

ORGANIZATIONAL LEARNING PRACTICES AND PERFORMANCE OF SELECTED SMALL AND MEDIUM ENTERPRISES (SMES) IN BENUE STATE NIGERIA

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Abstract

The emergent changes in the business environment have led to a focus on knowledge as a driver of superior performance in firms. Firms therefore tend to adopt organizational learning practices to manage their knowledge assets for competitive advantage and increased performance. The purpose of the study is to examine the effect of organizational learning practices on the performance of selected small and medium enterprises (SMEs) in Benue State, Nigeria. The study adopted a survey research design and self-administered questionnaire was used to collect data from a sample of 132 selected SMEs in Benue State. Data collected were analyzed using correlation and multiple regressions with the aid of the Statistical Package for Social Sciences (SPSS Version 23). Findings of the study revealed that organizational learning practices (knowledge acquisition, information distribution, information interpretation and organizational memory) were significantly correlated with organizational performance and have positive and significant effect on SMEs performance. The study recommended amongst others that managers of SMEs should ensure the accessibility of stored information by all employees and the creation of manuals for storing such information.

Keywords: Firm Performance, Information Interpretation, Knowledge Acquisition, Organizational Learning

Introduction

Small and medium enterprises (SMEs) play an important role in the market economy and are considered as one of the primary driving forces for economic development and job creation. SMEs comprise approximately 95% of the world's economy effectively making these businesses essential to the growth and development of national economies (De Clercq,

Dimov & Thongpapanl, 2015). The advent of globalization, intense competition, proliferation of knowledge workers, changing lifestyles have influenced organizations and management processes across the globe. SMEs face a challenging external business environment challenges. They require a change in design and strategic approaches to survive in today's competitive business environment (Oltra & Vivas-Lopez, 2013). They embrace changes that involve organizational learning practices, by continuously re-assessing their policies for increased performance (Njoroge, Bula & Wanyoike, 2020).

Organizational learning is the process of creating knowledge through acquiring information about the external environment and developing or improving ways to effectively utilize the information (Frank, Kessler, Mitterer & Weismeier-Sammer, 2012). Organizational learning is a necessary strategic asset that creates value from knowledge assets and its application leads to increase in knowledge that brings about efficiency and effectiveness which ultimately translates to increased firm performance (Nasiri, 2017). The predisposed desire to engender organizational learning practices by organizations is to achieve and sustain greater operational effectiveness and efficiency that will afford them greater leverage for optimal performance in their operations (Bohm, Factor & Garrett, 2002).

Organizational learning has four practices which include: knowledge acquisition, knowledge distribution, information interpretation and organizational memory (Song, 2015). The emergence of organizational learning practices enables organizations to learn, acquire knowledge and innovate, which enhances organizational performance (Rebelo & Gomes, 2008). Organizational learning is hinged on the resource-based view theory which explains the ability of the organization to turn standard resources that are available into competences which are unique and cannot be easily imitated by competitors (Maktabi & Khazaei, 2014).

A large number of studies have been conducted on organizational learning and organizational performance in different organizations (Steiber, 2012; Zaied, Louati & Affes, 2015; Ouma, 2016; Njoroge, Bula & Wanyoike, 2020), and most of these studies established significant relationship between organizational learning and organizational performance. In Nigeria, previous studies are conducted in different sectors. Ewans, Olai and Offor (2017), for instance, conducted a study on for organizational learning and performance of selected paint manufacturing firms in Lagos State, Nigeria while Mehmet, Aminu and Abdurrahim (2014) investigated the relationship between organizational learning capability and organizational performance in the Nigerian banking industry. However, few studies into organizational learning that focused on the link between organizational learning and its effect on performance of small and medium enterprises have been recognized. This study therefore investigates the effect of organizational learning on the performance of selected SMEs in Benue State, Nigeria.

