

**THE INFLUENCE OF DISRUPTIVE
INNOVATION, ORGANISATIONAL
CAPABILITIES AND PEOPLE ON
ORGANISATIONAL PERFORMANCE:
STRATEGIC AGILITY AS MEDIATOR**

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STRATEGIC AGILITY AS MEDIATOR**

By/oleh

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LIST OF ABBREVIATIONS

B2B	Business to Business
B2C	Business to Consumers
E-Commerce	Electronic Commerce
E&E	Electrical and electronics
ERP	Enterprise Resource Planning
FMM	Federation of Malaysian Manufacturers
GDP	Gross Domestic Product
IoT	Internet of Things
ROI	Return on Investment
SWOT	Strengths, Weaknesses, Opportunities and Threats
TOP	Technology Infinite Possibilities, Outright Environmental Scanning, People
T-O-P	Disruptive Innovation, Organisational Capabilities, People

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**PENGARUH INOVASI DISRUPTIF, KEBOLEHUPAYAAN ORGANISASI
DAN MODAL INSAN TERHADAP PRESTASI ORGANISASI:
KETANGKASAN STRATEGIK SEBAGAI MEDIASI**

ABSTRAK

Tujuan utama kajian ini ialah untuk mengkaji pengaruh inovasi disruptif, keupayaan organisasi dan modal insan terhadap prestasi organisasi. Ia juga mengkaji pengaruh pengantaraan ketangkasan strategik terhadap hubungan antara inovasi disruptif, keupayaan organisasi, modal insan dan prestasi organisasi. Sebuah kajian kuantitatif dirancang dan 121 respons dikumpulkan daripada kalangan organisasi pembuatan elektrik dan elektronik di Malaysia. Kajian ini menggunakan soal selidik berstruktur melalui teknik pensampelan. Data yang dikumpulkan dianalisis menggunakan SPSS dan SmartPLS. Hasil kajian menunjukkan inovasi disruptif, keupayaan organisasi dan modal insan mempunyai pengaruh yang signifikan terhadap ketangkasan strategik yang seterusnya mempunyai pengaruh yang signifikan terhadap prestasi organisasi. Ketangkasan strategik juga mempunyai pengaruh pengantara dalam hubungan antara inovasi disruptif, keupayaan organisasi dan modal insan dengan prestasi organisasi. Dari sudut akademik, kerangka konseptual yang dirumuskan adalah berdasarkan kepada jurang kajian, model ketangkasan strategik I-TOP dan teori keupayaan dinamik yang memberi pemahaman tentang pengoptimuman prestasi organisasi. Kebelakangan ini, banyak negara menggunakan indeks kebahagiaan sebagai ukuran pertumbuhan ekonomi berbanding hanya menggunakan keluaran dalam negeri kasar. Kajian ini mengukur prestasi organisasi menerusi kebahagiaan pekerja, pelanggan, dan pemegang saham. Pengamal boleh menggunakan hasil kajian ini untuk merumuskan strategi yang lebih berkesan bagi mengoptimumkan prestasi organisasi mereka demi kelestarian perniagaan.

**THE INFLUENCE OF DISRUPTIVE INNOVATION,
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MEDIATOR**

ABSTRACT

The purpose of this research is to examine the influence of disruptive innovation, organisational capabilities, and people on organisational performance. It also examines the mediating influence of strategic agility on the relationship between disruptive innovation, organisational capabilities, people, and organisational performance. A quantitative study was designed, 121 responses were collected among electrical & electronics (E&E) manufacturing organisations in Malaysia. The study utilised structured questionnaires via a purposive sampling technique. The data collected were analysed using SPSS and SmartPLS. The result showed that disruptive innovation, organisational capabilities, and people have a significant influence on strategic agility, which in turn has a significant influence on organisational performance. Strategic agility also mediates the relationship between disruptive innovation, organisational capabilities, and people and organisational performance. From the academic aspect, the conceptual framework formulated is based on research gap, I-TOP strategic agility model, and dynamic capabilities theory that provides more insight on how to optimise organisational performance. In recent years, countries have been utilising the happiness index as the measurement of economic growth instead of solely on GDP. This study measured the organisational performance through employee, customer and shareholder happiness. Practitioners can utilise the findings of this research to formulate a more effective strategy to optimise their organisational performance that is crucial for business sustainability.

CHAPTER 1 INTRODUCTION

1.1 Introduction

Organisational performance has become the main issue as it has not achieved the expected organisational performance in the dynamic environment. This study examines the influence of disruptive innovation, organisational capabilities, and people on organisational performance. This study also examines the mediating influence of strategic agility on the relationship between disruptive innovation, organisational capabilities, people, and organisational performance. In recent years, happiness index is getting attention. This study will be mirroring happiness index as a new measurement for organisational performance from happiness perspective comprises employee happiness, customer happiness and shareholder happiness.

1.2 Research Background

Organisational performance is essential to ensure a firm continuously achieves the return of its investment and stays competitive in a dynamic market. An organisation must be agile enough to react to changes in customers' requirements, market competition, market expectations, technology advancements, and a changing operating environment to stay competitive and remain sustainable. It fundamentally provides customisation or value-add to customers to make customers satisfied, and in return, the organisation will have continuous support from its customers. Meanwhile, organisations have to remain competitive while keeping costs low, but at the same time, they must deliver quality products to enhance their performance (Muthuveloo & Teoh, 2013,2020).

