

THE EFFECT OF ORGANIZATIONAL LEARNING ON MALAYSIAN GOVERNMENT BUSINESS SUPPORT SERVICE (GBSS) AND MANUFACTURING SME PERFORMANCE

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Abstract

SMEs have been the backbone of the Malaysians' economy for the past few years. As part of the government initiatives for SME further growth, numerous programs have been developed to assist development of SMEs in Malaysia. Despite the effort taken, SMEs still face many challenges and difficulties to compete in international open market although some problems can be resolved with the help of the relevant agencies. The main issue is SMEs fail to utilize the assistance/services provided by the government. With the wakening of knowledge-based economy, it is important for SMEs to acknowledge and recognize the usage of the newest information available, assimilate and disseminate it within firm, and practically implement it to gain more profit for their firms. Although the concept of organizational learning is still at infancy stage, it can be beneficial for SMEs therefore worth to be looked at.

Keywords: *SME Performance, Government Business Support Service, Organizational Learning*

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Introduction

Small and medium enterprises (SMEs) have been the vital economic player within economies of nations. In today's economy, most economic boundaries have already disappeared. Business is acknowledged to continue for the foreseeable future. However, SMEs have limited knowledge, resources and experiences to be involved in global market. These factors contribute to the involvement of the government in providing business support services and

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opened new perspectives for SMEs in order exploiting opportunities in foreign market. Despite the fact that government provides numerous assistances, SMEs seems impossible to manage problem and remains weak, lack of ability to grow in size and evolve into more successful enterprises. Therefore, further understanding of how external skills and knowledge transformed the firms into more competitive would be helpful for SMEs especially in Malaysia. This can only be done if SMEs able to acquire organizational learning on skills and knowledge of business assistance provided by the government.

Problem Statement

There are different kinds of problems faced by SMEs worldwide and numerous studies have been studied in relation to firms' performance. For example, a study conducted by Hussain Naqvi (2011) in Pakistan shows those SMEs facing problems with financial, infrastructure, poor skills and training and poor education. Laforet (2011) mentioned that SMEs in United Kingdom faced difficulty to be more innovative because of management, operation and financial risks. Raj and Mahapatra (2009) believed that organizational learning is needed to improved labor skills in India through utilizing firms' capacities. Furthermore, Seyal, Abd Rahman and Awg Mohammad (2007) examine that technology relates to SMEs performance and verified that government business support helps SMEs in Brunei.

In the last few years, several studies have examined the growth and productivity of Malaysian manufacturing SMEs performance. The impact of government business support assistance has also been a subject of research inquiry but the findings are mixed. Some studies stressed on effectiveness of financial support (Abdullah & Manan, 2011), while others argue that non-financial support (M. K. Hashim, 2011) have adversely affected firms' performance. The substantial in the impact of organizational learning has been yet another subject of research.

Due to the significance of SMEs to local economies, it is necessary to study and evaluate SMEs performance. Dynamic Capability Theory will fill aforementioned gap by develop a strategy that promotes innovative behaviour among SMEs. Organizational learning is a key for mediating external knowledge and skills into appropriate new strategy and behaviour. Therefore, the purpose of this study will examine effect of organizational learning towards government business support services (GBSS) and SME performance.

Research Purposes

This research examines the relationship between three business support programs provided by the Malaysian government namely technology, training and networking towards organizational learning and SME performance.

Literature Review

Dynamic Capability Theory

The fundamental of dynamic capabilities framework was introduced by Teece, Pisano, Shuen and Shuen (1997). Dynamic capability emphasized the development of management capabilities by exploiting existing internal and external firm specific competence to address changing environments. The approach embraces (1) understanding the newer sources of competitive advantage, (2) exploring in what way firm can success and (3) sustain competitive advantage in turbulent environment and innovation-based competition (Zheng, Zhang, Wu & Du, 2011).

Dynamic capability emphasis firms to renew their resource-based competitive advantage dynamically (Hawas, 2010) and suit especially among SMEs in global marketplace. According to Teece et al. (1997), “dynamic” term refers to the capacity of organization to renew competences especially when there are (1) critical timing to market products (2) rapid technological changes and (3) difficult to determine future competition. While, “capacity” stresses the main role of strategic management in seizing adaption, integration and reconfiguration internal and external skills, resources and functional competences of a changing environment. It will enable business enterprises to create, deploy, and protect the intangible assets that support superior and long business performance (Teece, 2007).