Purpose of the Study

The broad purpose of this study is to examine the effect of organizational learning on the performance of selected SMEs in Benue State, Nigeria. The specific objectives include to:

- i. Determine the effect of knowledge acquisition on the performance of selected SMEs in Benue State, Nigeria
- ii. Ascertain the effect of information distribution on the performance of selected SMEs in Benue State, Nigeria

- iii. Evaluate the effect of information interpretation on the performance of selected SMEs in Benue State, Nigeria
- iv. Examine the effect of organizational memory on the performance of selected SMEs in Benue State, Nigeria

Hypotheses

Based on the above relationship the study is guided by following null hypotheses:

- H0₁: Knowledge acquisition has no significant effect on the performance of selected SMEs in Benue State, Nigeria
- H0₂: Information distribution has no significant effect on the performance of selected SMEs in Benue State, Nigeria
- H0₃: Information interpretation has no significant effect on the performance of selected SMEs in Benue State, Nigeria
- H0₄: Organizational memory has no significant effect on the performance of selected SMEs in Benue State, Nigeria

Literature Review

The learning organization is an organization that systematically instills a learning culture for old employees or future employees and is supported through adequate learning facilities (Zaied, Louati & Affes, 2015). To achieve a proper organizational learning, it is necessary to make changes, which occur through rules, values, system relationships and structures, and all the principles that underlie an organization (Öneren, 2008). Enrique, Francisco and José (2017) define organizational learning as an intentional or unintentional process through which an organization develops new knowledge and insights. This implies that for organizations to learn, they are required to engage in numerous activities, including the acquisition, storage, dissemination and application of knowledge.

Accordingly, organizational learning is the capability within an organization to maintain or improve performance based on experience, and this activity involves knowledge acquisition (the development or creation of skills, insights, and relationships), knowledge sharing (the dissemination to others of what has been acquired by some), and knowledge utilization (integration of learning so that it is assimilated and broadly available and can be generalized to new situations) (Maktabi & Khazaei, 2014). In this study organizational learning is defined as the capability of firms to acquire, apply and broaden new insights assembled from the environment that enables them to change their knowledge-base to adapt to turbulent environment.

Knowledge acquisition is the process of adding new knowledge to a knowledgebase and refining or otherwise improving knowledge that was previously acquired. It also involves research and development, training and further education (Ouma & Kombo, 2016). Information distribution refers to the processes through which individuals, groups or different units of the organization share data and information among themselves (Ouma, 2016). Explicit knowledge can easily be codified and made readily available to those in need of it, while tacit knowledge can be passed on through person to person interactions and other such means (Maktabi & Khazaei, 2014). Informal communication creates great opportunity for learning and innovation to take place.

Information interpretation is defined as the process through which organizations make sense of new information that they have acquired and disseminated (Ouma & Kombo, 2016). The information after been disseminated must be correctly interpreted by those who

receive it (Enrique, Francisco & José, 2017). Organizational memory is the means by which knowledge is stored for future use, either computer-based or manually. It allows organizations to develop databases of commonly asked questions that grow organically as new questions arise and are answered (Maktabi & Khazaei, 2014).

Organizational performance is defined as the ability of an organization to use its resources efficiently and to produce outputs that are consistent with its objectives and relevant for its users (Peterson, Gijbers & Wilks, 2003). For Antony and Bhattacharyya (2010) organizational performance is the measure used to assess and evaluate the organization's success to prepare and deliver the value to its external and internal customers. Waal and Sultan (2012) defined organizational performance as the achievement of some of the financial criteria and other non-financial, during a specific period of time, by focusing on the things that really interest the organization. According to Harbour (2008), organizational performance is measured through the implementation of a raft of measures that represent the final result of the activity of the organization.