Therefore, an organisation needs strategic objectives and plans for business sustainability. According to Muthuveloo and Teoh (2013), strategy is a concentrated exertion of energy and time to managing money to achieve organisational performance

towards achieving its vision and mission. An organisation should have the ability to review its internal resource, which would differentiate its levels of organisational performance in comparison with its competitors. Al-Dhaafri et al. (2013) suggested that internal resources improvement is critical. Implementing innovative and excellent strategies and differentiation of a company's product could give the firm competitive advantages externally and globally.

In the context of rapid change in domestic and international competition, organisations often face excessive pressure to stay competitive in aggressive competition in the domestic and international markets. The forces driving changes in the corporate world include economic globalisation, increasing business competitiveness, and advancing information technology. Intense customer demands, pricing challenges, rapid technology advancements are some of the critical challenges which led organisations to seek for sustainable competitive advantage in the long. Organisations must react swiftly to dynamic situations regardless of the internal operational, and external environment (Spencer et al., 2009).

According to Reitz et al. (2018), organisations must stay agile and relevant in the ever-evolving business environment. Strategic agility is a way to react to market needs. This often involves the ability to detect external changes such as customers' requirements, and at the same time, organisations need to review internal organisational capabilities, capacity, productivity, and resources for decision making. An organisation needs ability and flexibility to adapt to the changing environment. Therefore, it is crucial for an organisation to stay agile and be sensitive to both internal and external environments in this competitive business landscape for business sustainability.

Strategic agility is the keystone in obtaining the ability to renew and transform

a business for organisational performance (Doz & Kosonen, 2010). Although there is a comprehensive agreement that strategic agility is becoming increasingly crucial in attaining a sustained competitive advantage for organisational performance, there is still little acceptability on what exactly constitutes strategic agility to organisational performance (Baškarada & Koronios, 2018).

Due to the intense pressure from advanced technology, rapid innovations, judicious customers and fierce competition (Nimeh et al., 2018) the competition among organisations has become more driven. Most organisations struggle to survive and achieve a higher ROI and sustainability in the marketplace. They might replicate what the competitors are doing or benchmark the best industrial standard without having their organisational review and formulation of organisational strategies to survive in the business market. Blindly benchmarking may cause failure in strategy making for business sustenance because each organisation may have different resources or uniqueness. Furthermore, different industries should have different strategies depending on organisation types. For example, fast cycle products such as technology and semiconductors versus low cycle products such as cement manufacturing might have different strategies to achieve organisational performance (Muthuvelo & Teoh, 2013).

Besides duplicating organisational strategies, organisations face challenges sustaining their businesses (Yakob et al., 2020). Internal challenges include instability of people's capabilities, skillsets of employees (Alam et al., 2011), limited investment funds or cash flow turnaround (Yaakub & Mustafa, 2015), organisation cultures as well as management style and leadership style towards an organisation (Lo et al., 2009). External challenges include raising material and operational costs (Nimeh et al., 2018), increasing competition (Muthuveloo & Teoh, 2013), outright digitalisation trend in e-

commerce in developed countries (Seoane, 2020), technology enhancement and the uses of big data for predictive analysis on trends (Gunasekaran, 2017), advantages of internet infrastructure and IoT for manufacturing scalability and operational agility in information sharing and real-time data for operating purposes (Akhtar et al., 2017).

It is challenging when an organisation tries to fulfil customers' requirements while managing and balancing the current available resources in the organisation such as time, cost, and energy. Organisations need to deliver excellent quality to satisfy customers in the competitive market so organisational performance can be achieved (Muthuveloo & Teoh, 2013).

Based on the business insights from McKinsey and Company in 2019, an agile organisation needs to be iterative and comprehensive to battle in the future. Organisational strategy, structure, process, technology, and people are vital to every organisation. Also, there is a need to review organisational structures and processes to become missions oriented, streamline the decision-making process, and link the teams' collaboration. Organisational technology includes the supporting tools and systems that enable agile ways of working, enable design and architectural evolution to meet the requirement, and appropriate infrastructure of information technology could help organisations respond to dynamic changes. People, especially leaders, need to inspire, coach employees, attain and retain the best talents, creating a strategic agility culture and mindset. All of these are the factors that form strategic agility. Strategic agility helps organisations to transform for the benefit of organisational performance and business sustainability. It underlines the fact that strategic agility is vital for organisations (Lucia et al., 2019).

Supported by Neely (1999), there are seven reasons why business performance measurement should be put in place. They are increasing competition, changing nature

