

# ROLE OF LEARNING ORIENTATION ON SMEs' PERFORMANCE: EMPIRICAL EVIDENCE FROM SMEs IN NIGERIA

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## ABSTRACT

*This study set out to investigate the role of learning orientation and SMEs' performance. A descriptive research design was adopted to gather information from registered SMEs as captured by Corporate Affairs Commission in Nigeria. The data gathered were sourced via the administration of structured questionnaire to 436 owner-managers of SMEs. The study employed the use of standard multiple regression analysis to test the hypothesis. The results from statistical analysis indicates that Among the diverse dimensions of learning orientation that were adopted for this study, the greatest and most significant influence came from new strategy, innovative products and new knowledge sharing. Consequently, the research results points to the fact that SMEs operators and managers should focus on continuous learning that emphasizes the capability of the firm and its members to understand and adapt to the competitions in its chosen product-market through dynamic strategies that can achieve and sustain their firms' competitive position.*

**Keywords:** Learning Orientation, SMEs' Performance, SMEs, Strategic Management, Strategic Orientation.

## INTRODUCTION

The rate at which customer's tastes and preferences are changing calls for attention, compelling firms to be up to date by learning and having new knowledge to produce new products and services for them to meet up with new market and change in customers' preferences (Jerez-Gómez, 2015). Therefore it has become apparent for firms to become learning organization especially with advancement in technology and stiff competition (Calantone et al., 2003; Osabuohien & Efobi, 2012). Thomas et al. (1995) buttressed that learning organisations are firms in which their employees are continuously exposed to knowledge expansion that is, creating, acquiring and transferring knowledge that facilitates firms' ability to adapt to changes compared to their competitors. This is concerned with the improvement on knowledge or insights that have the potential to affect change in an organization that enhances firm performance (Baron, 2008; Ibidunni et al., 2017). In the SMEs sector of Nigeria, the need to investigate the role of learning orientation on performance of these firms has become a critical path to ply. This is because the rate of impeded growth of most SMEs', the underperformance of many others and yet the incapacity of some to advance over time into becoming large firms (Abiodun & Ibidunni, 2014), calls for research attention into the need to examine a learning orientation as a means to

resolving these challenges. It is to this end that this research is focused on investigating the role of learning orientation on the performance of SMEs in Nigeria.

## LITERATURE REVIEW

### Learning Orientation

Learning orientation is the method of obtaining, sharing, integrating, and creating information and knowledge among members of an organization (Campbell, 1989). It comprises of obtaining, disseminating, incorporating and creating information and knowledge among members in the organisations, organisational learning revolves around staff training and the mechanisms for developing their knowledge and skills (Grieco, 2007). In practice, however, most organization do not invest on organisational learning because it is difficult to measure the immediate impact quantitatively but in the long run it will positively affect the performance of the firm.

Dixon (2012) opined that learning orientation is the key component that supports knowledge productivity processes, which involves looking for information, embracing it, developing and crafting new knowledge on products, processes, and services. Organizations need competent people to learn, understand and interpret new information from the market and changes from the external environment, organization must also be able to create new knowledge faster than other competitors (Campbell, 1989; Olokundun et al., 2017). There are majorly two types of organisational learning; namely adaptive and generative learning. Adaptive learning is very important to a firm because it reveals a firm's ability to do away with obsolete methods, processes, procedures and techniques, and replacing these with new and drastic approaches. This type of learning allows firms to cultivate the attitude of continuous improvement as well as create novel innovations (Gibson & van der Vaart, 2008). In generative learning, a firm gives its employees opportunities to always question the organizational status-quo in forms of norms or long held assumptions, routines and guidelines, by allowing its employees to think outside of the box (Hashi and Stojcic, 2013). A clear direction for employees to learn may lead to organisational strength and core competence development. Through shared vision, the focus of various departments is coordinated and finally it enhances the quality of learning.

