

# THE PERCEPTION ON ORGANIZATIONAL LEARNING CAPABILITY. EVIDENCE FROM MALAYSIAN MANUFACTURING SMES

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**Abstract:** *The concept of organizational learning capability has received considerable attention in the management literature due to the superior learning capability have been recognized as the source of competitive advantage. For organisation to survive in global business environment, they must utilise their capacity to learn new practices and keep update with the business situation. To accelerate this transition required innovative strategies that highly depends on the capability of the management to motivate their employees to learn. Therefore, this study intends to report on the perceptions of manufacturing SMEs in Malaysia on organizational learning capability. There are 17 items on organizational learning capability that formed a part of a questionnaire using a five-point interval scale. A total of 168 respondents returned the questionnaires and was analysed using the Statistical Package for Social Sciences (SPSS) approach. The results of the study revealed that the respondents have positive perception on OLC.*

**Keywords:** *Organizational Learning, Organizational Learning Capability, SMEs, Manufacturing, Malaysia*

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## Introduction

The economic profits of business activities have increased prosperity and living conditions globally; however it leads to environmental destruction and social inequality directly and indirectly (Sullivan, Thomas & Rosano, 2018). Current study by Gong, Simpson, Koh and Tan (2018) showed that many environmental destructions occurred and an estimated more than half (60 per cent) of the environments have been corrupted globally. Furthermore, the contribution

of Southeast Asian countries like Malaysia to climate change has increased significantly due to high consumption of energy and strong dependence on fossil fuels (Hansen & Nygaard, 2014). Besides, Malaysia has also alarming record of CO<sub>2</sub> emissions annually, moderately above 6 per cent, which closely to China, at 7.42 per cent (Sadorsky, 2014). In the context of manufacturing sector in Malaysia, this sector is one of the biggest contributors to the Malaysia economy; however, it is also the highest contributor to the environmental degradations Yong et al. (2019).

If nothing is done to solve this, environmental crises will continue to increase and it will worsen. In response to these concerns, many “green” strategies has been conceived due to greater environmental awareness (Cheng, Yang & Sheu, 2014). However, the green efforts and investment would be useless if learning is not take place. Furthermore, the manufacturing is the main sector that focus on the transformation of low-carbon economy required organizations to keep themselves learned and updated about their business challenges (Camison & Villar-Lopez, 2014). Thus, it requires organizations to continuously changing, learn how to sustain and grow (Bhaskar & Mishra, 2017). In addition, previous researchers noted that it is hard for organizations to use knowledge exploitation to produce innovation without the a substantial capability (Leal-Rodríguez, Ariza-Montes, Roldan & Leal-Millan, 2014) which under the concept of organizational learning capability (OLC).

OLC can be describes as the set of management practices that helpful in facilitating the process of learning within organisations in aiming to increase performance of the organization (Alegre & Chiva, 2008; Mbengue & Sané, 2013). The issue here is whether manufacturing SMEs in Malaysia are practising the principles of organizational learning capability in their organisation. This present study aims to examine the perception on OLC in manufacturing SMEs. A total of 168 manufacturing SMEs in Malaysia were involved in this study.

## **Literature Review**

### **Organizational Learning Capability**

The competitive business in twenty first century market requires organizations to continuously changing, learn how to sustain and grow (Bhaskar & Mishra, 2017). One the effective mechanism to achieve this goal is through learning. The personal will change as a results of learning (Salas-vallina, Alegre & Fernandez (2017). In addition, previous researchers noted that it is hard for organizations to use knowledge exploitation to produce innovation without the a substantial capability (Leal-Rodríguez, Ariza-Montes, Roldan & Leal-Millan, 2014).

Organizational learning capability (OLC) can be describes as the important that facilitators have for organizational learning (Gomez, Lorente & Cabrera, 2005; Hult & Ferrell, 1997). The literature on organizational studies has acknowledged the important of knowledge as the key resource in achieving sustainable competitive advantage (Wan Hooi & Sing Ngui (2014). Moreover, the concept of OLC has received considerable attention in the management literature due to the superior learning capability have been recognized as the source of competitive advantage. There are many contributions from the scholars in this regard.

Goh & Richards (1997) suggest that OLC acts as a facilitators of organizational learning process, understood as the organisation’s resources, as skills that act as an approach in promoting competitiveness, and allows the organisation to learn (Alegre & Chiva, 2008). Most significant to the concept of OLC, according to Gomez, Lorente & Cabrera (2005) is one that skill in creating, acquiring, transferring and integrating knowledge as a way to organizational

efficiency and capacity to innovate and grow. Once this has occurred, the organisation need to change its behaviour resulting from receiving new knowledge to the organisation. Mbengue and Sané (2013) expand on this by referring organizational learning is the set of management practices or set of mechanisms that improve the ability of an organisation to sustain and enhance performance.