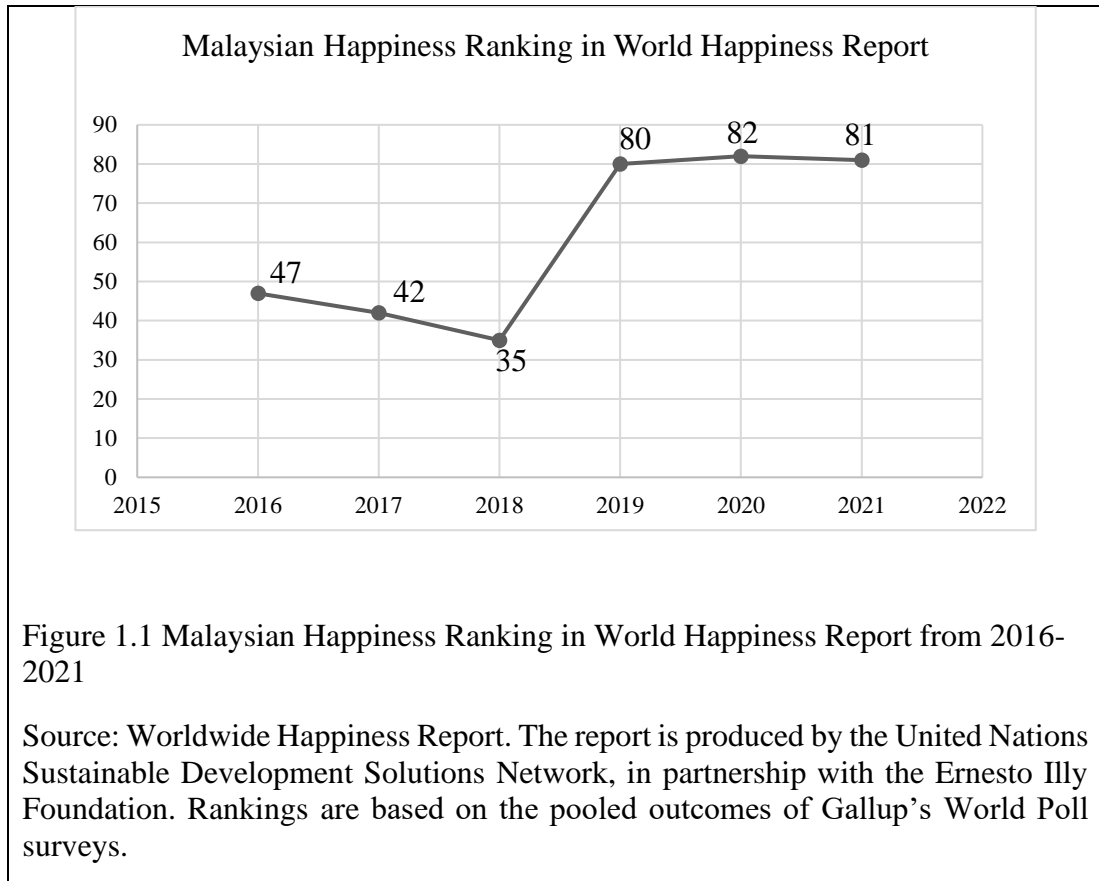
of work, improvement initiative, international and national awards, change in organisation roles, change in external demands, and information technology and systems power. There has been a rise in global standards and customers' expectations of price, quality, and product value. Thus, firms face prohibitive challenges and pressure where they are actively looking for innovation initiative, flexibility, customisation, quality of service, cost savings initiative, and rapid responses to customers so that they can be differentiated among competitors for business sustainability.

Therefore, organisational performance measurement is vital to ensure that a firm is continuously achieves ROI and to stay competitive in the market (Abushaiba & Zainuddin, 2012). Conventionally, organisational performance is measured by financial and non-financial measurements. Financial measurement is how the organisation achieves an excellent financial return. According to Sheikh and Karim (2015), financial measurement includes return on assets, earning per share, and equity return. Cash flows and operating profit (Cornett et al., 2016) and other financial performances are measured to determine organisational performance. Furthermore, organisations compete to lower the cost but maintain the quality of their products (Khorasani et al., 2011), producing a mass-production scale to maintain low cost (Gure & Karugu, 2018) and reach higher margins. Non-financial measurements such as the provision of customisation or value-added services (Rohrbeck et al., 2018), satisfaction and delivering good product quality to customers (Chong & Rundus, 2004) are requisite to achieve business success.

Conventional measurements of organisational performance are suitable for measuring organisational performance in specific industries. However, happiness perspective in manufacturing has been neglected. Competition is becoming more

intense every day, and rigorous efforts are required at the individual, organisational, and corporate levels to utilise time, cost, and energy to attain business sustainability missions and visions (Muthuveloo & Teoh, 2013). In recent years, worldwide happiness index surveys have been conducted throughout an average of 150 countries to measure how happy or satisfied people or communities in these countries are. Happiness consciousness has been drawing attention and concern of the global community. Nations are now concerned about how happy their citizens are instead of focusing merely on national GDP (World Happiness Report, 2021).

United Nations Sustainable Development Solutions Network has been conducting World Happiness Report through Gallup's World Poll worldwide survey platform to measure the degree of happiness of the countries of the world. The Malaysian happiness index dropped from 35th in the year 2018 to 80th in 2019. This is a massive drop of 45 places in just a year and a further drop to 81st in 2021. Figure 1.1 shows Malaysia happiness index in worldwide ranking from 2016 to 2021. The report was conducted yearly, the landmark survey across an average of 150 countries to show how happy these nations and communities are, based on social norms, technologies, conflicts, and government policies (World Happiness Report, 2021).



This study mirroring the happiness index awareness into organisational level by measuring happiness perspective from employee happiness, customer happiness and shareholder happiness for organisational performance. When employee are not happy, it leads to underperformance in organisations (Joiner, 2007). Customer groups are not happy with employees' deliverables, and the shareholders are subsequently not happy with organisations' returns. Organisations need more inclusive metrics and insights to effectively lead the progress of their firms and the well-being. In this regard, happiness perspective should be measured in organisations (Sulakhe & Bakre, 2019). This study measures organisational performance through employee happiness, customer happiness, and shareholder happiness. As described by Kerfoot (2012), happiness leads to performance because happy people lead to better results than unhappy people.