Unni (2006) stated that commitment to learning, open-mindedness, and shared vision are what propel learning orientation in a firm. Commitment to learning, according to Sonobe et al. (2004) refers to the level of importance an organization attaches to learning and their ability to consider the effects of their actions. Open-mindedness refers to the extent to which an organization proactively disrupts long-held processes, procedure, routines, assumptions, techniques and beliefs, organizations need to imbibe a culture and climate of for them to create superior quality for customers (Adamu, 2014). According to Ashby et al. (2009) shared vision refer to this as the extent to which an employees and management cultivates the habit to hold and understand a common focus or view of the organization.

### Learning Orientation and Performance

Learning orientation helps firms develop more adequate mental models and make more successful decisions, because firms will be able to acquire diverse information and generate new knowledge (Kodithuwakku and Rosa, 2002). Furthermore, Kaufmann and Tödting (2002) proposed that learning helps a firm to target and enter new markets, because it assists in opportunity recognition. Morris et al. (2013) stated that, learning orientation is associated with

fulfilling unmet customer needs and moving ahead of competitors in terms of emphasizing opportunity identification, proactive behaviour and innovativeness. Campbell (1989) supported that learning orientation is a knowledge-based resource capability and has been acclaimed as a key process that contributes largely to positive innovation, which defines and supports an organization's success. Dixon (2012) and Huber (2011) also defined organizational learning as a process of obtaining, distributing, incorporating, information and knowledge in an organisation. Organizations need capable employees to acquire and interpret new market information and technology changes from the external environment; they need not to only process information efficiently but also to retain customers and create new knowledge faster than other competitors (Campbell, 1989).

According to Gbadamosi et al. (2016) learning orientation is very crucial to securing and retaining customer because employees' knowledge and skills are central to customers' retention and competitiveness. Learning orientation is basically defined as an organization's ability to cultivate the competencies to obtain new information and translate that information into knowledge (Emmanuel, 2008). Social changes such as globalization and technology have put pressure on organizations for continuous learning in order to maintain competitiveness. An interest is taken in learning orientation, because this is seen as a retention supporting strategy by organisations. Brian (1993) stated that the fierce and intense global need for the best employees brought about by the shortfall in new workforce entering organization has made it essential for organization to keep learning, in order to ensure the satisfaction and retention of customers and subsequently maintain their competitive advantage. This is because large number of employees these days are younger and dynamic, who easily get bored and do not want a traditional career within one company. Consequently this study hypothesises that:

*H<sub>0</sub>: Learning orientation will not influence SMEs' performance.*

## **METHODOLOGY**

A descriptive research design was adopted to gather information from registered SMEs as captured by Corporate Affairs Commission (2016) covering the South-West states in Nigeria, that is from Lagos State, Ogun State, Oyo State, Ondo State, Osun State and Ekiti State making a total of 10,000 registered SMEs. The south-western region of Nigeria, particularly the selected states for this study have an historical reputation for business activities. This also informs why the regions' business activities attract diversity of ethnic groups from all part of Nigeria, and Africa into the regions (Adegbuyi, 2011). The study population consisted of owner-managers of SMEs that are members of National Association of Small Scale Industrialists (NASSI) as the questionnaires were administered during the meetings of this association. The data gathered were sourced via the administration of structured questionnaire to 500 SME owners based on the sample size determination technique by Krejcie and Morgan (1970). The items in the research instrument were adapted from existing works which included studies from Gibson and van der Vaart (2008), Campbell (1989) and Gbadamosi et al. (2016). A total of 436 copies of questionnaires representing about 72.3% were retrieved. The study employed the use of multiple regression analysis to test the hypothesis because the data consisted of a combination of ordinal and nominal data. Moreover, the use of multiple regression gave insight to specific dimensions of learning orientation that influences SMEs' performance.

