LEARNING CULTURE TO ORGANIZATIONAL BREAKTHROUGHS IN MALAYSIAN COMPANIES

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Abstract

Malaysian society has been revolutionized. The level of education in a large proportion of the population increased and Malaysians’ quality of life has been improved. In order to meet a new economy climate, the national mission’s aims encompass on nation's global competitiveness, human capital development, national integration, ethnic relations, distribution of income and wealth, and the quality of life. For achieving aforementioned aims Malaysian companies needs to achieve better performance and plays an unprecedented role toward promoting learning culture. Rich literature has been reviewed in the area of the learning organization and learning culture. So far, the researchers have not captured any detailed incentives reported in Malaysian context pertaining to the links between Watkins and Marsick’s dimensions and performance in listed Malaysian companies. Thus, this study aims to explore the relationships between learning organization dimensions, and change in financial and knowledge performance among Malaysian companies listed in Bursa Malaysia. Based on the theoretical framework proposed by Watkins and Marsick this study conducted dimensions of learning organization questionnaires survey, in 400 Malaysian companies listed in Bursa Malaysia and acquired a sample of 218 companies. Findings of research provide empirical evidence, which supports the concept of the learning organization and their positive influence on the knowledge and financial performance. The findings demonstrated that organizations with conducive learning culture, has charismatic and dedicated leaders are able to grow in their knowledge and financial performance.

Keywords: Learning culture, Learning organization dimension, performance.
JEL Classification: D23, L10.

Introduction

Learning issues are dynamic and will be based on requirements of the people to learn. In keeping up with the required growth of a learning infrastructure, organizational members should be supported to advance their professional qualifications. These facilitate essential means to create and enhance a learning culture based on group work. Continuous learning opportunities are the prerequisites to enhance personal and professional growth and development among organizational members.

The learning organization is an organizational model proposing to build a culture of adaptation to change (Senge, 1990; Watkins & Marsick, 1993, 1996). Organizations learn through encoding incentives based on the backgrounds (Levitt & March, 1998). The learning organization is considered a forum for individuals to interact with their capacity to exchange skills (Singe, 1990). Learning is acquired by the learning organization to transform itself (Watthkins and Marsitck, 1993). To sustain competitive advantages learning must be addressed constantly. It creates an environment for people to enhance the culture of question and team learning. The organization transfers the ability of how to learn and respond to the needs of customers. This results in increased performance and productivity.

In many studies, learning and knowledge is recognized, as main factors in successful outcomes like cost saving programs, improving earnings, more efficient customer handling, and better utilization of resources (Yang, 2004; Davis, 2005; Marsick & Watkins, 2003; Marsick & Watkins, 1994; Song, 2008; Watkins & Gilmore, 2006; Xiaojun & Mingfei, 2008). The learning organization could encourage individual to learn. It could create and develop simple methods for team work. Learning organizations could determine the structure of organization to find a way to fulfill their purpose in a cost efficient manner. By decreasing the cost and increasing the quality these goals could be achieved (Ford & Angermeyer, 2008).

The main aim of this study is to describe the concept of learning organization culture to determine its main characteristics which influence the organizational performance. The lack of attention given to the possible influence of this matter in the previous studies has highlighted a significant issue that requires further investigation with combining the other scales to assess performance (Ellinger et al., 2002; Ellinger et al., 1999).
So far, the researchers have not captured any detailed incentives reported in Malaysian context pertaining to the links between Watkins and Marsick’s (1993, 1996, 1999) dimensions in listed Malaysian companies. In deed the experiment of a learning organization is yet in early stages and further studies should be conducted to recognize the fundamental dimensions of learning organization. It means determining the potential effects of learning organization promoting the multi-dimensional performance. It is hoped that this study will fulfil the stated gaps in literature and contribute positively to this field (Dirani, 2007; Rowden, 2002; Rowden, Rowden, & Ahmad, 2000; Wang, 2005). Thus, it was apparent from the review of literature that additional research was needed to investigate the relationship between learning organization dimensions and knowledge performance and financial performance. Generally, this study attempts to investigate the relationships between the learning organization and perceived changes in knowledge performance and financial within Malaysian listed companies in Bursa Malaysia. Specifically, the study aims to:

- determine to what extent the learning organization independently explain observed variances in perceived knowledge performance improvement;
- determine to what extent the learning organization independently explain observed variances in perceived financial performance improvement

**Literature Review**

**Concept Learning Culture**

An introduction to learning culture needs to begin with understanding concept of the learning. Learning is to obtain knowledge and skills form somebody or something through studying and understanding (oxford dictionary, 1998). The essential part of learning is experience, reflection, theorization and experimentation. These elements mutually depend on each other. This definition also means all parts of the organizations understand internal and external aspects of learning (Kolb, 1984). This is different from individual learning meaning that learning comes over time and it is more sustainable than the individual learning. When members of an organization are replaced, it would not disappear. Learning organization is to enhance the adaptability to change (Jamali & Sidani, 2008). It is a kind of system, which determines the errors and corrects it. A learning organization is a place where employees excel at creating, acquiring, and transferring knowledge. There are three building blocks such institutions including a supportive learning environment, established learning processes and practices, and leadership behaviours that reinforce learning to improve the performance (David, Amy, & Francesca, 2008).