There are three elements that organisations should look at, namely employee happiness (Chaiprasit & Santidhiraku, 2011), customer happiness (Gong & Yi, 2018) and shareholder happiness for ROI. Employees feel happy when their well-being is taken care of by their employers. Moreover, they are motivated to grow and perform in the organisations. Simultaneously, when employees have right goals, visions and missions guided by organisational leadership, they will be given the right directions to perform in their organisations. Often, employees feel a sense of job satisfaction and responsibility to perform at work when they are in the right positions (Wamuuru & Jamleck, 2018).

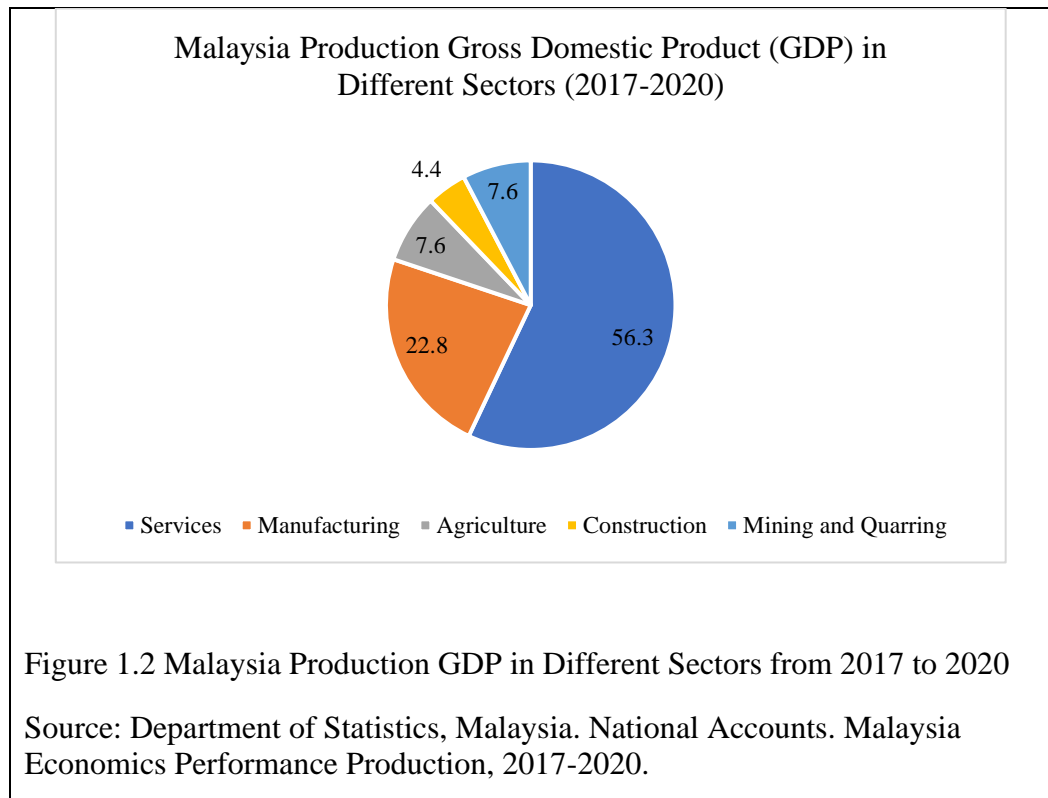
Consequently, employees can deliver and fulfil customers' needs on time and with good quality service. As a result, customers will be happy and thus have faith to continue business with the organisation. Shareholders are happy when the organisation can gain trust, and in turn, they will gain continuous support from customers. This will enable the organisation to achieve continuous ROI. As such, it is essential for organisation to react with strategic agility to internal and external environmental changes and be in the state of readiness to react to the situation quickly for organisational performance (Muthuveloo & Teoh, 2020).

According to Esmaeel et al. (2018), the advanced manufacturing system has replaced the conventional system, and the manufacturing industry has evolved with technological advancements in recent years. The Malaysian manufacturing industry needs to stay agile and resilient over the changes in the manufacturing system and business environment. As in the business or organisational context, strategic agility is best coined and fused with elements of adaptability and acumen, which helps organisations to adapt appropriately, cost-efficiently and rapidly in response to customer expectations, market trends, operating environment, and stiff competition.

Based on the Malaysia Productivity Corporation in the Malaysian Reserve 2018, domestic products' standard should be updated compared to the international standard for competitive advantage. The Federation of Malaysian Manufacturers (FMM) in the Malaysian Reserve (2018) showed that higher involvement of innovation, research and development, and continuous improvement could enhance manufacturing productivity, quality, and business growth (Nathan, 2018).

