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Learning Organization and its Effect on Organizational Performance and Organizational Innovativeness: A Proposed Framework for Malaysian Public Institutions of Higher Education

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Abstract

The survival of today's public institutions of higher education (PIHE) depends on how these institutions accept changes, improve practices and competitiveness. Defined as an organization that facilitates learning of all its members, learning organization possesses certain characteristics to meet the ever-changing needs of the environment. With Malaysian PIHEs being major contributors in providing educational opportunities for students in the country, it is equally vital for PIHEs to adapt the learning orientation. Accordingly, this paper proposes that learning organization culture have direct effects on organizational performance and organizational innovativeness, potentially leading to long-term organizational success.

Keywords: learning organization; organizational performance; organizational effectiveness; public institutions of higher education (PIHE)

1. Introduction

Learning organization is defined as organization where people continually develop their capacity to achieve results they desire, whereby new patterns of thinking are nurtured, collective aspirations are freed and people learn to learn together (Senge, 1990). A more recent definition highlighted organizational learning, which is related to learning organization (Robelo & Gomes, 2011) as a process or capacity within organization which enables it to acquire, access and revise organizational memory thus providing directions for organizational action (Lin, 2008). In

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the Malaysian context, there are various perspectives as to what learning organizations truly are. While a study noted that learning organization always seek ways to capture learned concepts to function continuously (Alipour, Khairuddin, & Karimi, 2011), another suggested that a vital component of building a learning organization is team learning (Norliya & Azizah, 2007). Additionally, Norashikin and Noormala (2006) also suggested that organizational learning helps to improve organization's competitive advantage and responsiveness to change, subsequently sparking interest to develop organizations that promote and foster learning.

The concept of learning organization has been linked to innovation and performance in organizations (Power & Waddell, 2004; Watkins & Marsick, 1993; 1999). The capacity for change and continuous improvement to meet the challenges in the environment in which organizations operate has been associated with the capability of these organizations to learn (Armstrong & Foley, 2003; Senge, 1990). Thus, organizations that learn will be able to keep abreast with developments and improvements in the business environment to operate successfully. Accordingly, Kalsom and Ching (2011) highlighted that for public institutions of higher education (PIHEs) to strive for academic excellence, it is vital for the institutions to become learning organizations. As one of the main purposes of PIHEs is to achieve academic excellence among its students, it appears that PIHEs may need to transform into learning organizations (used interchangeably with organizational learning in this study) and subsequently improve overall organizational performance and innovativeness. The need for PIHEs to become learning organizations is substantiated because learning creates opportunities for educators to access the right knowledge at the right time and in the right location to stay competitive (Kumar, 2005). However, it should be highlighted that a review of literature discovered lack of studies on PIHE in the Malaysian context as well as lack of measurement for PIHE organizational performance. The Ministry of Higher Education (MOHE) (2013) merely stated that "… PIHE's ability to carry out their functions and responsibilities in a more transparent and effective manner will be conducted in order to create an excellent higher education system" with no specific mentions of how the performance of PIHEs are measured.

In an attempt to further understand the subject matter, the three concepts, which are learning organization, organizational performance and organizational innovativeness will be defined in general organizational terms. Watkins and Marsick (1996) noted that learning organizations are where learning and work are integrated in an ongoing, systematic manner in order to support continuous individual, group and organizational improvements. A more recent definition noted that learning organizations are organizations looking for transformation and excellence through interrupted and continuous organizational renewal and gradually mastering the subject matter (Griego, Geroy, & Wright, 2000).

Organizational performance, meanwhile, has not been frequently defined and has been used differently according to the context, as well as being difficult to define and measure (Erbisch, 2004; Stainer, 1999). A general definition of organizational performance by Stankard (2002) noted that it is the product of interactions of different parts or units in the organization. In the context of this study, organizational performance refers to the outcomes of various organizational processes which occur in the course of its daily operations. For PIHE, it is proposed that organizational performance is represented by various dimensions such as school reputation, quality of students, research results and social responsibility (Chen, Wang, & Yang, 2009).

Organizational innovativeness is defined as organization's capability to embrace an organization-wide atmosphere that is willing to accept diverse ideas and is open to newness, and that encourages its individual members to think in novel ways (Lin, 2006). The context in which organizational innovativeness is used in this study is defined as organization's willingness to encourage and support employees' innovation whereby the development of new knowledge and insights are promoted (Hult, Hurley, & Knight, 2004; Hurley & Hult, 1998; Liu, Luo, & Shi, 2002). In a study of innovation management, M Nordin, Fauziah, Rohana and Norlina (2013) identified that besides research agencies, PIHEs are also responsible in "manufacturing" innovations. Although the study identified that innovations can be categorized into technology, product and service as per suggested by Burgelman, Christensen and Wheelwright (2009), it seems to be lacking the definition of innovativeness in PIHEs.

Looking at PIHEs as entrepreneurs who promote economic development (Li-Hua, Wilson, Aouad, & Xiang, 2011), Etzkowitz and Zhou (2007) identified three characteristics of entrepreneurial universities: a) entrepreneurial activities are accepted and systematically supported; b) interface mechanisms exist, for example a technology transfer office and corresponding achievements; and c) significant numbers of staff members who can generate income to support university research and other activities. Additionally, a study emphasizing on PIHE in Libya by

Mohammed and Bardai (2012) adopted a definition of innovation by Singh (2011) whereby it is noted as use of new technical and administrative knowledge to offer a new product or service to customers. Considering the importance of PIHEs as the avenue to continuously provide dynamic and competitive academic services to the Malaysian public, this study is imperative with the aim to identify the relationship between PIHEs as learning organizations and its impact on organizational performance and organizational innovativeness. The ability as well as the need for PIHEs to become learning organizations is relatively dependent on whether it has the ability to enhance both organizational performance and innovativeness.

