

# ORGANIZATIONAL LEARNING ORIENTATION AND SUSTAINABLE COMPETITIVE ADVANTAGE: TOWARDS MORE ACCOUNTABLE GOVERNMENT-LINKED COMPANIES

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## ABSTRACT

Government-linked companies (GLCs) are organizations in which the government owns at least 20% of the issued and paid-up capital. GLCs are expected to be actively involved in learning orientation to reflect a high level of accountability to taxpayers' money. This study assessed the status of the current level of organisational learning orientation among GLCs in Malaysia. Primary data were collected by conducting a questionnaire survey on 134 executives and managers of GLCs in Malaysia. The data included opinions on 10 factors of organisational learning practices. A five-point Likert scale was used for evaluation. The data were analysed through descriptive statistics. Furthermore, the reliability of the data was tested with Cronbach's alpha test, and data validity was tested by conducting a normality test and evaluating skewness and kurtosis. Data consistency was tested through a factor analysis. A total of 74.6% of the respondents stated that they focus on the factors of organisational learning. Federal-owned GLCs place more emphasis on organisational learning than state-owned GLCs. This study recommends that the practices of organisational learning of GLCs in Malaysia be improved by emphasising that employee learning is an investment rather than an expense. Employees should view themselves as partners in charting the direction of the organisation and should not be afraid to reflect critically on the shared assumptions about how the organization is managed. Unsuccessful organizational endeavours must be analysed, and the lessons learned should be communicated widely among employees.

**Keywords:** *organizational learning, government linked companies, risk, sustainable competitive advantage, Malaysia*

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## INTRODUCTION

Resource-based view (RBV) theory focuses on transforming the valuable resources of an organisation to help the organisation achieve its goals (Barney, 1991). RBV states that organisations that can fully utilise their resources, such as raw materials and skills, have the opportunity to gain competitive advantages over their competitors (Grant, 1991). Maximising resources provides organisations a sustainable competitive advantage (Macfarlane, 2014). A competitive advantage refers to a situation in which an organisation can create or improve its product and make it superior to those of competitors. A sustainable competitive advantage will help organisations cope with the changes in the environment and remain successful (Ketchen & Short, 2014) by achieving a long-term competitive advantage that would be costly and difficult to imitate by others (Papulova & Papulova, 2006).

A sustainable competitive advantage provides many benefits, given that it is a powerful source to achieve superior performance and create value for the organisation (Gupta & Benson, 2011). According to Barney (1991), organisations can create competitive advantages by obtaining valuable, rare, inimitable resources and capabilities. Obtaining such resources would lead to value creation and sustainability if an organisation is able to obtain such resources. Kraaijenbrink and Spender (2011) stated that without value creation, an organisation would have no added value; thus, the organization cannot exist in the market. Value creation can improve the performance of an organisation by maximising earnings per share, ensuring high levels of operational effectiveness and allowing the organisation to remain competitive (Gholami, 2011). Thus, value creation indirectly helps organisations implement strategies to improve their efficiency and competitiveness (Porter, 1997).

However, not all of these resources would lead to a competitive advantage or value creation because according to Kraaijenbrink and Spender (2011), people may perceive values differently. What one perceives as valuable may not be valuable for other people. Moreover, organisations experience difficulty achieving sustainability and coping with rapid changes in the environment because of globalization and increased competition. Therefore, organisations must be able to offer or create something new to differentiate themselves from their competitors. According to Prieto and

Revilla (2006), organisations that can offer something different in the market have the potential to achieve superior performance and can create value.

To ensure the sustainability of several government agencies, the government of Malaysia privatized companies, which led to the formation of government-linked companies (GLCs). GLCs are companies that adhere to the primary commercial objective of the Malaysian government (Khazanah, 2014) and in which the Malaysian government has a direct controlling stake (Organization for Economic Cooperation and Development, 2013). Controlling stake refers not only to the percentage of ownership but also to direct or indirect influence in the appointment of directors and senior management officers. It further pertains to making major decisions, such as contracting awards, strategizing, restructuring, financing and acquisition and divestments through government-linked investment companies (GLICs). In other words, GLCs are controlled by the Malaysian government through GLICs, Khazanah, Ministry of Finance Inc. (MOF), Employees Provident Fund (EPF) and Bank Negara Malaysia (BNM).<sup>1</sup>

GLCs cover a wide spectrum of economic activities, including those in infrastructure, telecommunication, agriculture and finance. Thus, GLCs play an important role in the operation of every commercial concern in Malaysia and contribute significantly to improving the quality of life of the public (Abdullah, 2007; Razak, 2012). GLCs are a corporate entity that may be private or publicly listed. Although GLCs account for only about 5% of the total companies in Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange or KLSE), the market capitalization of GLCs amounts to RM 232 billion, which is more than half of Malaysia's gross domestic product (Md Zin & Sulaiman, 2011).