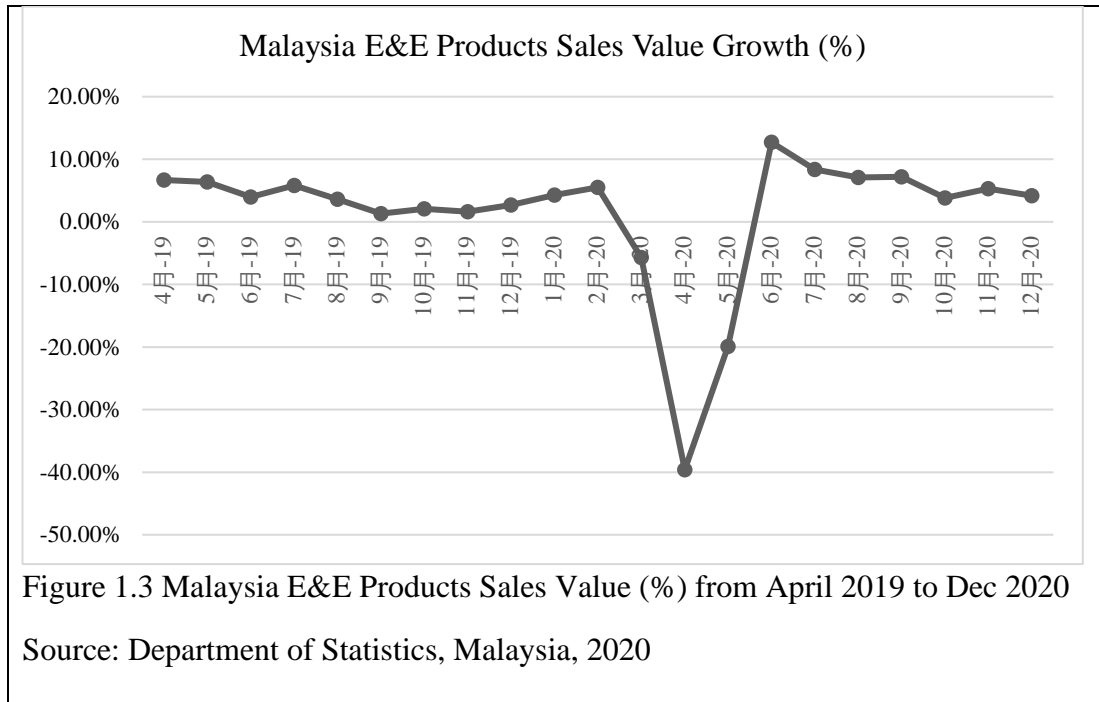
In today's intense, challenging business environment, the Malaysian manufacturing industry's organisational performance has yet to advance its technological standard (Zin, 2020). Malaysia's manufacturing industry is not strategic enough to react to the dynamic business environment. It has not attained the expected level of organisational performance needed for business sustainability (Backhaus & Nadarajah, 2019; Tan, 2014). Malaysia has the opportunity to raise the competitiveness of its manufacturing industry by embracing technological advancement (Backhaus & Nadarajah, 2019; Teoh & Supramaniam, 2019). This study will focus on Malaysia manufacturing industry as Malaysia's manufacturing sector contributed an average of 22.8% of GDP in the past four years from 2017 to 2020, which is the second-highest GDP production next to the services industry.

Figure 1.2 shows the average GDP based on production in Malaysia (Department of Statistics Malaysia, Malaysia Production Gross Domestic Product, Economic Performance, 2020). The Malaysian manufacturing industry plays an essential role in contributing to the country's GDP. The electrical, electronic and optical products sub-sectors accounted for the highest value (28.4%) of the gross output in manufacturing (Department of Statistics, Malaysia Annual Economic Statistics 2018 Manufacturing Sector, 2019).



The Malaysian Department of Statistics disclosed that the Industrial Production Index slumped to 32% in April 2020 compared to April 2019. The main sectors which contributed to the decrease were the basic metal, fabricated metal and non-metallic mineral products (-62.7%), E&E sector (-34.1%) and petroleum, plastic and rubber products (-21.4%). The manufacturing industry in Malaysia has been impacted by the Covid-19 pandemic, where most manufacturers being unable to function under normal operating conditions.

Due to a lack of strategic agility, the growth of E&E sales values has been declining since April 2019 (Department of Statistics, Malaysia, 2020). As stated earlier, the E&E sector is a significant contributor to the Malaysian manufacturing industry. The E&E sector is vital for economic growth in Malaysia. Therefore, the E&E sector is the focus of this study to investigate organisational performance. Figure 1.3 illustrates the growth of sales value year-over-year in the E&E sector in Malaysia.



There are a few successful E&E manufacturers in Malaysia who can still sustain productivity in the competitive environment because of strategic agility to react to the dynamic market. A good example is Khind Malaysia, which was established in 1961. It is well known as the market leader and manufacturer in electrical appliance and industrial electrical company in Malaysia, which represents 25% of the market share Lim (2015). Khind Malaysia has been going through disruptive innovation for 60 years in the manufacturing industry. Lim (2015) informed that Khind faces numerous challenges in the competitive market. In 2014, consumers slowed down spending in the electrical home appliance business. There was a significant decline of 3.2% in Khind Malaysia's net profit from RM3.7million to RM3.1million, and the revenue dropped 2% from RM80.6million to RM79.1million. Khind Malaysia reacted with strategic agility to introduce new products and penetrated new markets for new opportunities. The company emphasises good quality at a reasonable price for customers' satisfaction. Khind Malaysia has a continuous effort in disruptive innovation to produce 50 to 80 new products annually, and the organisation has around

500 products in the market to fulfil customers' needs. Additionally, the organisation realised product branding through e-commerce and digital marketing. Therefore, it has invested in an online platform to stay competitive and follow the market trend.

