

Effect of Learning Orientation on Performance of Nigerian Small and Medium Enterprises

Akeke, Niyi Israel^{1*}, Akeke, Adenike Rita² and Oyebanji, Olufemi Matthew¹

¹Department of Business Administration, Faculty of Management Sciences, Ekiti State University, Nigeria

²College of Vocational and Lagos State University of Education, Nigeria

*Corresponding author

Abstract

The research was conducted using a cross-sectional descriptive methodology to examine the owners of small and medium scale business covering the states of the Southwest Nigeria. A total sample of 1,366 respondents was obtained through a multistage sampling technique. Both descriptive and inferential statistics were used to analyse the data collected. The results of the research indicate that all the three main constructs of learning orientation and their factors contribute to the regression weights of learning orientation. Specifically, it indicates that all the factors of commitment to learning, shared vision and open mindedness significantly high in regression weights. It is concluded that SMEs can benefit from learning orientation by their shared vision and commitment to learning.

Keywords: commitment to learning; open-mindedness; organization learning; performance; shared vision

Keywords: commitment to learning; open-mindedness; organization learning; performance; shared vision

1. Introduction

A growing number of countries are turning their focus toward the small and medium scale firm sector, which plays an important role in alleviating poverty by absorbing labour and creating income, in addition to its total contribution to the general well-being of a country's citizens. According to Nigerian official figures, the sector's GDP contribution was 46.5% in 2011, but it increased to 49.7% in 2017 (SMEDAN; 2013; 2017). Since many of society's problems can be solved with the help of small and medium scale businesses (SMEs), their development is very important for the growth of any country's economy. According to Olorunisola (2003), SMEs play an important role in the economy of Nigeria, and the recognition of this fact has resulted in a flurry of policy initiatives at all levels of government in the country, with the goal of improving the performance of small businesses in order to propel the country's economic development. But despite this, no significant progress has been made in putting the country on a path toward high-level industrialization to date (Kadiri, 2012; Osotimehin, Jegede, Akinlabi & Olajide, 2012; Akeke, 2016), and as a result, the country has failed to play the pivotal and dynamic role in the country's economic growth and development that was anticipated.

For many decades, the goal of achieving exceptional performance has been at the center of strategic management research and literature. Several researchers, like Hilman and Kaliappen (2014) and Masa'deh et al. (2015), have observed that enterprises will work hard to enhance their performance by devising and implementing strategies that put them in a better position to take advantage of new market possibilities in the business environment. According to Jaworski and Kholi (1993), enterprises may retain long-term market dominance if they pay close attention to the dynamics of the market and have a strong capacity for perspective thinking known as strategic orientation (Lumpkin & Dess, 1996; Laukkanen, 2013). A firm which approach to enhance their performance is determined by their strategic orientation exhibits strategic management characteristics. Thus, how a company acts as a basis for long-term bottom-line performance is the focus of strategic orientation (Sinkovics & Roath, 2004). Firms adopting this strategic thinking may exhibit their behaviour in a variety of dimensions, depending on their needs and circumstances (Grinstein, 2008).

It has been discovered that strategic orientation has a favorable influence on the performance of companies, with its elements having varied degrees of impact on the success of firms (Akeke et al., 2021). Strategic orientation has been shown to include learning orientation, market orientation, entrepreneurial, customer orientation, technical orientation, and many more components (Miller, 1983; Covin & Slevin, 1991; Baker & Sinkula, 2009).

As a part of a company's strategic focus, a company's learning orientation influences its inclination to value breaking with traditional business practices in order to better understand the market and satisfy customers. When an organization has a learning orientation, Baker and Sinkula (1997) say that it continuously challenges assumptions about how it interacts with its environment while also focusing on demonstrating abilities to adapt in a changing business environment. As a result, it is a process of knowledge creation (Grinstein, 2008) that may assist to transform strategic efforts into competitive advantages for greater business performance (Calantone, Cavulsgic & Zhao, 2002). The principles of operation in a learning orientation firm are information acquisition, dissemination, and shared interpretation, and these help to change old traditions about satisfying customer needs, which in turn, helps to increase both individual and organizational effectiveness with direct impacts on the outcomes (Kaya & Patton, 2011).

