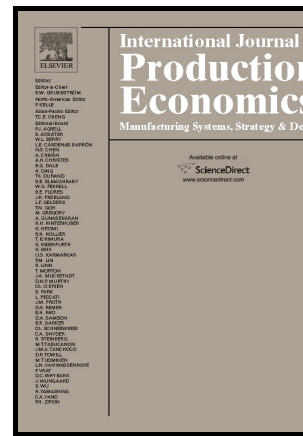


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Relationships between internal and external systems integration, cost and quality performance, and firm profitability

Adam S. Maiga, Anders Nilsson, Christian Ax



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Relationships between internal and external information systems integration, cost and quality performance, and firm profitability

Abstract

This paper proposes that the impact of information systems (IS) integration on manufacturing firm profitability is underestimated as a result of inadequate attention to indirect effects. The study uses structural equation modeling to investigate the associations among internal and external information system integration, quality and cost performance, and firm profitability. Overall, the results from a mail survey of 263 member firms of the Institute for Supply Management support the theoretical model. Results indicate that (a) internal IS integration has a significant positive association with external IS integration, (b) both internal IS integration and external IS integration are significantly positively associated with cost and quality performance, (c) quality performance is significantly positively associated with cost performance, and (d) both quality and cost performance have significant positive associations with firm profitability. However, the direct effects of internal and external IS integration on firm profitability are not significant. Rather, the association is through cost and quality performance, suggesting that both cost and quality performance act as intervening variables. This study extends the literature on IS integration by providing insights into a set of interrelationships that matters for the attainment of firm profitability from IS integration.

Keywords

Information systems integration; quality performance; cost performance; firm profitability

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