Numerous research studies have been conducted on how an organisation can react to strategic agility (Judith & Kennedy, 2014; Ofoegbu & Akanbi, 2012). It has been argued that technology (Akhtar et al., 2017; Pohludka et al., 2018; Ravichandran, 2018), environmental scanning (Ali et al., 2018), and people (Elgamal, 2018) are the significant factors of strategic agility. As Muthuveloo and Teoh (2013, 2020) asserted, infinite possibilities of technology, outright environmental scanning and people are the combined factors of strategic agility. The manufacturing industry in Malaysia needs to be agile to react to the dynamic business world to establish organisational performance. Strategic agility plays an essential role in organisational performance.

1.3 Problem Statement

Manufacturing faces significant changes, moving from a local-based economy towards a more competitive and global economy, with the markets demanding customised and higher quality products at a lower cost. In this environment, manufacturing organisations must respond rapidly to customer demands by improving their flexibility with strategic agility while maintaining their quality and productivity (Leitão, 2009). It is argued that organisational performance in the manufacturing industry is still not meeting expectations (Saif & Hussain, 2018; Saleh & Ndubisi, 2006) because of the lack of strategic agility which strategic agility acted as mediator for organisational performance (Teoh et al., 2017). In today's modernised and fast trending business world, the digital economy, artificial intelligence, and the fourth industrial revolution change the world. As a result, there are noticeable and speedy

advancements in the industry, application, and technology that have emerged in manufacturing (Qin et al., 2016).

Organisations need strategic agility because of business environmental changes which could affect business performance. The need for strategic agility in business for new emergent situations and ongoing changes is the response to market demands, customers' interests, supply chain integration and instability in pricing. In this regard, organisations need to quickly comprehend the impact of changes and take proactive actions to adapt to those changes. These actions are necessary to retain opportunities and avoid business sustainability threats (Ali et al., 2018). Strategic agility helps organisations avoid potential risks, flexibility and adaptation to the business environment, which are currently lacking in organisations (Morton et al., 2018).

The unpredictable Covid-19 pandemic has increased scholars' attention on how crucial strategic agility is to organisational performance (Gerald et al., 2020; Suh & Lee, 2018). The Covid-19 pandemic has further emphasised the fact that strategic agility is critical for business survival (Gerald et al., 2020). In addition to having difficulties carrying out daily activities, the demands for many products have dropped drastically. Most organisations face losses and drops in sales. Almost all industries, including manufacturing, experienced sizeable drops in their businesses (Meenakshi & Neha, 2020).

Meanwhile, some organisations in other countries are doing better now as they have the strategic agility to switch products. For example, Dyson, which produces hand driers and vacuum cleaners, is currently using its components and resources to produce ventilators for market needs (Tee, 2020). A few automation-based companies Tesla, General Motors, and Ford are manufacturing ventilators with their automotive

components to support ventilators' market demands (Burns, 2020). China's manufacturers of electronics, apparels and cars shifted their production line to produce face masks in just a few weeks due to the sudden surge in demand following the outbreak of Covid-9 (Economic Watch, 2020). McKinsey & Company (2019) claimed that companies need to take prompt actions for efficient and quick reconfiguration of strategy, people, structure, processes, and technology to protect opportunities and create values for business sustainability (Lucia et al., 2019).

Malaysia had a speedy economic evolution from agriculture to the industry since the 1980s (Saleh & Ndubisi, 2006), it mainly focused on work simplification, increase work productivity, national output and economic growth development (Rowley & Abdul-Rahman, 2007). The employees' well-being and happiness have been largely neglected. Employees have a significant impact on organisational performance (Khalique et al., 2018). Therefore, when employees have less job satisfaction and less motivation, they will not perform as expected, which will undoubtedly impact the quality of goods and services delivered to customers. As a result, customers are not happy because their requirements are not met (Yusr et al., 2018). Eventually, this will impact organisational performance for business sustainability (Kwon et al., 2018).

Supported by previous studies, happiness leads to goal achievement in the organisation, thus improving organisational performance (Chaiprasit & Santidhiraku, 2011; Fisher, 2010; Oswald, 1997). Employees who are not well-trained and supported by employers are not happy because they do not have job satisfaction. Besides, employees are not happy and satisfied if they are not equipped with the right and latest knowledge to navigate the dynamic business environment regarding tools, skills and knowledge know-how. Employees cannot perform well when they do not have job

satisfaction in organisations. Therefore, happiness is a proxy of organisational performance. Happiness in the organisation should be given more attention to in order to ensure business sustainability (Sulakhe & Bakre, 2019).

Numerous studies argued that there are main factors that contribute to organisational performance, and they include technologies (Al-Dhaafri et al., 2013; Gunasekaran, 2017; Peppard, 2018), organisational capabilities (Golini et al., 2014; Kwon et al., 2018; Mikalef et al., 2018; Teoh et al., 2017) and people (Ashford et al., 2017; Gunasekaran, 2017; Muterera et al., 2018). Though many studies have been conducted on organisational performance, the manufacturing sector's organisational performance is currently still not meeting expectations due to the lack of strategic agility in the dynamic business environment. It is observed that the concept of strategic agility has yet to be consistently and sufficiently addressed in the literature, as strategic agility is essential to ensure the organisation is continuously able to maintain its competitive advantage (Baškarada & Koronios, 2018).