Firms need to develop a dynamic business environment especially to survive in international competitive pressure. Therefore, firms need to plays a pertinent role in rethink and modify their strategies for long term success. Wang and Shi (2011) conceptualized the dimensions of dynamic capabilities of SMEs into four:

1. Market responsiveness: Firms responds to external environment with customer demands, competitor and market trends.
2. Learning: Process to conducts efficient and effective sources to adapt changes in business environment.
3. Coordinating firms: Ability to firms minimizing conflicts, adopting new procedures, using common language and shared norms
4. Integrating capability: Combining individual contribution with different interests and purposes into a common purpose.

SME Performance

Organizational development depends on performance by the firms. Performance is influenced by many factors that need full commitment and cooperation between employers and employees. Considering resource bundling and leveraging are critical to enhancing performance, previous literature also indicates that performance measurement systems can be comprised into two dimensions which are (1) financial and (2) non-financial (Hughes, O'Regan, & Sims, 2009). Non-financial performance measurements are more subjective depends on business environments, improvement of operational performance, seizing market opportunities and engaging in alliances (Gadenne & Sharma, 2009). Resource constraints have long been recognized as one of the factors that impact on the business performance and growth of SMEs (Baregheh, Rowley, Sambrook, & Davies, 2012). Penrose (1959) evaluate performance into classical accountancy and the financial reporting format. The financial performance is the gauge to evaluate management's financial ability of the firms. Meanwhile, Hansen and Wernerfelt (1989) defines firm performance into three paradigm (1) the

economic - enlightening firm profit, (2) the organizational practices – clarifying SMEs management practices and (3) the integrated to maintain good environments.

Malaysian Government Business Support Program

SME Corporation Malaysia (SME Corp.) formerly known as Small and Medium Industries Development Corporation (SMIDEC) is the central point of reference for information, reference, and advisory services for all SMEs in Malaysia. SME Corp. supervises 15 ministries and 60 agencies involved with Malaysian SMEs for comprehensive and effective implementation over various SME Grant Schemes and disseminator of information for SMEs. SME development was created for (1) building the capacity and capability of SMEs, (2) strengthening an enabling infrastructure, and (3) enhancing access to financing. Malaysian government specifies six focus areas that affecting Malaysian SME performance as innovation and technology, human capital development, access to financing, market access, legal and regulatory environment and infrastructure.

Organizational Learning

Organizational learning refers to ability of the company to adapt environment changes and develop company's competitive advantage. Learning is a process in which individuals gain skills, knowledge and insight that can affect their behaviour and skills. Learning is a process whereby knowledge is created through the transformation of experience. Kim (1993) explained that learning encompasses two activities (1) acquisition of skills or know-how, which implies the ability to produce some action and (2) acquisition of know-why, which implies the ability to articulate a conceptual understanding of an experience. Pawlosky (2003) described the process of organizational learning (1) identification of information to create new knowledge, (2) exchange and diffusion of knowledge, (3) integration of knowledge and (4) transformation of new knowledge into application of organizational routines.

Research Model

Walker et al. (2007) mentioned that owner managers believed training helps employees to acquire a new competency and positively related with firms' performance. Roomi and Harrison (2008) stated there is a significant effect between training and performance. Firms should (1) provides appropriate business training to contribute firms' growth at the time of start-up and (2) attained training to grow their businesses in the previous two years. Thus, training will be consistently support the business at all business life cycle stages.

In addition, Y. Wang & Shi (2011) indicates that technology through IT infrastructure significantly impacts on SMEs' performance. SMEs managed to organize and coordinate resources and significantly improved organizational capability to counter on learning, coordinating and integrating capability. Kossai and Piget (2014) concluded that greater emphasis should also be placed on the technology. A study conducted shows that there is a significant relationship found between ICT use and SME performance. Thus, government programs facilitate the adoption of ICT which is currently lacking in future.

Palacios-Marques, Soto-Acosta and Merigo (2014) argue that technology either tangible or intangible resources significantly shaping company practices. It is essential for assimilating technology to support information sharing within firms as success. Albors-Garrigós, Rincon-Diaz and Igartua-Lopez (2014) argue that technology environment and market competitiveness affects the efficiency measured for innovation output and turnover per employee. Lee, Kelley, Lee and Lee (2012) believed technology through R&D intensity helps SMEs to creating internal-external resources relationships, seeking alliances for broad resources and greater external legitimacy for better performance. It is supported by a research by Narasimhan, Kumar and Sridhar (2015) that indicates organizational learning play a dominant role that mediating the mutual shaping during internationalization process.