According to Zhou, Chung, and Zhang (2014), Sinkula, Baker, and Noordeweir (1997), and Baker and Sinkula (1999), learning orientation can be divided into three categories: commitment to learning, which requires managers to support and encourage learning at all levels; shared vision, which creates an environment conducive to learning; and open-mindedness, which allows for the development of new skills and the discarding of old and unusable knowledge.

The majority of prior studies have concentrated on the direct relationship between a few key characteristics of strategic orientation and firm performance, ignoring the learning orientation that has the ability to provide competitive advantage and above-average outcomes. Furthermore, the relatively few studies that have examined the relationship between learning orientation and performance nexus (Suliyanto & Rahab, 2012; Zhao, Li, Lee & Chen, 2011; Jimenez-Jimenez et al., 2008) have revealed no conclusive findings, as though it is not a universally applicable notion. In addition, the worldwide economic upheaval caused by the COVID-19 pandemic which no doubt have affected the way business is operated may have necessitated the need for a fresh finding in light of these environmental changes, especially in the context of small and medium scale enterprises. As a result, a research like this is sure to provide some more value to the presentation of the subject matter.

2. Material and Methods

The research was conducted using a cross-sectional descriptive methodology in order to better understand learning orientation and small and medium scale business performance. The investigation was carried out in the southwest region of Nigeria. The study area is one of the country's six geopolitical zones and is comprised of the states of Ogun, Osun, Ekiti, Oyo, Ondo, and Lagos. According to the results of the most recent survey conducted by SMEs, the population of the study consisted of a total of 26,740 small and medium scale firms that were registered in the framework of SMEDAN in 2017. Small and medium scale enterprises account for 25,153 small companies and 1,587 medium scale enterprises in the research region. In order to fulfill the study's goal, the researchers used a multi-stage sampling approach to collect data. In the first step, three out of the six states in the research region were conveniently sampled to ensure a representative sample. The decision to choose a convenience sampling strategy is based on the availability of financial, geographical, and temporal resources. After that, the selection of metropolitan regions within the designated states, which served as the foundation for the SMEDAN survey, is carried out as a second step. Last but not least, a basic random sample of responses is carried out. The Yamane (1967) model was used to sample a total of 1,366 respondents.

Learning orientation was assessed in accordance with Baker and Sinkula's (1999) measures. Performance was measured using Choi and Lee (2003) and Hoque and James (2000) that compare firm with key competitors. It incorporates different dimensions of firm performance as in Lopez-Nicolas and Merono-Cerdan (2011). They are financial performance, which includes market performance (profitability growth and customer contentment), process performance, which includes quality and efficiency, and internal performance (qualification, satisfaction, and inventiveness of personnel). The study was analysed with the help of mediation analysis.

3. Results and Discussion

3.1 Results

3.1.1 Descriptive statistics of learning orientation

The descriptive data on the factors of learning orientation is illustrated in Table 1. The learning orientation constructs are classified into three: commitment to learning, shared vision, and open-mindedness. The results indicate that commitment to learning (Mean = 4.165, SD = 0.953) contributes most to learning orientation. The various measures of commitment to learning include organizational ability to learn (Mean = 3.71, SD = 1.138), perception of learning as a key factor to success (Mean = 3.55, SD = 1.18), and employee learning (Mean = 4.50, SD = 1.076).

Shared vision as a construct of learning orientation has an average value of 3.52 and a lower standard deviation of 1.19. This indicates that most of the sampled SMEs consider commonality of purpose (Mean = 3.84, SD = 1.12) as an important part of learning orientation. Open-mindedness, especially the continuous questioning of the very way SMEs perceive the market place (Mean = 3.70, SD = 1.151), is an important part of the learning orientation of companies.

Table 1: Descriptive statistics of learning orientation constructs

	Variables	Mean	SD
Commitment to learning	Organizational ability to learn (LO1)	3.71	1.138
	Learning is considered key to improvement (LO2)	3.55	1.181
	Employee learning is an investment, not an expense (LO3)	4.50	1.076
	Learning is a key commodity for firms' survival (LO4)	4.90	0.417
Total		4.165	0.953

Shared vision	Commonality of purpose (LO5)	3.84	1.118
	Joint agreement on organizational vision (LO6)	3.43	1.264
	Employees commitment to the goals of the firms (LO7)	3.28	1.189
Total		3.52	1.19
Open-mindedness	Continuous questioning of market perception (LO8)	3.70	1.151
	Critical reflection on shared assumptions on continuous basis (LO9)	2.53	1.279
	We rarely question our market actions (reverse actions) (LO10)	2.90	1.296
Total		3.04	1.24

