

THE READINESS LEVEL OF FIRMS IN APPLYING LEARNING ORGANIZATION: A STUDY ON SMEs OF MANUFACTURING FIRMS IN JOHOR BAHRU, JOHOR

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ABSTRACT

The purpose of this study is to investigate the readiness level of firms in applying learning organization. The study focuses on manufacturing SME firms in Johor Bahru, Johor. Obviously, this study is to examine whether the firms are ready for learning organization or not. The dimensions in Systematic Learning Organization Model (SLOM) namely dynamic learning, organizational transformation, empowering people, knowledge management and technology application become a basis to measure the readiness level of firms to apply learning organization. Through the Marquardt's Learning Organization Analysis (MLOA), the mean value of SLOM variables from descriptive analysis are used to indicate the firm's readiness for learning organization. By examining 102 respondents, the result shows positive outcomes in which SMEs manufacturing firms in Johor Bahru is ready for learning organization. Due to the lack of studies on this topic in previous literature especially in Malaysia, it is believed that this study will contribute to the body of knowledge and managerial implications. The paper concludes by providing the direction for the future research that work in this field.

Keywords: Learning Organization; Systematic Learning Organization Model (SLOM); Small Medium Enterprise (SME).

I. INTRODUCTION

Basically, the organization is like human where learning and knowledge in an organization is the key to achieve success. The organization should searching for new findings when the rate of changes has been increased in order to survive in the environment where learning is essential sources for company to acquire competitive advantages (Hasmiah and Noraidah, 2009). Learning organization can affect the way a person thinks and change their behavior in dealing with the environment. So, employers and employees should consider that the aspects of learning process in the firms are lifetime process to improve competitiveness arising from the development and modernization (Malaysian Leadership and Strategies Foundation, 2012). The innovation of knowledge became the major reason for the company to improve efficiency, productivity and competitiveness of the national economy. The innovation of knowledge becomes the main agenda in Malaysia in which the Government will be committed and serious to shift to a new economic model to transform Malaysia through many learning process including innovation in industry (Malaysian Budget, 2010), and it will affect small or large industries in Malaysia including SMEs.

Several big countries like United Kingdom, United States of America (USA), and Australia are successes to generate jobs, innovation and growth through the contribution of SMEs in this country (Matlay, 2004; Carter and Van Auken, 2006; and Ehrich and Billett, 2006). In line with the development of industrial, East Asian countries such as Japan, Korea and Taiwan, for example, also depends on SMEs and most of economic resources of the countries are developed by the development of SMEs (Asri and Darawi, 2012). An important role as shown by SMEs to the economic development in particular is to provide job opportunities, promote the process of urbanization, improving the living standards of local residents, and create linkages between industries. In Malaysia, small and medium

enterprises is one of the main strengths of country's economic growth and almost a total of 99.2% of the total entrepreneurs in Malaysia is a registered trader of SMEs and accounted for 32% of the gross domestic product (GDP) (Asri and Darawi, 2012). The above statistics show that the contribution of SMEs to the economy of the country is so important. However, there is no exception for SMEs to face challenging business environment. The challenging issues of SMEs in Malaysia such as lack of products exported with only 25.6% (Annual Report of MPC, 2011), less involvement of SMEs entrepreneurs in training and organizational learning with 30% attendance (National Vocational Training Council, 2005), and lack of IT and website application (Galerikami Media Network, 2012) need to be addressed by many parties. Thus, in sustaining the competitive advantage, the study of firm's readiness for learning organization is crucial to be explored.

Due to the significant challenges and issues that had been faced by SMEs entrepreneurs, many parties need to cooperate in order to ensure that SMEs in Malaysia are able to create competitive advantages through learning organization. By the year of 2020, the Government strive to transform Malaysia from middle-income rate to high-income rate which is parallel with the economic changes (Economic Transformation Programme, 2010). In line with the Government's announcement about transforming the nation's economic strategy from a production-based economy (P-Eco) to knowledge-based economy (K-Eco) (Tan, Wong, and Noor, 2006), it will provide organization new challenges in order to encourage learning organization. The topic of learning organization is still new and fresh in Malaysia compared to other nation. According to Ahadi (2011), the empirical study of learning organization in Malaysia is still limited compared to other western countries and it is found to be a serious research gap and interesting topic to be reviewed. Thus, this study aims to investigate the readiness level of SMEs manufacturing firms in Johor Bahru in applying learning organization.

2. SMALL AND MEDIUM ENTERPRISE (SME)

The new definition was announced during the National SME Development Council Meeting in January 2014 by the Malaysian Prime Minister, YAB Dato' Seri Mohd Najib Tun Hj. Abdul Razak. The definition will be based on two criteria namely number of full-time employees and annual sales turnover. According to the National SME Development Council (2014), the definition of SME in manufacturing is an enterprise with full-time employees not exceeding 200 or with annual sales turnover not exceeding RM 50 million. For the specific definition, the Table 1 shows the definition of SMEs manufacturing based on total of full-time employees and annual sales turnover.