Networking leads for better business performance and influences firm performance (Xiao & Fu, 2009). Littunen and Niittykangas (2010) specify that an internal network has a positive effect on firms' high growth as long as firms recognize the reasons for forming business networks (Ghani et al., 2009). A research conducted by Che Senik, Mat Isa, Scott-Ladd and Entrekin (2010) noted that networking is the most influential aspects that drive SMEs to internationalize. Networking significantly related to entrepreneurs understanding of the internationalization's pattern of SMEs (Amal & Filho, 2010). Networking helps firms to be more innovative and proactive throughout learning's process.

This study examines several business support assistances that provided by the government to increase SME performance. Aspects that are discussed in detail are elaborated by (1) technology assistance (2) training assistance and (3) networking assistance. In addition, mediation relationship through organizational learning was created as a third construct intervenes between two related constructs. For a broad overview and a logical sense of relationships among variables, the format of the research construct model is given in Figure 1.

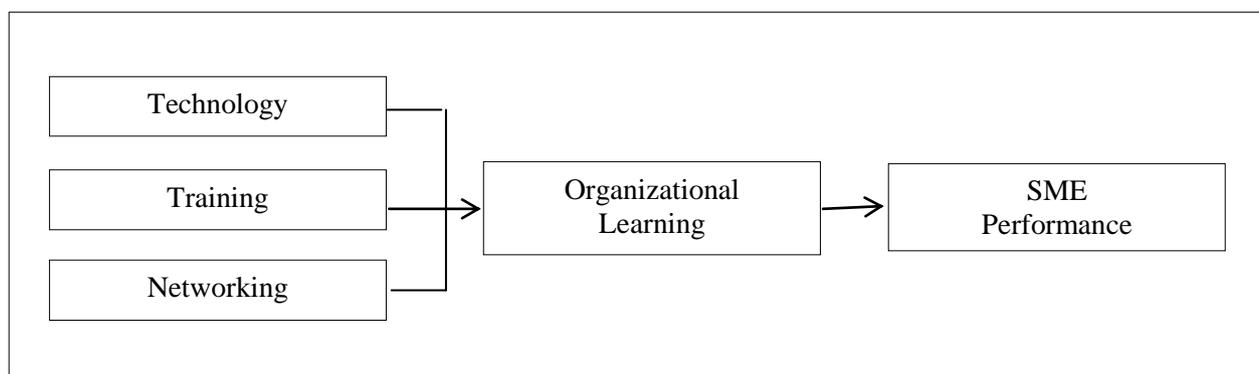


Figure 1: Research Framework

Furthermore, to clarify assumption to be tested into logical or empirical consequences, hypotheses were formulated to enlightened relationship between related variables as:

H₁: Technology assistance is positively affects the SME performance.

H₂: Training assistance is positively influence the SME performance.

- H₃:** Networking assistance is positively impacting on the SME performance.
H₄: Organizational learning is positively mediating the SME performance.

Significance of Study

The secret of firm performance has captivated most of the research interest internationally as the development of the SMEs is a key element of a nation's successful economy. This research will make contributions to the existing body of knowledge into two major perspectives: theoretical and practical significance.

Theoretical Significance: The findings will offer empirical evidence on the growth development of Dynamic Capability Theory. This research will look into the effects of organizational learning in gaining skills and behaviour for SME performance. This research will also provide significant contribution on firm's potential to survive by maximizing external resources and competitive advantage focusing on manufacturing SMEs in a developing country.

Practical Significance: This research would contribute to the growth of SME performance, especially in Malaysia. Practically, this study will benefit practitioners in manufacturing SMEs particularly those with responsibilities for determining in decision making and organizational performance benefits. Policy maker such as the government, its agencies or the private sector could also re-examine the specific and detailed impact of current government's policy programs from this study. In addition, academic researcher and higher learning institutions may extend this study for future research development.

Conclusion

This research discusses the importance of SMEs, SME performance, role of GBSS in assisting SMEs, organizational learning, and the relationships among all investigated variables. To address the questions of how GBSS components, SME performance and organizational learning are related, a conceptual model was developed based on Dynamic Capability Theory. This research was derived from the previous literature and specific research hypotheses concerning the links among the constructs.

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