Source: Data Analysis, 2022

3.1.2 Effect of Learning Orientation on Performance

The regression estimates to analyze the effect of learning orientation on SME performance are presented in Table 2. The path analysis is further indicated in Figure 1. The results from the SEM show that the specification is fit and appropriate to examine how learning orientation affects performance. All the three main constructs of learning orientation and their factors contribute to the regression weights of learning orientation. Preliminarily, the results show that all the factors of commitment to learning significantly ($P < 0.05$) contribute to the empirical position of learning orientation. The consideration of learning as a key factor of SME survival shows the highest regression weight of 0.346 at a 5% level of significance for the "commitment" construct. The regression weights of most of the constructs of "shared vision" are high, at regression weights of 0.584, 0.594, and 0.706, respectively. This indicates that benefits from the learning orientation of small and medium businesses could, to a large extent, depend more on the shared vision among the management and the employees. The regression coefficient of learning orientation is 0.130 at the 5% level of significance. This shows that, overall, learning orientation could improve the performance of SMEs by 13%.

Table 2: LO-Performance model

Hypothesis	Path model			Coeff.	CR	P value	Overall model fit		Decision
	LO1	<---	LO	.131	3.517	***	χ^2 76.99, 45 d.f., P = 0.03		
	LO2	<---	LO	.174	4.331	***	CFI	0.958	
	LO3	<---	LO	.287	4.549	***	RMSEA	0.07	
	LO4	<---	LO	.346	4.926	***	NFI	0.91	H ₀₃ is rejected
H ₀₃	LO5	<---	LO	.584	4.933	***			
	LO6	<---	LO	.594	4.989	***			
	LO7	<---	LO	.706	4.953	***			
	LO8	<---	LO	.625	3.662	***			
	LO9	<---	LO	.188	2.561	***			
	LO10	<---	LO	.107	4.414	***			
	Performance	<---	LO	.130	4.800	***			

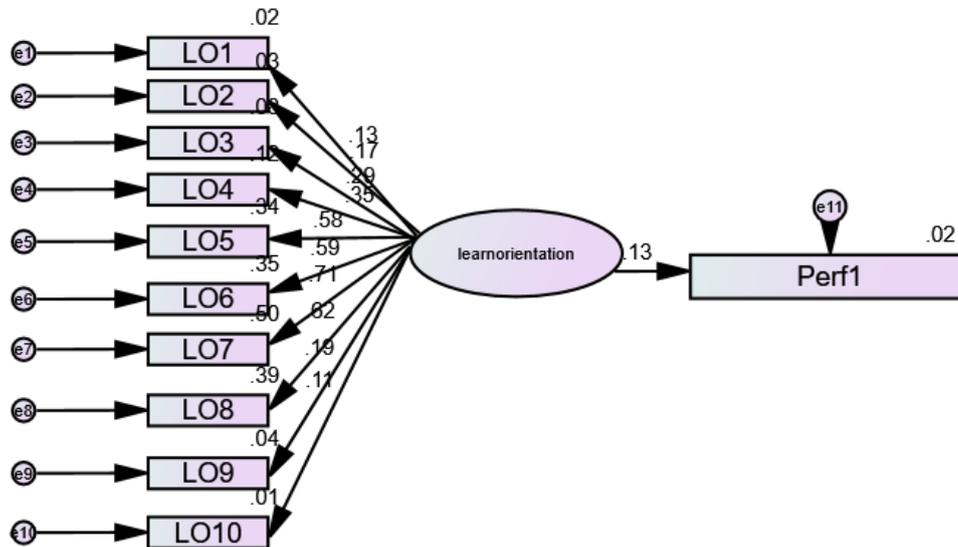


Figure 1: Path analysis of Learning Orientation and SMEs Performance

4. Discussion

The aim of this objective was to examine the relationship between learning orientation and organisation performance in the SMEs sector. Although learning has long been recognised in organisational literature, little empirical work has been done to better understand it in small businesses, particularly in emerging markets such as Nigeria. The purpose of this study is to close the gap.