Organizational Learning Practices and Firm Performance

Organizational learning is an effective strategy for sustaining and improving a firm's competitive edge and performance and organizational innovation is enhanced through organizational learning which translates to knowledge management that contributes to organizational performance (Kuo, 2011; Maktabi & Khazaei, 2014; Salim & Sulaiman, 2011). Previous studies have established significant relationships between organizational learning practices and firm performance. Ellinger, Young and Houston (2002) in their study of US manufacturing firms reported that there is a positive and significant relationship between organizational learning and firm performance. A study by Ouma and Kombo (2016) in Kenya established that organizational learning significantly affected organizational performance of food manufacturing firms in Nairobi, Kenya. Oltra and Vivas-Lopez (2013) in their study showed that there is a significant effect of organizational learning on the performance of Spanish firms. This was supported by Ewans, Olai and Offor (2017), who established a positive and significant effect of organizational learning on performance of organizations in Nigeria.

Research Method

A survey research design was adopted for the study. This approach was used to enable the researchers to collect various opinions of the SMEs owners through questionnaire administration. The population of the study included 132 owner-managers of selected SMEs in Benue State. The researchers selected SMEs in different lines of businesses such as manufacturing, agriculture, services, trade amongst others. Prior to data analysis, a pilot test was conducted to ascertain validity and reliability of the instrument on 30 SMEs. Validity of the instrument was carried out using factor analysis while Cronbach's alpha was used for reliability of the instrument. The result of the reliability test indicated that all the constructs were above the recommended threshold of 0.70 as follows: knowledge acquisition ($\alpha=0.859$), information distribution ($\alpha=0.893$), information interpretation ($\alpha=0.890$), organizational memory ($\alpha=0.872$) and SMEs performance ($\alpha=0.885$). The data collected from participants were analysed using correlation matrix and multiple regression analysis with the aid of the Statistical Package for Social Sciences (SPSS Version 23).

Results

The data collected were analysed to test the relationship between the variables and effect of the independent variables (organizational learning practices) on the dependent variable (SMEs performance).

Table 1: Correlations between Variables

Variables	1	2	3	4	5
Knowledge Acquisition (1)	1				
Information Distribution (2)	.672**	1			
Information Interpretation (3)	.526**	.632**	1		
Organizational Memory (4)	.634**	.549**	.614**	1	
Organizational Performance (5)	.723**	.681**	.629**	.627**	1

** Correlation is significant at the 0.01 level (2-tailed)

Source: Researcher’s Computation from SPSS Output, 2022.

Correlation analysis was used to test relationship between the variables. The study sought to establish the relationship between dimensions of the independent variable (organizational learning namely knowledge acquisition, information distribution, information interpretation and organizational memory) and the dependent variable (SMEs performance). The result in Table 1 indicated a positive relationship between the variables. The result found a positive and strong correlation between knowledge acquisition and SMEs performance ($r=.723$; $p<.01$), information distribution and SMEs performance ($r=.681$; $p<.01$). There was a positive correlation between information interpretation and SMEs performance ($r=.629$; $p<.01$) and a positive correlation between organizational memory and SMEs performance ($r=.627$; $p<.01$).

Table 2: Test of Hypotheses

Variable	Standardized Statistics			Coefficients	
	Beta	T	Sig.	Tolerance	VIF
Knowledge Acquisition	.622	4.949	.000	.648	1.584
Information Distribution	.414	2.589	.008	.637	1.720
Information Interpretation	.457	4.422	.000	.671	1.516
Organizational Memory	.423	2.538	.002	.636	1.582
R Square		.876			
Adjusted R Square		.852			
Durbin-Watson		1.652			
ANOVA F Statistic		213.451			
Sig.		.000			

Predictors: (Constant), Organizational memory, information interpretation, knowledge acquisition, information distribution
 Dependent Variable: SMEs Performance

Source: Researchers’ Computation from SPSS Output, 2022.

The regression model was tested using multicollinearity. Variance Inflation Factor (VIF) and Tolerance (TOL) were used to assess all the variables. The VIF for all the parameters were found to be less than 4, suggesting that there was no problem of multicollinearity and thus the difference contributed by each independent variable was significant. All the study variables explained 72.8% variation of organizational performance of listed food and beverages manufacturing firms in Nigeria. This indicates that the independent variables significantly predicted the dependent variable ($R^2 = 0.876$). Further, coefficient of determination was significant as evidenced by F ratio of 213.451 with p value $0.000 < 0.05$. This shows that there is a significant relationship between organizational learning practices (knowledge acquisition, information distribution, information interpretation and organizational memory) and SMEs performance.