Therefore, this study will examine the factors that influence organisational performance, which comprises disruptive innovation, organisational capabilities, and people. It will also investigate the mediating role of strategic agility in the relationship between these three factors and organisational performance within the E&E manufacturing industry in Malaysia. In addition, this study will measure organisational performance based on employee happiness, customer happiness, and shareholder happiness.

1.4 Research Objectives

The primary purpose of this research is to study the relationship between disruptive innovation, organisational capabilities, people, strategic agility, and organisational performance.

The three objectives of this study are as follows:

RO1: To examine the influence of disruptive innovation, organisational capabilities, and people on strategic agility.

RO2: To examine the influence of strategic agility on organisational performance.

RO3: To examine the mediating effect of strategic agility on the relationship between disruptive innovation, organisational capabilities, people, and organisational performance.

1.5 Research Questions

Based on the research objectives stated above, the research questions of this study are as follows:

RQ1: Does disruptive innovation have a significant influence on strategic agility?

RQ2: Do organisational capabilities have a significant influence on strategic agility?

RQ3: Do people have a significant influence on strategic agility?

RQ4: Does strategic agility have a significant influence on organisational performance?

RQ5: Does strategic agility mediate the relationship between disruptive innovation and organisational performance?

RQ6: Does strategic agility mediate the relationship between organisational capabilities and organisational performance?

RQ7: Does strategic agility mediate the relationship between people and organisational performance?

1.6 Research Significance

This study makes important contributions to both theory and practice:

1.6.1 Theoretical Significance

I-TOP Strategic Agility model will highlight that the right resources could be disruptive innovation (DI), organisational capabilities (OC) and people (P) for the creation of strategic agility capabilities from the theoretical lens and contribute to academic that disruptive innovation, organisational capabilities and people are the factors of strategic agility for organisational performance. Besides, the dynamic capability concerns how strategic agility mediates the relationship between organisational performance factors in the dynamic business environment. Strategic agility is important for organisational performance in the lens of dynamic capability for organisations to react against risks and discover opportunities in uncertain business environment for organisational performance. In addition, the possibilities of measuring organisational performance based on employee happiness, customer happiness and shareholder happiness in the manufacturing industry will be a novelty to academics. Employee happiness and customer happiness could be the non-financial measurement of organisational performance and financial performance could be measured through shareholder happiness.

1.6.2 Practical Significance

This study will help practitioners focus their resources on the critical factors that lead to strategic agility, which will optimise their organisational performance. Practitioners could focus and manage disruptive innovation, organisational capabilities and people to create the ability of strategic agility in their organisations to be able to react in the dynamic environment for organisational performance. In additional, practitioners could utilise these factors and form the right strategies to meet company mission and vision. It will also inform practitioners that a happy organisation will lead to optimised organisational performance. Thus, they can formulate strategies towards

creating a happy organisation and achieve the desired organisational performance that is crucial for business sustainability.

1.7 Definition of Key Terms

To avoid any potential confusion in interpreting the concepts and key terms in this study, the key terms used in this study are defined below. These definitions are used as a reference in reviewing the literature review and hypotheses development in the following:

1.7.1 Organisational Performance (OP)

According to Muthuveloo and Teoh (2013, 2020), organisational performance is defined as organisations' efficiency and effectiveness in achieving their financial and non-financial goals by developing and deploying organisational resources. In this study, organisational performance will be measured from the perspective of happiness, which covers the following:

- i) The non-financial performance, which will be measured by employees' and customers' contentment and happiness.
- ii) Financial performance, which will be measured by shareholders' satisfaction and contentment.

1.7.1(a) Employee Happiness

Employee happiness is defined as happiness at work. Happy employees work efficiently, the organisations achieve organisational performance (Chaiprasit & Santidhiraku, 2011). In this study, organisational performance will be measured based on non-financial performance, which comprises employees' happiness, contentment, and satisfaction at work.

1.7.1(b) Customer Happiness

Customers happiness refer to the quality of products received by the customers (Gong & Yi, 2018). In this study, organisational performance is measured based on non-financial performance, which comprises customers' happiness, satisfaction, and contentment with the quality of the products received.

1.7.1(c) Shareholder Happiness

Shareholders happiness is related to the ROI (Anees-ur-Rehman et al., 2018; de Waal, 2008). In this study, organisational performance will be measured based on shareholders' contentment and happiness. In other words, when an organisation achieves financial performance and has returns on investment for business sustainability.

1.7.2 Disruptive Innovation (DI)

Referring to Muthuveloo and Teoh (2013, 2020), technology infinite possibilities is defined as possibilities and continuous advancement of technology and innovation. In this study, technology infinite possibilities refer to disruptive innovations which are created through various types of technological advancements such as manufacturing technology (Farooq & O'Brien, 2011), artificial intelligence, business intelligence, big data analysis (Ricciardi et al., 2017), and technological innovation (Ravichandran, 2018).

1.7.3 Organisational Capabilities (OC)

Organisational capabilities refers to an organisation's ability to continuously deliver value in its distinctive way, adaptive and agile enough to restructure the organisation's value proposition when circumstances demand it (Mikalef et al., 2018). For this study, organisational capabilities refer to organisational ability and capabilities

of scanning and analysing internal and external environments, utilise and restructure resources for organisational performance.