The findings of the research revealed that learning orientation has an impact on the performance of SMEs in the market place. All three major elements of learning orientation (shared vision, commitment to learning, and open-mindedness) are found to contribute to the weights in the regression model. The findings reveal that the shared vision factor of the learning orientation dimension is the most significant because it has the greatest impact on the SME firm performance. This is due to the fact that a shared vision helps channel the learning process, which makes the firm more efficient (Baker & Sinkula, 1999). As a result, if there is no shared vision, organisational members' motivation to learn will be at its lowest point possible (Tobin, 1993). In addition, managers must encourage learning to the extent that the organisation must gather, evaluate, and review information on a continuous basis in order to function effectively. This result is in line with the outcomes of Gergely's research (2016). The finding contradicts the findings of Nybakk (2012), as they found that there was no direct relationship between learning orientation and performance in the Norwegian wood industry.

5. Conclusion and Recommendation

The ultimate goal of establishing a business is to perform above average returns and satisfy stakeholders' interest, but this is hardly attained due to the kinds of strategic behaviour exhibited by the strategic managers. Learning orientation is a strategic sense making directed at creating knowledge that will encourage continuous innovation which is centered on creating customer value for improving competitive advantage and superior firm performance. Learning orientation that has the ability to provide competitive advantage and above-average outcomes has been highly ignored regarding its contribution to performance among majority

of prior studies, while only a few of research have provided inconclusive results on the relationship between learning orientation and performance. Therefore, a research like this is sure to provide some more value to the presentation of the subject matter particularly in the small and medium scale firms' context.

The results show that shared vision value component of learning orientation carried more regression weights on firm performance which was followed by commitment to learning and open-mindedness. The SMEs must try to motivate organizational members to learn and also support learning which is possible through shared vision.

References

- Akeke, N. I. (2016). Chief executive officer leadership role and SMEs performance in southwest Nigeria.. *International Journal of Advances in Management and Economics*, 5(5), 40-49.
- Akeke, N. I., Akeke, A. R., Awolaja, A. M. and Oyebanji, M. O. (2021). Effects of strategic orientation on performance of telecommunication sector in Nigeria. *Economics and Business Quarterly Reviews*, Vol. 4(3), pp. 200-207
- Baker, W. E., and Sinkula, J. M. (1997). The synergetic effect of market orientation and Learning orientation on organisational performance. *Journal of the Academy of Marketing Science*, Vol. 27(4), pp. 411-427.
- Baker, W. E., and Sinkula, J. M. (1999). Learning orientation, market orientation, and innovation: Integrating and extending models of organisational performance. *Journal of Market-Focused Management*, Vol. 4(4), pp. 295–308.
- Baker, W. E., and Sinkula, J. M. (2009). The complimentary effects of market orientation and entrepreneurial orientation on profitability in small businesses. *Journal of Small Business Management*, Vol. 47(4), pp. 443-464.
- Calantone, R. J., Cavusgil, S. T. and Zhao, Y. (2002). Learning orientation, firm innovation capability, and firm performance. *Industrial Marketing Management*, Vol. 31(6), pp. 515- 524.
- Choi, B. and Lee, H. (2003). An empirical investigation of knowledge management styles and their effect on corporate performance. *Information and Management*, Vol. 40(5), pp. 403-417
- Covin, J.G. and Slevin, D.P. (1991) A conceptual model of entrepreneurship as firm behaviour. *Entrepreneurship Theory and Practice*, Vol. 16, pp. 7-25.
- Gergely, F. (2016). The effects of strategic orientations and perceived environment on firm performance. *Journal of Competitiveness*, Vol. 8(1), pp. 55-65
- Grinstein, A. (2008). The relationships between market orientation and alternative strategic orientations: A meta-analysis. *European Journal of Marketing*, Vol. 42(1/2), pp. 115-134
- Hilman, H. and Kaliappen, N. (2014). Strategic role of customer orientation in differentiation strategy and organisational performance nexus: A partial least square (PLS) approach. *Research Journal of Applied Sciences, Engineering and Technology* Vol. 7(19), pp. 4150-4156.
- Hoque, Z. and James, W. (2000). Linking balanced scorecard measures to size and market factors: impact on organisational performance (cover story). *Journal of Management Accounting Research*, Vol. 12, pp. 1-17.
- Jaworski, B J. and Kohli, A. K (1993), Market Orientation: Antecedents and Consequences, *Journal of Marketing*, Vol. 57, pp. 53-70.