## ANALYSIS AND FINDINGS

**Table 1**  
**STANDARD MULTIPLE REGRESSION ANALYSIS OF LEARNING ORIENTATION AND SMEs' PERFORMANCE**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.292	0.190		12.038	0.000
	New method	0.057	0.040	0.085	1.415	0.158
	New strategy	0.105	0.035	0.150	2.994	0.003
	Innovative product	0.134	0.037	0.176	3.655	0.000
	New idea	0.045	0.041	0.062	1.093	0.275
	Organizational vision	0.020	0.034	0.032	0.600	0.549
	New knowledge sharing	0.104	0.032	0.179	3.288	0.001
R				0.467		
R <sup>2</sup>				0.218		
Adj. R <sup>2</sup>				0.207		
F-Value				19.948		
Sig.				0.000		
Predictors: (Constant), New method, New strategy, Innovative product, New idea, organizational vision, New knowledge sharing						
Dependent Variable: SMEs' Performance						

Source: Adegbuyi et al. (2018)

This study revealed that there is relationship between learning orientation and SMEs' Performance at  $R=0.467$ ,  $R^2$  is the proportion of variance in the dependent variable which can be predicted from the independent variable. This value indicated that there is variance of 21.80% between learning orientation and SMEs' Performance. The F-value is the Mean Square Regression (2.534) divided by the Mean Square Residual (0.127), yielding  $F=19.948$ . From the results, the model in this Table 1 is statistically significant ( $Sig=0.000$ ) and hence the null hypothesis should be rejected. Hence, the alternative hypothesis is accepted. The Table 1 above also revealed the contributions of learning orientation to SMEs' Performance and their level of significance. (New method:  $\beta=0.057$ ,  $t=1.415$ ,  $p>0.05$ ; New strategy:  $\beta=0.105$ ,  $t=2.994$ ,  $p<0.05$ ; Innovative product:  $\beta=0.134$ ,  $t=3.655$ ,  $p<0.05$ ; New idea:  $\beta=0.045$ ,  $t=1.093$ ,  $p>0.05$ ; organizational vision:  $\beta=0.020$ ,  $t=0.600$ ,  $p>0.05$ ; New knowledge sharing:  $\beta=0.104$ ,  $t=3.288$ ,  $p<0.05$ ). Since the significance levels for most of the items are less than 0.05, it was further justified that the null hypothesis should be rejected while the alternative hypothesis is accepted. It can therefore be implied that learning orientation plays a significant role on SMEs' Performance.

## DISCUSSION

The focus of this study was to investigate the role of learning orientation on SMEs performance. The result of the standard multiple regression analysis carried out showed that learning orientation strongly and significantly affects SMEs performance. Among the diverse dimensions of learning orientation that were adopted for this study, the greatest and most significant influence came from new strategy, innovative products and new knowledge sharing. Consequently, the research results points to the fact that SMEs operators and managers should focus on continuous learning that emphasizes the capability of the firm and its members to

understand and adapt to the competitions in its chosen product-market through dynamic strategies that can achieve and sustain their firms' competitive position. The findings of this research is consistent with existing research, such as Prieto and Revilla (2006), which suggest that among Spanish SMEs, learning capabilities significantly enhances performance. However, a contradictory report was submitted by Altinay et al. (2015) when they reported an insignificant relationship between organizational learning and SMEs performance in North Cyprus. This mixed reaction towards the relationship between learning orientation and SMEs' performance can be traceable to different environments within which SMEs operations are being carried out. For example, in Nigeria and Spanish business environments where positive relationships have been reported, this could be traceable to the openness of these two economies to continuous learning through strategic alliances with SMEs operators and large firms in other well developed economies (Suryaningrum, 2012). However, the experience in North Cyprus is quite different because the economy is quiet a closed system (Prieto & Revilla, 2006), therefore, stiffening the process of learning capabilities and orientations that can be explored by firms operating in such economy. More so, learning that relates to creation of new and innovative products and continuous knowledge sharing is crucial to the performance of SMEs. This implies that SMEs have a strategic role towards establishing a vibrant manufacturing and service sector of Nigeria's economy.

### **RECOMMENDATION AND CONCLUSION**

This study examined the relationship between learning orientation and the performance of selected small and medium enterprises (SMEs) in South-West, Nigeria. Based on the findings from the statistical analysis, the study concludes that learning orientation significantly relates with the performance of SMEs. Consequently, it is recommended that SMEs operators should implement a learning orientation at the firm level. This implies that organizational learning should become a norm to every employee in the firm, especially with respect to new strategy, innovative product and new knowledge sharing.

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