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**Learning organization and organizational performance**

The connection between learning organizations and organizational performance improvement have been highlighted in recent research studies (Ellinger et al., 2002; Hernandez, 2001; Kumar & Khairuddin, 2006; Lien et al., 2002; McHargue, 2000; Power & Waddell, 2004; Selden, 1998; Zhang et al., 2003) The results of these initial studies have proved fairly positive. Previous studies (Huber, 1991; Crossan & Vera, 2004; Watkins and Marsick 2003) reflect a lot of opinions about the relationship between learning, knowledge, and performance. There are debates to support the importance of learning organization along with the overall performance. The studies of Stata (1989), and Seok Hee et al. (2007) mention that improved performance is based on learning and different types of knowledge.

Dimensions of learning organization have been used in numerous studies across the world. Selden (1998) evaluates the characteristics of learning organization with knowledge and financial performance in family run firms. The positive relationship between the learning organizations characteristics and perceived financial performance is indicated as significant in this study. The relationship between the DLOQ and
knowledge performance are significant except for creating dialogue and inquiry opportunities. He used non-random sampling method for the study and the perceptual method was used for evaluating the performance.

According to Egan (2002) there is a relationship between seven dimensions of learning organization and motivation to transmit learning in large companies in the United States. In his opinion this relationship is weak at the first glance. The research stated the relationship between the demographic variables with dimension of learning organization and motivation to transfer. Egan recommended use of 21 items DLOQ for learning organization studies, the result of study supports the influence of learning organization in improving the motivation to transfer, and it is beneficial for human resource development. The survey items used were found to have acceptable levels of reliability. She suggests longitudinal studies are needed to scrutinize the learning organization and motivation to transfer learning. Recently Piercy, (2007) focused on the relationship on learning organization dimensions and performance results. The main aim of this study is to evaluate the position of different religious organizations. It is suggested that these religious organizations capture more profits of team level incentives including the direction of learning managers and expanding extra team level incentives. To be more acceptable for social change, The outcomes of this research indicates that not all of the learning level encourage the performance specially participating denominations, inquiry and dialogue, collaboration and team learning, and team-level learning were not significant in relation to the performance variables.

Conceptual Framework and propositions

The purpose of this study is to examine and determine the relationship between dimensions of learning organization developed by Watkins and Marsik (1993, 1996, 1999, 2003), and performance “financial performance, and knowledge performance”. The framework to be tested is presented in figure 1 below. It is specifically to investigate the influence of learning organization on the Malaysian listed companies. In this study, the learning organisation was conceptualised to include the following seven dimensions:

1. Create continuous learning opportunities (continuous learning).
2. Promote inquiry and dialogue (inquiry and dialogue).
3. Encourage collaboration and team work (team work).
4. Establish systems to capture and share learning (embedded systems).
5. Empower people toward a collective vision (empowerment).
6. Connect the organization to its environment (systems connections).
7. Provide strategic leadership for learning (provision of leadership).

These seven learning organization dimensions were adopted from Watkins and Marsick's (1993, 1997) learning organization action imperatives model (Marsick and Watkins, 1999). The dependent variables for this study was perceived knowledge performance improvement and perceived financial performance improvement measure that was adopted from the dimensions of the learning organization questionnaire (DLOQ), a dynamic survey instrument developed by Watkins and Marsick (1997).

![Figure 1. Conceptual Framework](image)

Methodology

This study aims to evaluate the effects of learning organization on performance, namely knowledge performance and financial performance. The main theories underpinning the theoretical framework of the proposed study consists of open system theory, learning theories, learning organization theories, knowledge
based view, particularly Watkins and Marsik’s (1993, 1997, 1999) contributions to learning theory is used to achieve the objective of this study. In this study, an abbreviated form of the dimensions of learning organization questionnaire (DLOQ) that contained 21 items on a 6-point Likert scale (1 = almost never; 6 = almost always). The instrument is composed of seven dimensions: create continuous learning opportunities, promote inquiry and dialogue, encourage collaboration and team learning, create systems to capture and share learning, empower people toward a collective vision, connect the organization to its environment, and provide strategic leadership for learning each dimension consist of 3 items. DLOQ recommended by several researchers as a reliable and valid instrument (i.e., McHargue, 1999; Ellinger et al., 2002; Yang et al., 2004). For measuring changes in financial performance 6 items and change in knowledge performance 6 items on a 6-point Likert scale (1 = strongly disagree; 6 = strongly agree). For financial performance respondents asked about their assessments of the organization’s current performance when compared to the previous year. They assess financial performance by return on investment, average productivity per employee, time to market for products and services, response time for customer complaints, market share, and cost per business transaction. For knowledge performance respondents asked about their assessments of customer satisfaction, the number of new products or services, the percentage of skilled workers compared to the total workforce, the percentage of total spending devoted to technology and information processing, and the number of individuals learning new skills.