- Jimenez-Jimenez, D., Valle, R. S. & Hernandez-Espallardo, M. (2008). Fostering innovation: The role of market orientation and organizational learning. *European Journal of Innovation and Management*, Vol. 11, pp. 389-412.
- Kadiri, I. B. (2012). Small and medium scale enterprises and employment generation in Nigeria: the role of finance. Kuwait Chapter of Arabian Journal of Business and Management Review. Vol. 1(9), pp. 79-94
- Kaya, N. and Patton, J. (2011). The effects of knowledge based resources, market orientation and learning orientation on innovation performance: An empirical study of Turkish firms. *Journal of International Development*, Vol. 23(2), pp. 204-219
- Laukkanen, T., Nagy, G., Hirvonen, S., Reijonen, H. and Pasanen, M. (2013). The effect of strategic orientations on business performance in SMEs A multigroup analysis comparing Hungary and Finland. *International Marketing Review*, Vol. 30(6), pp. 510-535
- Lopez-Nicolas, C. and Merono-Cerdan, A. L. (2011). Strategic knowledge management, innovation and performance. *International Journal of Information Management*, Vol. 31(6), pp. 502-509
- Lumpkin, G. T. and Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. Academy of Management. *Academy of Management Review*, Vol. 21(1), pp. 135-172.
- Masa'deh, R., Tarhini, A., Al-Dmour, R. H. and Obeidat, B.Y. (2015) Strategic IT-business alignment as managers' explorative and exploitative strategies. *European Scientific Journal*, Vol. 11, pp. 437-457.
- Miller, D. (1983) Revisited: A Reflection on EO Research and Some Suggestions for the Future. *Entrepreneurship Theory and Practice*, Vol. 35, pp. 873-894.
- Miller, D. (1983). The correlates of entrepreneurial in three types of firms, *Management Science*, Vol. 26, pp. 770-791.
- Nybakk, E. (2012). Learning orientation, innovativeness and financial performance in traditional manufacturing firms: a higher-order structural equation model. *International Journal of Innovation Management*, Vol. 16(5), pp. 1-34.
- Olorunisola J. A (2003) Problems and prospects of SME industries in Nigeria. CBN training center, Lagos. Vol. 4, pp. 34-39.
- Osothimehin, K., Jegede, C., Akinlabi, H. and Olajide, O. (2012). An investigation of the challenges and prospects of micro and small scale enterprises development in Nigeria. *American International Journal of Contemporary Research*, Vol. 2(4), pp. 174 -185
- Sinkovics, R. and Roath, A. S. (2004). Strategic orientation, capabilities, and performance in manufacturer – 3PL relationships. *Journal of Business Logistics*, Vol. 25(2), pp. 43-64.
- Sinkula, J. M., Baker, W. E., and Noordewier, T. (1997). A framework for market-based organizational learning: linking values, knowledge, and behavior. *Journal of the academy of Marketing Science*, Vol. 25(4), pp. 305-318.
- SMEDAN. (2013), Survey Report on Micro, Small and Medium Enterprises in Nigeria. Nigerian Bureau of Statistics and Small and Medium Enterprises Development Agency of Nigeria.
- SMEDAN/NBS, (2017). National survey of micro small and medium enterprises. Nigerian Bureau of Statistics and Small and Medium Enterprises Development Agency of Nigeria.

- Suliyanto, S., and Rahab, R. (2012). The role of market orientation and learning orientation in improving innovativeness and performance of small and medium enterprises. *Asian Social Science*, Vol. 8(1), pp. 134–145.
- Tobin, D. R. (1993). *Re-educating the corporation: Foundations for the learning organization*. Essex Junction, VT: Oliver Wright
- Zhao, Y., Li, Y., Lee, H. S. and Chen, B. L. (2011). Entrepreneurial orientation, organizational learning and performance: Evidence from China. *Entrepreneurship Theory and Practice*, Vol. 35(2), pp. 293–317
- Zhou, G., Chung, W. and Zhang, Y. (2014). Measuring energy efficiency performance of China's transport sector: A data envelopment analysis approach. *Expert Systems with Applications*, Vol. 41(2), pp. 709-722.