The result of hypothesis one as presented in Table 2 revealed that knowledge acquisition has a positive and significant effect on the performance of selected SMEs in Benue State Nigeria with a beta value of $(\beta) = 0.622$ (p -value = 0.000 which is less than $p = 0.05$). Therefore, the study rejects the null hypothesis (H_{01}). The result of the second hypothesis indicated that information distribution has a positive and significant effect on the performance of selected SMEs in Benue State Nigeria with a beta value of $(\beta) = 0.414$ (p -value = 0.008 which is less than $p = 0.05$). Therefore, the study rejects the null hypothesis (H_{02}). The result of hypothesis three showed that information interpretation has a positive and significant effect on the performance of selected SMEs in Benue State Nigeria with a beta value of $(\beta) = 0.457$ (p -value = 0.000 which is less than $p = 0.05$). Therefore, the study rejects the null hypothesis (H_{03}). Finally, the result of hypothesis four indicated that organizational memory has a positive and significant effect on the performance of selected SMEs in Benue State Nigeria with a beta value of $(\beta) = 0.423$ (p -value = 0.002 which is less than $p = 0.05$). The null hypothesis was thus rejected.

Discussion of Findings

Findings of the study indicated a positive and significant relationship between organizational learning practices (knowledge acquisition, information distribution, information interpretation and organizational memory) and SMEs performance. The results of the four tested hypotheses indicated that knowledge acquisition, information distribution, information interpretation and organizational memory have positive and significant effect on the performance of selected SMEs in Benue State Nigeria. The result is supported by previous studies who established a positive and significant relationship between organizational learning practices and firm performance. The result of the study by Ouma and Kombo (2016) showed that organizational learning practices have positive and significant effect on the performance of food manufacturing firms in Kenya. In line with this result, Ewans, Olai and Offor (2017) found significant relationship between organizational learning and organizational performance. This is in agreement with Oltra and Vivas-Lopez (2013) who affirmed that there is positive and significant effect of organizational learning on the performance of Spanish firms. Similarly, previous studies such as Maktabi and Khazaei (2014) and Salim and Sulaiman (2011) reported that organizational learning practices significantly affect the performance of organizations.

Conclusion

The result of data analysis and test of hypotheses have undoubtedly demonstrated that organizational learning practices including knowledge acquisition, information distribution, information interpretation and organizational memory have positive and significant effect on the performance of SMEs in Benue State. The study therefore concludes that organizational learning practices are indispensable in enhancing competitive advantage and increased performance of SMEs.

Recommendations

Recommendations were made amongst others that SMEs should always emphasize on research and development to help acquire knowledge that would be useful for them. SMEs need to develop an efficient and effective exchange of information and develop formal mechanisms for knowledge transfer. Also, SMEs should adopt work practices and strategies that will incorporate new ideas that will be accepted by all employees to help in information interpretation. Finally, managers of SMEs should ensure that information stored in their organizations is accessible for all employees. They should employ professional that will help create manuals for information storage.

Further Research

Further research should be carried out to determine factors that affect the level of adoption and implementation of organizational learning in organizations. Factors such as absorption capacity, resource allocation and business strategy should be considered by further studies. In this study, knowledge based theory was the only theory of reference for the study thus limiting other aspects of study that may affect organizational performance. The study was limited to food and beverages manufacturing firms in Nigeria, thus the results cannot be generalized to all firms. The study should be replicated in other industries and in other countries. Such replication could further determine whether the results of this study can be generalized to a wider context to enhance understanding of the relationship between organizational learning and organizational performance in different contexts. Future research should broaden the conceptualization of knowledge theory to include other theories that may give depth to the study.

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