Table 1: The Definition of SME Based on Number of Full-Time Employees and Annual Sales Turnover

Size / Sector	Manufacturing Firms Number of Full-Time Employees	Manufacturing Firms Number of Annual Sales Turnover
Micro	Less than 5 employees	Less than RM 300,000
Small	Between 5 & 75 employees	Between RM 300,000 & RM 15 million
Medium	Between 75 & 200 employees	Between RM 15 million & RM 50 million

(Source: SME Corporation, 2014)

Furthermore, the contribution and importance of SMEs in Malaysia as a whole cannot be denied in several aspects. The SMEs provide a lot of benefit for many parties not only to individuals, the community and the organization, but the SMEs also are important to the nation growth. For instance, the benefit of economic development includes job opportunities, increasing of amount of reserves and foreign exchange, creating a better income distribution to the society, assisting to develop and enhance skills among the workers, engaging both employee and management level, helps in increasing the foreign technology transfer, and assist in increasing the relationship between other large firms and strengthen the basic structure of national industry (Asri and Darawi, 2012). Therefore, the Government has drawn-up an industrial plan for SMEs from 2010 to 2020 which become part of the New Economic Model to make

Malaysia as one of the respective industry country in the world (Annual Report of MPC, 2011). According to Census Report on SMEs (2011), a total of 645,136 SMEs represent 97.3% establishment of the total business in this nation. Although the manufacturing SMEs is the second largest percentage in Malaysia with 5.9%, after service sector, but the contribution of manufacturing sector is undeniable because this kind of SMEs is becoming a complimentary for another large companies. On the other hand, the GDP growth in 2012 for SMEs manufacturing sector is 6%, so the essential of this sector cannot be disputes.

3. DEFINITION OF LEARNING ORGANIZATION

A learning organization is not an organization that merely follows a lot of training, courses, workshops, and other activities, but should have the development and knowledge and individual credibility to apply and spread the learning process in line with the concept of learning organization. The purpose of learning process is to producing new ideas, solutions for the problems, and new opportunities for learning and able to leverage competitive advantages in a competitive world. Marquardt (1996) in his writing defines the learning organization as an organization that learn in groups and make a continuous efforts to collect, manage and use knowledge for corporate success with high spirits. In addition, learning organization also can be defined as a system of actions, actors, symbols and processes that enable the organization to enhance the capacity of long-term application through the transformation of the information into valuable knowledge that can be used by the organization (Schwandt, 1993). According to Dale (2003), learning will become a core or sources of strength in business operation, the way in how to behave and make transformation, make a radical changes and continuously improvement. Therefore, the value of learning process should be encouraged by the individuals toward other individuals or group or organization to ensure that the dissemination of knowledge is benefitting a lot of peoples.

4. SYSTEMATIC LEARNING ORGANIZATION MODEL (SLOM)

The model of systematic learning organization was introduced by the Michael J. Marquardt (1996) which emphasize five sub-system of learning organizational model including learning (dynamic learning), organization (organizational transformation), people (people empowerment), knowledge (knowledge management), and technology (technology application). These sub-systems could be used as a complimentary for the firms to determine the company's strength and become a major asset to be a knowledgeable or genius company.

4.1 DYNAMIC LEARNING

According to Marquardt (1996), he explained that the main sub-system of learning organization is dynamic learning. This sub-system composed of three essential complimentary level of learning such as individuals, group or team and organizational. Before the groups or teams are formed, individual learning is needed because individual can contribute to the group if they have meaningful knowledge or experience. Then, teamwork must be able to think, discuss, share, learn, and invent as one entity. Team learning will be more effective if the members are rewarded by the organization due to their contribution. According to Chen and Lee (2008), competitive capabilities are able to create superb advantages that cannot be imitated by competitors through the mechanism of learning organization. Pursuant to Evans, Stalk and Shulman (1992), a high sustainable value can be attaining through the articulation of knowledge and dynamic learning mechanism. It proves that dynamic learning process became an assistant for firm development especially for knowledge articulation and experience improvement.

4.2 ORGANIZATIONAL TRANSFORMATION

Organization sub-system is the frameworks for firms in which the transformation process will occur due to the learning process. Vision, structure, strategy and culture are becoming four key dimensions in the organizational transformation sub-system. Top level management will play a role in supporting and ensuring that the company strives to be an excellence learning organization. According to Cummings and Worley (2001), the organization has already performed the transformation if the firm looks different and better in its appearance, image, character and operations. Landrum and Gardner (2005) indicate that the learning experience will enable people to transform the organization for the improvement and better workplace. Thus, organizational transformational is required due to the certain circumstances to ensure the company is still on track, guarantee the continuity and survival, and not lag behind the competitors.