For Hsu and Fang (2009) suggested the definition of OLC as the ability of organisation to absorb and transform new knowledge and using it into new product development with high competitive advantage and production speed. Another definition by Allameh, Abbasi and Shokrani (2010) has also focus on OLC is the managerial and organizational factors which contributes to improve organizational learning process. After reviewing the various definitions of OLC, it views as a process for acquiring, sharing, distributing, and using knowledge (Imamoglu, Ince, Keskin, Karakose & Gozukara, 2015).

## **Methodology**

### **Study sample and procedure**

A survey method was employed using a questionnaire as the research instrument. The instrument was adapted and adopted developed by Gomez et al (2005). The questionnaire consisted of 17 variables on the organizational learning capability (OLC). A five-point interval scale where 1 was marked “strongly disagree” and 5 was marked “strongly agree” was used to measure the scale. In responding to the questions on the practices of organizational learning capability, respondents were asked to determine the degree which the statement “is” or “is not” true of their organisation. If the item refers to a practice, which is rarely or never occurs, there were asked to score it at one (1). If the practice is almost always true of their organisation, they were asked to score the item as five (5). Respondents were asked to circle the appropriate number. The questionnaires were distributed to collect data from the managers of manufacturing SMEs in Malaysia.

The list is taken from Federation of Malaysian Manufacturers (FMM) 2017 as sampling frame. A total of 168 usable questionnaires were included for further analysis with a response rate of 20.95%.

### **Measurement**

As depicted in Table 1, the questionnaire contained 17 items that related to the OLC. The respondents required to rate their existence of OLC within organisations. Four dimensions, namely, managerial commitment (5 items), system perspective (3 items), openness and experimentation (5 items) and knowledge transfer and integration (4 items) were used to measure OLC in organisations. Items in OLC dimensions were adapted and adopted from previous study by Gomez et al 2005.

Managerial commitment intends to measure the management’s commitment in developing and facilitating support towards organizational learning to promote personal efficacy and learning. System perspective were utilised to measure the mental models, vision and common identity of the employees in the organisation. Openness and experimentation were used to measure the degree of accepting new ideas and views from both within or outside of the organisation. Knowledge transfer and integration intends to measure the degree where certain ability or skills are transfer from source to a user mainly through conversation, interaction and integration.

**Table 1: Summary of Key Constructs, Sources of Questions and the Number of Items**

Variable	Dimension	No of Items	Source
Organizational Learning Capability	Managerial Commitment	5	Gomez et al (2005)
	System Perspective	3	
	Openness and Experimentation	5	
	Knowledge Transfer and Integration	4	

### Data Analysis

All the usable questionnaires were analysed using the Statistical Package for Social Sciences (SPSS) Version 20. In this study, the variables in the questionnaire are based on a 1 to 5 low-high scale. Therefore, when respondents marked 4 to 5 in the scale, this indicated that their organizations can be considered as practicing the principle of organizational learning capability (OLC).

### Demographic Profiles

Most of the manufacturing SMEs (51.8%) have more than 150 employees, 51 organizations (30.4%) have employees from 51 to 150, followed by 23 organizations (13.57%) have employees from 5-50, as well as only 7 organizations (4.2%) having 5 employees. In term of years operating, 52 organizations (31.0%) have started a business in more than 20 years, 45 organizations (26.8%) started their operation during last 16 to 20 years followed by 37 organizations (22.0%) were operated in last 11 to 15 years, 17 organizations (10.1%) were operated in less 5 years to 10 years each.

### Perception on Organizational Learning Capability

A total of 17 statements were used to reflect whether organizational learning capability (OLC) exists according to the opinion of respondents. Following statistical procedures, means score of 17 statements are arranged from the lowest to highest as shown in Table 3. For the purpose of analysing the perceptions of respondents on OLC, the whole sample of 168 respondents were used. The mean scores of the 17 items are presented in Table 3, arranged in ascending order of numerical value, i.e, from the smallest to the largest. It is recalled that a score of “1” represents “strongly disagree” and score of “5”, “strongly agree”. By convention, in a scale of 1 to 5, a score of four (3) is always interpreted as neutral. The mean score in this study followed the interpretation suggested by Coklat and Sahin (2011) as shown in Table 2.

**Table 2: Coklat & Sahin (2011)**

Evaluation Criteria	Evaluation Interval
Very high	4.21 – 5.00
High	3.41 – 4.20
Medium	2.61 – 3.40
Low	1.81 – 2.60
Very Low	1.00 – 1.80

It can be seen that, except for the statement *employee learning is considered more of an expense than an investment* (2.92), where the mean score suggests that respondents agree with the statements, the other 16 statements have mean score higher to 3.0. It is also no coincidence that this statement was given to the lowest score among all the 17 statements. It is not only the lowest score, but it is also the only one which is lower than 3 (for neutral).