The main objective of an organisation is to improve its performance and business process to become as competitive as other companies in the market (Aivazian, Ge & Qiu, 2005). According to Phua (2001), government economic planners believe that privatization of public services would provide many advantages to a country. This belief is in line with past evidence indicating that privatization can increase the efficiency of organisations, enhance the utilisation of growth opportunities, reduce the administrative and financial burdens of the Malaysian government and

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1 Retrieved from <http://www.khazanah.com.my>

increase Bumiputera participants in the corporate sector (Nambiar, 2009). However, GLCs have been labelled as underperforming because they deal with dual objectives, namely, to create profits and fulfil social obligations. Such a label has created a negative image of GLCs.

To overcome the underperformance issue, the Malaysian government introduced the GLC Transformation Programme in May 2004. The main objective of this programme is to improve the performance of GLCs and all corporate sectors. This transformation programme is important because it is one of the means for an organisation to achieve Vision 2020. A few GLCs, such as Telekom Malaysia, Malaysian Airport Holding Berhad and United Engineering Malaysia Group Berhad, were successful in implementing the programme. These companies have become highly profitable and have been recognized internationally (Md Zin & Sulaiman, 2011).

However, previous studies have shown that GLCs lack value creation compared with non-GLCs (Entebang, 2010; Mohamad & Said, 2011; Lau & Tong, 2008; Feng, Sun & Tong, 2004; Razak, Ahmad & Joher, 2011). Muslim, Hafiz and Fekri Ali (2012) stated that GLCs suffer from recurring poor firm performance because of the lack of value creation in their organisation; consequently, GLCs are subjected to the government's scrutiny. Razak, Ahmad and Joher (2011) found that the performance of non-GLCs is better than that of GLCs in terms of corporate governance and other forms of specific characteristics. Non-GLCs thus create more value than GLCs because GLCs do not focus on maximising profits; they are concerned with contributing to nation building (Lau & Tong, 2008).

Several GLCs, such as the Malaysian Airline System and Proton Holding Berhad, are unable to create value and thus suffer from poor performance. Hence, GLCs need to exert extra efforts to create value and meet the requirements and expectations of the government while increasing and adding value to their products, services and business performance (Lawler & Mohrman, 2013; Aziz, Rahman, Alam & Said, 2015a; Aziz, Alam & Said 2015b, 2015c; Said, Alam & Aziz, 2015; Said, Alam & Khalid, 2016). Khazanah (2014) stated that GLCs are expected to improve and enhance their value creation by focusing on sustainability practices and executing them from 2015 onwards. Currently, GLCs, especially G20<sup>2</sup> companies,

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2 G20 is the selection of large GLCs controlled by GLICs under the GLCT Programme. It is used as a proxy for the performance of GLCs. However, G20 currently consists of only 17 GLCs because of mergers, demergers, divestments and other corporate exercises over the years.

have begun to focus on sustainability practices to achieve long-term value creation. However, several GLCs tend to undermine the importance of sustainability practices because they have several other goals to accomplish. Other than these studies, limited research has been conducted on value creation in Malaysian GLCs (Lau & Tong, 2008).

## LITERATURE REVIEW

Organisational learning is one of the most important requirements to obtain a sustainable competitive advantage (Kloot, 1997; Garavan, 1997; Choe, 2002; Ramin, Taib, Hashim, Noordin & Yasin, 2013). According to Purhaghshenas and Esmatnia (2012), learning processes occur when a change in ideas and viewpoints exists in the organisation. This change creates new ideas and points of view through communication and interaction in the organisation. Learning orientation emphasises the development and adaptation of knowledge in the organisation, whereas organisational learning focuses on the acquisition of knowledge and skills by the employees of the organisation, such as by sending them to training (Mavondo, Chimhanzi & Stewart, 2005).

Organisational learning enables an organisation to achieve continuous improvement and enhance its knowledge, skills and attitude and thus attain value creation (Chawla & Joshi, 2011). Organisational learning is also a means for organisations to acquire improved futures (Singh, 2011). Organisations that practice organizational learning receive the latest updates in knowledge regarding markets, customers, competitors and environments. Thus, they are prepared to update their strategies and produce highly skilled employees. Additionally, according to Singh (2011), organisational learning is a long-term activity that contributes to the achievement of a competitive advantage. However, to ensure the success of organisational learning, an organisation must provide its full commitment, attention and effort. Purhaghshenas and Esmatnia (2012) stated that organisational learning can create value by providing new ideas, changing the ideas within the organisation through communication, and allowing knowledge to be shared among the employees of the organisation.

The government of Malaysia has focused on developing non-physical infrastructure, which includes developing the skills of human capital

(Prime Minister's Department, 2010). This focus enables organisations to implement an organisational learning culture and obtain skilled and knowledgeable employees through learning and development. As a result, organisations can obtain competitive advantages and create value because their employees can respond and act rationally during emergency situations. This study investigates the practices of organisational learning as a strategy of obtaining a sustainable competitive advantage among different categories of GLCs in Malaysia.