1.7.4 People (P)

People, defined as one of the critical resources to provide the knowledge and skills treasured to the organisation. There are three types of people: performers, transactors, and transformers (Muthuveloo, 2018; Muthuveloo & Teoh, 2013, 2020). In this study, people refer to those who contribute their skills and knowledge to the organisation and perform their work based on the following main characteristics: performers, transactors, and transformers.

1.7.4(a) Performers

Performers whose characteristic is to perform are only valued for money, and they perform day-to-day jobs as job descriptions stated and assigned to them (Muthuveloo, 2018; Muthuveloo & Teoh, 2013, 2020). In this study, performers are defined as those people who perform day to day jobs as per the job description assigned to them. Essentially, they are merely valued for money.

1.7.4(b) Transactors

Transactors contribute new ideas to existing products or processes organisations when performing their jobs (Muthuveloo, 2018; Muthuveloo & Teoh, 2013, 2020). In this study, transactors are defined as people who provide new ideas as value added to an existing product or process.

1.7.4(c) Transformers

Transformers are employees who contribute to bringing up new, noble and novel ideas to support the organisation through the blue ocean strategy (Muthuveloo, 2018; Muthuveloo & Teoh, 2013, 2020). In this study, transformers are defined as

people who can bring up new ideas that support the organisation through the blue ocean strategy to lead the market.

1.7.5 Strategic Agility (SA)

Strategic agility is an organisational capacity to react with speed to environmental opportunities and changes (Ravichandran, 2018). In this study, strategic agility is defined as the ability of an organisation to react rapidly and adapt appropriately in responses to changes for organisational performance.

1.7.6 Business Sustainability

Business sustainability is referring to organisation sustainability and achieving ROI to form an efficient organisation (Muthuveloo & Teoh, 2013).

1.8 Organisation of Thesis

This chapter discussed this study's background, problem statement, research objectives, research questions, research significances and definition of critical terms. Chapter Two provides review of literature related to dependent variables, independent variables, mediating variable, theoretical framework, and hypotheses. Chapter Three describes the methodology, research design, development of research instruments, data collection process, analysis of data and methods. Chapter Four presents the outcome of the statistical analysis on the direct and indirect relationships of the variables. Finally, Chapter Five discusses the findings, research contributions, limitations, future research recommendation and research conclusion.

1.9 Chapter Summary

This chapter showed that organisational performance is vital for organisations to stay competitive and retain business sustainability in the current dynamic business environment. Organisations often face unpredictable changes in the dynamic business

environment, customer demands, and the need for advanced technology required by an organisation to react with strategic agility for organisational performance. Organisational performance in the Malaysian E&E manufacturing industry forms the context of this study.

CHAPTER 2 LITERATURE REVIEW

2.1 Chapter Introduction

This chapter review the extant literature of organisational performance, disruptive innovation, organisational capabilities, people and strategic agility. This chapter identifies the research gaps the present the theoretical framework in which the study is based on the relationship of the variables of this study. In addition, this chapter discusses the underpinning theories of this study and hypotheses are developed for further examination. At the end of this chapter, a summary will conclude the literature review.

2.2 Key Research Variables

A literature review was conducted pertaining to the key variables of this study which include organisational performance, strategic agility, disruptive innovation, organisational capabilities and people.

2.2.1 Organisational Performance (OP)

According to Rohrbeck et al. (2018), organisational's goal is to enable firms as outperformer in their industry, attain market capitalisation development and gain superior profitability. Muthuveloo and Teoh (2013) argued that organisational performance refers to meeting an organisation's goals through the right strategies. Organisational performance consists of the elements of innovation, product quality, employees' performance and their relations with organisational management. As described by Wamuuru and Jamleck (2018), organisational performance is a means through which organisations can meet their objectives and attain high performance. Organisational performance has become one of the most common topics in management research, it still requires further studies as organisations are continuously facing domestic and international business challenges. According to Pohludka et al.

(2018), organisations are still focusing on how to achieve long-term growth and business sustainability by streamlining the processes to enhance productivity, lower cost, increase efficiency and gain flexibility in today's business environment.

The trends of international businesses and foreign investment have grown rapidly since the 1950s. Organisations seek specific host countries in terms of industry structure, size, economic development and the degree of economic independence compared to other countries which best fit their business model. Foreign direct investment helps organisations to leverage development and research costs by exploiting global markets, possible low-cost factors when sourcing materials globally as well as the need to combine and share technological knowledge (Dunning, 1994). Porter (1986) argued in his study that international competition patterns had changed significantly since the mid-1950s when world trade started to beat the growth of gross national product. The investments of many global organisations in nature, depending on international strategies and industrial structures such as configuration and coordination. From an organisational perspective, the basic value chain theory is the competitive scope, which consists of different dimensions such as segment, industry, vertical, and geographical scopes. International organisations always look for global strategies supported by modern manufacturing for competitive advantages and differentiation. (Porter, 1986).

Gure and Karugu (2018) echoed Porter's strategies on competitive advantage influenced organisational performance. They re-evaluated Porter's generic differentiation strategy. A firm's competitive advantage strategy includes differentiation strategy, low-cost leadership structure, focus strategy, and combination strategy, leading to organisational performance. A firm which practices differentiation strategy offers products or solutions which are special and differentiate among