4.3 EMPOWERING PEOPLE

People are vital key in encouraging the learning activity in the organization. Empowering people sub-system includes managers or leaders, workers, business partner, community or society, suppliers, shareholders, clients, customers, etc. All of the people involved with the organization need to empower and enabled to learn. Communications between all the parties need to be done in order to gain accurate information to make sure the company is running well. The firms surely need to keep the relationship between interest parties especially supplier and customers keep for the long term. If the conflicts happen between the influential parties, it is certainly will cause negative implications to the company. Thus, it would be the responsibility of the manager to monitor and empower their workers and fostering the organizational empowerment, so the firm can actively committed and engages the whole operations to be meaningful (Feldman and Khademian, 2003).

4.4 KNOWLEDGE MANAGEMENT

The knowledge sub-system is significant in providing the learning process to be the learning organization. The process includes the acquisition, creation, storage and retrieval, transfer and utilization of knowledge. The organization also needs to determine what important information to keep, meaningful to the company, and can be reuse and retain if the company want to store the information. Through all of the learning process, the organization is benefitted to encourage innovation and invention of their workers. Knowledge is possesses superb characteristic to be a valuable commodity for firms to create competitiveness and used to develop the product's value added (Dalkir, 2005). Thus, the knowledge strength can be the opportunities for future goals, the way in how to make a decision, flexibility of the business operations, and enhance value of the business. Pursuant to Bhojaraju (2005), knowledge management is known as important intellectual assets which possess unique source that can benefit the business routine. Therefore, the knowledge should be managed properly to make sure that the appreciation and application of the knowledge will drive the firms to reach the future potential of business opportunity.

4.5 TECHNOLOGY APPLICATION

The technology application sub-system has contributes to the modern business world. Information technology tools have an advantage that allows access and exchange of learning and information. Due to the sophisticated technology tools, many companies currently applying electronic performance support system (EPSS) which is using databases to keep, store, and deliver the information throughout the organization, so it will help all workers in any department to attain the knowledge for company's benefit. In order to enhance the business process efficiency, support decision making, and improve productivity and quality, the firms progressively disburse their investment for the application of information technology (Kim, Lee, and Law, 2006). Due to the innovativeness in the technological world, the company should alert with the current and sophisticated technology. This is because technology systems proved that

it can boost performance through learning activity, increase productivity, reduce cost, improve customer services, and measuring competitor performance (Namasivayam, 2000).

5. MARQUARDT'S LEARNING ORGANIZATION ANALYSIS (MLOA)

For the purpose of this research, the MLOA was used to measure the adaptation level of learning organization which is based on the mean from descriptive analysis. The mean value was used to examine the readiness level of learning organization and application by the workers in SMEs manufacturing firms. To identify the readiness level of learning organization, the mean value represents the midpoint in which separate the lower level and upper level of learning organization adaptation. The measurement score is indicates in the Table 1 as follows:

Table 1: The table of Marquardt's Learning Organization Analysis (MLOA)

Value	Level of Readiness
< 2.9	Not ready for learning organization
3.00	Neutral
> 3.1	Ready for learning organization

(Source: Marquardt (1996))

6. RESULTS OF MARQUARDT'S LEARNING ORGANIZATION ANALYSIS (MLOA)

This study was conducted amongst a random sample of SME Manufacturing firms in Johor Bahru. 102 respondents were used in this study. Data analysis for mean value in this study is conducted via the usage of statistical package SPSS 19.0. Table 2 presents the descriptive value for SLOM variables which includes means and standard deviations.

Table 2: Descriptive value for SLOM variables (N=102)

SLOM Variables	Mean	Standard Deviation
Dynamic Learning	4.01	0.45
Organizational Transformation	3.96	0.52
Empowering People	4.16	0.42
Knowledge Management	4.20	0.41
Technology Application	4.11	0.60

Referring to Marquardt's Learning Organization Analysis (MLOA) Table, if the mean is more than 3.1 (mean > 3.1); it means that the organization is ready for learning organization. The table shows that mean value for dynamic learning, organizational transformation, empowering people, knowledge management and technology application are 4.01, 3.96, 4.16, 4.20 and 4.11. In other words, the SMEs manufacturing firms in Johor Bahru is ready for learning organization because the mean value for every variables which represents Systematic Learning Organization Model (SLOM) is positively more than 3.1.

7. MANAGERIAL IMPLICATIONS AND SUGGESTION FOR FUTURE RESERACH

The findings describe that several things have necessary attention and efforts by the management parties of SMEs manufacturing especially top management in order to develop informative, smart thinkers, technological residents, and competence employees. It is become responsibility of the top management of SMEs to strive to familiarize the learning organization. The opportunity should be provided for the worker to attain knowledge through learning activities and ensuring that they are prepared with the skills and knowledge to encounter with everyday routines.

The present study is only limited in its scope wherein it explores the SMEs with manufacturing types only. The same research can be extrapolated to other industry of SMEs in order to increase results consistence from the findings. For instance, future researcher can extend the study into other SMEs types such as agriculture and landscapes, advertisement firms, legal, mining, telecommunication, tourism services, legal consultation, etc.

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