers of retail companies in E .commerce business model in Kunming China

Table 4 Education Level Difference with ANOVA Analysis

Variable	IT Capability		Organizational Reform		Company performance	
	M	SD	M	SD	M	SD
College or others	4.013	.697	3.969	.654	3.936	.686
Bachelor's Degree	3.979	.524	3.863	.530	3.791	.564
Master's Degree and Above	3.855	.598	3.762	.504	3.687	.552
value-P	.287		.053		.116	
F Value	1.253		2.961		2.206	

According to following Table 5, researcher found that the F value both are not significant, that means the there is no differences in IT Capability, Organizational Reform, and Company performance among customer with different backgrounds

commerce -(position) for the employees and managers of retail companies in E .business model in Kunming China

Table 5 Customer 'PositionDifference with ANOVA Analysis

Variable	IT Capability		Organizational Reform		Company performance	
	M	SD	M	SD	M	SD
Employees	3.9597	.73317	3.9000	.69970	3.8705	.73767
Supervisor	3.9390	.50775	3.8730	.45271	3.7703	.50078
Division Manager	4.0104	.49011	3.8843	.48923	3.8218	.48718
Senior Executive	4.2260	.29159	4.1474	.25200	4.1154	.35518
value-P	0.198		0.207		0.106	
F Value	1.562		1.526		2.053	

According to following Table 6, researcher found that the F value are not both significant, that means the hypothesis is not supported. F value is not significant is no differences in for IT Capability, Organizational Reform and Loyalty. So, there IT Capability Organizational Reform and Company performance among customer with different backgrounds (Working Experience) for the employees and managers of .commerce business model in Kunming China-retail companies in E

Table6 customer 'Working Experience Difference with ANOVA Analysis

Variable	IT Capability		Organizational Reform		Company performance	
	M	SD	M	SD	M	SD
Less than 1 year	3.898	.940	3.854	.884	3.838	.926
1 year-5 years	4.041	.396	3.958	.407	3.887	.469
6 years-10 years	3.976	.503	3.862	.490	3.801	.499
More than 10 years	3.958	.684	3.921	.582	3.885	.584
value-P	.330		.466		.763	
F Value	1.147		.853		.763	

According to following Table 7, researcher found that the F value are not no differences in IT Capability Organizational both significant, that means the there is Reform and Company performance among customer with different backgrounds commerce -(income) for the employees and managers of retail companies in E .business model in Kunming China

Table 7 customer 'Monthly IncomeDifference with ANOVA Analysis

Variable	IT Capability		Organizational Reform		Company performance	
	M	SD	M	SD	M	SD
5000RMB and Less	3.904	0.945	3.866	.885	3.848	.916
5001-10000RMB	4.033	0.410	3.951	.407	3.888	.467
More than 10000RMB	3.967	.504	3.860	.484	3.794	.496
value-P	.207		.348		.527	
F Value	1.580		1.057		.642	

According to following table 8, this study used Pearson Correlation Analysis to check whether the coefficients of the three variables of IT Capability, Organizational Reform, and Company performance among the employees and commerce business model in Kunming China. -managers of retail companies in E According to following table, researcher found that there is a significant positive relationship between the IT Capability and Company performance, because the result value between IT Capability and Company performance is 0.823 and significant. Then, researcher also found that there is a positive relationship between IT Capability and Organizational Reform toward the employees and managers of retail companies commerce business model in Kunming China, because the value is 0.874 and -in E significant. Research also found that, there is a positive relationship between Organizational Reform and Company performance toward the employees and commerce business model in Kunming China, -managers of retail companies in E .because the value is 0.907 and significant

Table 8 Relationship Analysis Between IT Capability and Company performance

	IT Capability	Organizational Reform	Company performance
IT Capability	1	/	/
Organizational Reform	0.874***	1	/
Company performance	0.823***	0.907***	1

According to table 9, researcher found that there is a positive relationship between IT Capability and Organizational Reform, and there is a positive relationship between IT Capability and Company performance, and there is a positive relationship between Organizational Reform and Company performance. Then, based on the model 4, researcher found that the value changed from 0.823 to 0.131, and from 0.907 value is significant also, so research conclude that, Organizational to 0.841, the F Reform is playing a mediating role between IT Capability and Company performance. .This is also supported hypothesis, which is consistent with some previous studies

Table 9 Analysis Regression

Dependent Variable: Company Performance					
	Model 1 Company Performance	Model 2 Organizational Reform	Model 3 Company Performance	Model 4 Company Performance	VVIF
IT Capability	0.823***	0.874***		0.131***	1.286
Organizational Reform			0.907***	0.841***	1.286
R ²	0.678	0.765	0.822	0.826	
Adjusted R ²	0.677	0.764	0.821	0.825	
F	838.576***	1292.733***	1842.685***	182.037***	

Assumption verification

According to above results, the hypothesis 1 was supported. Researcher found that there is a positive relationship between IT Capability and Company performance toward retail companies. According to table 8, researcher found that the relationship between IT Capability and Company performance is 0.823, that means they have other parts, the relationship between IT Capability and positive relationship. For Organizational Reform is 0.874, that means they have positive relationship between IT Capability and Organizational Reform. And the relationship between Organizational Reform and Company performance is 0.907, that means they have positive relationship between Organizational Reform and Company performance

According to above results, the hypothesis 2 was supported, researcher found that Organizational Reform is playing a mediating role between IT Capability and Company performance toward retail companies. According to table 9, researcher found that the value changed from 0.823 to 0.131, and from 0.907 to 0.841, the F value is significant also, that means Organizational Reform will improve the Company performance when the retail company have good IT Capability

Conclusion

According to results, researcher found that Organizational Reform is playing a mediating role between IT Capability and Company performance toward retail companies

According to above results, researcher found that Organizational Reform is playing a mediating role between IT Capability and Company performance toward retail companies

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