Review of existing literature indicates that there exist several emphases on certain area of studies. Firstly, most studies in the area of learning organization, organizational performance and organizational innovativeness focuses on private organizations other than emphasizing on various types of organizations such as manufacturing, service and SMEs (Tohidi, Seyedaliakbar, & Mandegari, 2012; Mohanty & Kar, 2012; Nzuve & Omolo, 2012; Ramírez, Morales, & Rojas, 2011, Wanto & Suryasaputra, 2012). Thus, there is a fairly significant absence of studies on public organizations, specifically PIHEs. As public organizations have significantly different operational condition that private ones, the outcome of this study will help determine as to whether it is equally vital that PIHEs focus its resources to transform into learning organizations. Besides that, there is also lack of literature on the effect of learning organization on both organizational performance and organizational innovativeness specifically focusing on Malaysian PIHEs. Therefore, this paper proposes potential links between learning organization, organizational performance and organizational innovativeness in the context of PIHEs.

2. Literature Review

2.1. The Relationship between Learning Organization and Organizational Performance.

Various studies indicated that learning organization have strong relationship with organizational performance (Dunphy & Griffths, 1998; Khandekar & Sharma, 2006; Robinson, Clemson, & Keating, 1997; Ho, 2011; Akhtar et al., 2012) whereby learning organization is represented by seven dimensions developed by Watkins and Marsick (1993). The dimensions are continuous learning, dialogue and inquiry, team learning, embedded system, system connections, empowerment and leadership. This was attributed to the parallel improvement of performance of organization and change, subsequently leading to improved organizational performance. Furthermore, organizations that learn also experience improvement in performance because the trade of helpful knowledge occurs. This is because in a learning organization, there is a continuous and harmonious learning environment (Akhtar, Arif, Rubi, & Naveed, 2012). However, the same study noted that there was mixed results among the seven dimensions of organizational learning. Specifically, a study by Akhtar et al. (2012) noted that only two dimensions of organizational learning had positive impact on organizational performance, namely inquiry and dialogue and systems connection. Supported by Jyothibabu, Farooq and Pradhan (2010), inquiry and dialogue promotes thinking collectively and communication which contributes positively to organizational performance. Additionally, systems connection had a similar impact on organizational performance as employees were found to be well-versed internally and externally with their surrounding environments and were able to establish link between the two (Akhtar et al., 2012). Accordingly, the remaining dimensions of organizational learning do not have positive effect on organizational performance. Continuous learning has greater impact on individual, rather than organizational performance. While team learning mediates organizational performance, it does not directly influence it. Furthermore, Akhtar et al. (2012) also elaborated that the employees in studied PIHEs rely on leadership to execute decisions as opposed to being empowered to make their own decisions, potentially due to the lack of experience and knowledge to do so.

Proposition 1: The culture of learning organization will positively influence organizational performance among PIHEs.

2.2 The Relationship Between Learning Organization and Organizational Innovativeness

Notably, there is a substantial lack in the existing literature in relation to the impact of learning organization on organizational innovativeness in the context of Malaysian PIHEs. However, in general the culture of learning

organization has been found to have positive impact on organizational innovation (Tohidi et al., 2012; Liao, 2006; Calantone, Cavusgil, & Zhao, 2002; Ussahawanitchakit, 2008. In reference to context other than PIHEs, one study which highlighted the conceptual framework developed by Akhtar et al. (2012) noted that innovation forms part of the dimension of organizational performance. Tohidi et al. (2012) conducted a study on the Iranian ceramic tile industry emphasizing on organizational learning capability and found that it does in fact impact firm innovation. Similarly, a Fortune 500 multinational corporation based in Bangalore was also found to have a high mean score for the Potential for Organizational Learning Index (POLI), implying that the organization is committed to its innovation, implementation and stabilization (Mohanty & Kar, 2012). The results of these studies are further supported in a study by Islam and Mohamed (2011) whereby organizational learning was found to be critical for innovation in small and medium enterprises (SMEs) operating in the Malaysian ICT industry. Similarly, organizational learning was also found to be significantly correlated with innovation for SMEs in Uganda (Stella, 2012), somewhat indicating that geographic location may not have influenced the relationship between the two variables.

Proposition 2: The culture of learning organization will positively influence organizational innovativeness among PIHEs.

Based on the literatures reviewed the theoretical framework shown in Figure 1 is proposed.

Fig. 1: Proposed conceptual framework for predicting relationship between learning organization and organizational performance and organizational innovativeness

3. Conclusion

It is becoming increasingly important for organizations to adopt the learning orientation as it could help contribute to organizational success. However, as the capability to learn does not naturally and readily occur within organizations, it is imperative that organizations ensure that resources allocated and efforts made to instill learning within organizations. Accordingly, it is vital that public institutions of higher education (PIHEs), parallel to other organizations, become learning organizations to ensure that organizational objectives are attained. As discussed above, although numerous studies have shown that learning organizations have significant impact on organizational performance and organizational innovativeness, there have yet been studies which emphasize the effects of learning organizations on organizational performance and organizational innovativeness in PIHEs. Thus, PIHEs shall be the focus on this study, other than looking at it from the perspective of Malaysian PIHEs.

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