The Cronbach’s alpha values in this study for overall LO was $\alpha = .94$, for financial performance $\alpha = .95$ and knowledge performance $\alpha = .84$. The population of this study consists of 969 companies listed on Bursa Malaysia. The list is obtained from Data Stream databases. The unit of analysis is an organization. For the present study, a sample size of 278 is found to be sufficient based on the sample size table generated by Krejcie & Morgan (1970) for population of 969. It is to find an optimal sample size, which minimizes the total cost of sampling (Ary, Jacob, and Razavich 1990). Based on Cochran's (1977) sampling procedures, a representative sample of 278 would be sufficient for this study. However, the sample size of 278 suggested for the population was inflated by 60 per cent given that the response rate for mailed survey is likely to yield a low percentage. Thus, the adjusted sample size for this study was 400 assuming 40 per cent non-responses. Since the study involves a large population such as listed companies in Bursa Malaysia, the systematic random sampling methodology used to address the research questions. A packet containing a cover letter of introduction, a copy of the Dimensions of Learning organization Questionnaire (DLOQ) E-mailed to the human resource department. Questionnaire The first, second E-mailing yielded 227 responses. Only 218 responses were used in the final analysis for this study.

**Findings and discussion**

**Research objective 1**

The first objective of the study was to explore the relationship between the overall learning organization and perceived knowledge performance improvement measure. The regression analysis revealed learning organization were significantly related with knowledge performance $R^2 = .343$ and $\beta = .469$, $p < 0.01$. Learning organization was the strong predictor for knowledge performance.

The findings demonstrated that the learning organization characteristics are able to boost in their knowledge performance. Since most of the companies are for profit, innovation might become vital to generate high returns on investment. Perhaps their financial stability accompanied by their inspiring goals lead to better knowledge performance which is indicated by an increased number of skilled workers, introduction of new products or services, and greater investment in information technology. In addition, there may be more individuals in the institution involved in developing new skills and contributed toward suggestion for further improvement of the institutions. Conceivably, most of the suggestion given by the organizations members were taken into consideration and implemented successfully for the benefit of both individual and the institution as a whole. The positive and significant relationships of the learning organization and knowledge performance improvement measure support the findings by Kumar(2006), Hernandez & Watkins (2003), McHargue (1999), and Selden (1998).

**Research objective 2**

The second objective of the study was to explore the relationship between the overall learning organization and perceived financial performance improvement measure. The regression analysis revealed
learning organization were significantly related with financial performance $R^2 = .272$, and ($\beta = .363$, p <0.01) learning organization were the strong predictor for financial performance.

The findings demonstrated that the learning organization characteristics are able to flourish in their financial performance. since most of the companies are for profit, Perhaps their financial stability accompanied by their inspiring goals lead to better financial performance which is indicated by an increased return on investment, average productivity per employee, expending time to market for product and services, response time for customer complaints, market share and cost for business transaction. The positive and significant relationships of the learning organization and knowledge performance improvement measure support the findings by Ellinger et al.(2002) and Davis (2005).

The multiple R from (0.274 to0.343) exhibits significant high relationships between the independent variables and dependent variable. Indeed, the significant F-value provided evidence that the model fit the data. Thus it was concluded that there is a linear relationship between the predictors and the perceived knowledge performance and financial performance. Moreover, the VIF values were below the commonly accepted threshold value of 10.00 (Neter et al., 1990; SPSS, 1999). Therefore, it was concluded that there were no collinearity or multicollinearity problem among the independent variables.

**Conclusion**

In a global environment where technologies, competitive positions, and consumer demands are changing rapidly, improve the innovation capacity and financial returns is fundamental part of organizational necessities. The objective of this paper was to obtained (1) how organizational learning culture promotes the organizations creativity and innovation by measuring organizations knowledge performance and (2) how organizational learning culture effect the organizational financial outcomes.

The findings demonstrated that organizations with conducive learning culture, has charismatic and dedicated leaders are able to grow in their knowledge performance. Since most of the organizations are for profit, innovation might become vital to generate high returns on investment. Facing such a turbulent and uncertain environment today, organizations should develop its capabilities and core competences to move faster in order to create superior customer value and improve financial performance. This study suggests that a LO would be the best solution for Malaysian companies to succeed. They should learn how to create the culture of learning and how to design a feasible system so as to embrace the innovation performance and financial performance to sustained competitive advantage.

**References**