The next 11 statements exceeds 3.41 and lower 4.20 which means have high mean score. They are: innovative ideas that work are rewarded in this company (3.60), errors and failures are always discussed openly at all levels (3.85), employees usually work in teams in this company (3.95), all employees are aware of and fully understand the company's objectives (3.97), this company promotes experimentation to improve work processes (3.98), this company adopts useful and relevant practices and techniques from other companies (3.98), employees have the chance to share among themselves new ideas, programmes, and activities that might be beneficial to the company (4.08), this company's management seems favourable in carrying out changes in any area to adapt to and or keep ahead of new environmental situations (4.08), the whole company (e.g. departments, sections, work teams and individuals) operates together in a systematic manner (4.11), this company's culture encourages employees to express openly their job-related opinions (4.16) and the managers frequently involve their staff in important decision-making processes (4.20).

It also can be seen that the five statements have very high mean score, which is 4.34, is given to: this company has instruments (e.g. manuals, databases, files, etc.) to store its information. This is followed by this company promotes innovation to enhance work processes (4.32), employee learning capability is considered a key factor in the company (4.27), experiences and ideas shared by external sources (e.g. customers, suppliers, etc.) are considered as practical instruments for this company's learning (4.26) and the whole company (e.g. departments, sections, work teams and individuals) is aware of how they can contribute to the overall company's objectives (4.22).

This indicates that to an extent, respondents agree that OLC does exist in their organisation. Manufacturing SMEs as the whole are going towards adopted learning culture that leads by their management facilitate their employees in order to enhance performance.

**Table 3: Mean, Standard Deviation of Organizational Learning Capability**

No	Statement	Mean	SD	Skewness	Kurtosis
1	Employee learning is considered more of an expense than an investment.	2.92	1.24	0.122	-0.924
2	Innovative ideas that work are rewarded in this company.	3.6	1.074	-0.339	-0.707
3	Errors and failures are always discussed openly at all levels.	3.85	0.809	-0.614	0.17
4	Employees usually work in teams in this company.	3.95	0.708	-0.958	1.703
5	All employees are aware of and fully understand the company's objectives.	3.97	0.721	-0.246	-0.284
6	This company promotes experimentation to improve work processes.	3.98	0.836	-0.565	-0.14
7	This company adopts useful and relevant practices and techniques from other companies.	3.98	0.769	-0.668	0.497
8	Employees have the chance to share among themselves new ideas, programmes, and activities that might be beneficial to the company.	4.08	0.729	-1.078	3.443

No	Statement	Mean	SD	Skewness	Kurtosis
9	This company's management seems favourable in carrying out changes in any area to adapt to and/or keep ahead of new environmental situations.	4.08	0.709	-0.17	-0.429
10	The whole company (e.g. departments, sections, work teams and individuals) operates together in a systematic manner.	4.11	0.742	-0.407	0.001
11	This company's culture encourages employees to express openly their job-related opinions.	4.16	0.868	-0.676	-0.056
12	The managers frequently involve their staff in important decision-making processes.	4.20	0.758	-0.231	-0.59
13	The whole company (e.g. departments, sections, work teams and individuals) is aware of how they can contribute to the overall company's objectives.	4.22	0.701	-0.334	0.006
14	Experiences and ideas shared by external sources (e.g. customers, suppliers, etc.) are considered as practical instruments for this company's learning.	4.26	0.699	-0.699	0.994
15	Employee learning capability is considered a key factor in the company.	4.27	0.669	-0.197	-0.771
16	This company promotes innovation to enhance work processes.	4.32	0.731	-0.456	-0.395
17	This company has instruments (e.g. manuals, databases, files, etc.) to store its information.	4.34	0.629	-0.147	-0.542

## Conclusion

The main objective of this study was to gain insight the perception of organizational learning capability (OLC) on manufacturing SMEs in Malaysia. Most of the statements, except for *employee learning is considered more of an expense than an investment* have mean score >4 and close to 4. On the whole, the practise of organizational learning capability do exist and, the respondents are positive about OLC. The practical implication of this study is that manufacturing SMEs need to pay conscious attention to motivate learning capabilities in the organisation. The management should encourage their employees to participate in a range of educational activities apart from their routines tasks, facilitate and encourage the employees to share their knowledge as these attempts will help manufacturing SMEs attain the best out of their employees. To success in business world, more effort needed on the part of the initiatives to learn and keep update on business environment. In future, we could examine the relationship of OLC and performance of the organisation.

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