## **METHODOLOGY**

### **Sampling and Data Collection**

Data were collected by conducting a questionnaire survey among 134 executives and managers of GLCs in Malaysia. The survey was conducted between February and April 2015.

### **Measurements of Variables**

Ten parameters adopted from McLaughlin (2002) were utilised to measure the practices of organisational learning. The respondents were asked about their commitment to learning, shared vision and open-mindedness. The factors are listed below:

- L1 Regarding employee learning as an investment and not an expense
- L2 Regarding the organisation's ability to learn as the key to gaining a competitive advantage
- L3 Strong agreement with the organisation's vision across all levels, functions and divisions
- L4 Employees are committed to the goals of the organisation
- L5 Employees view themselves as partners in charting the direction of the organisation

- L6 Unafraid to reflect critically on the shared assumptions about how the organisation is managed
- L7 Encouraging employees to think outside the box
- L8 Frequent organizational conversations to remember the lessons learned from history
- L9 Analysing unsuccessful organisational endeavours and communicating the lessons learned widely
- L10 Top management repeatedly emphasises the importance of sharing knowledge in the organisation

The respondents were asked to compare all the practices of organisational learning in their respective organisation against those of their competitors in the same industry for at least three years. A five-point Likert-type rating scale ranging from 1 (strongly disagree) to 5 (strongly agree) was utilised.

## **Data Analysis**

The data were analysed through descriptive statistics. Factor analysis was used to measure data consistency. Furthermore, the reliability of the data was tested with Cronbach's alpha test. Data validity was also tested by checking the normality of data through skewness and kurtosis evaluations.

## **ANALYSIS AND FINDINGS**

### **Demographic Information**

The demographic data of the respondents, including gender, age, job position, level of education, number of years working in the GLC, type of industry and number of employees in the organization, were obtained. A summary of the demographic information is provided in Table 1.

**Table 1: Demographic Information of the Respondents**

| Demographic Profile        |                            | Frequency | Percentage (%) |
|----------------------------|----------------------------|-----------|----------------|
| <b>Gender:</b>             |                            |           |                |
|                            | Male                       | 55        | 41.0           |
|                            | Female                     | 79        | 59.0           |
| <b>Age Group:</b>          |                            |           |                |
|                            | Under 30 years             | 32        | 23.9           |
|                            | 30 to 40 years             | 51        | 38.1           |
|                            | 41 to 50 years             | 33        | 24.6           |
|                            | 51 years and above         | 18        | 13.4           |
| <b>Level of education:</b> |                            |           |                |
|                            | SPM/MCE/Certificate        | 1         | 0.7            |
|                            | Diploma                    | 19        | 14.2           |
|                            | University degree          | 104       | 77.6           |
|                            | Professional qualification | 10        | 7.5            |
| <b>Job Position:</b>       |                            |           |                |
|                            | Top management             | 7         | 5.2            |
|                            | Middle management          | 68        | 50.7           |
|                            | Lower management           | 59        | 44.0           |
| <b>Type of Industry:</b>   |                            |           |                |
|                            | Service                    | 53        | 39.6           |
|                            | Manufacturing              | 13        | 9.7            |
|                            | Others                     | 68        | 50.7           |

| Demographic Profile                     |                   | Frequency | Percentage (%) |
|---|-------------------|-----------|----------------|
| <b>Owner Type of GLCs:</b>              |                   |           |                |
|   | State             | 40        | 30             |
|   | Federal           | 86        | 64             |
|   | Other             | 8         | 6              |
| <b>Number of Years Working in GLCs:</b> |                   |           |                |
|   | Less than 1 year  | 12        | 9.0            |
|   | 1 to 3 years      | 26        | 19.4           |
|   | 4 to 5 years      | 16        | 11.9           |
|   | More than 5 years | 80        | 59.7           |
| <b>No. of Employees:</b>                |                   |           |                |
|   | Less than 100     | 17        | 12.7           |
|   | 100 to 500        | 26        | 19.4           |
|   | 501 to 1000       | 9         | 6.7            |
|   | More than 1000    | 82        | 61.2           |

Among the respondents, 59% are females and 41% are males. Most of the respondents are 30 to 40 years old (38% of the total respondents). Most of the respondents (77.6%) have a minimum first degree. Around 50.7% are in the middle management position. With regard to the type of industries, 39.6% of the respondents are involved in the service sector, followed by 9% in the manufacturing sector. Most of them work in other sectors, such as broadcasting. Among the GLCs considered in this study, 64% are owned by the federal government and 30% by the state government.

About half of the respondents (59.7%) have been working for more than 5 years in GLCs. A total of 61.2% of the respondents work in large organisations that consist of more than 1000 employees.

## **Descriptive Analysis**

The practices of organisational learning in the GLCs were measured with 10 variables. A total of 74.6% of the respondents stated that they exercise the factors of organisational learning, and 0.7% mentioned that they do not practice organisational learning (Table 2).

**Table 2: Score of the Factors of Organisational Learning among the GLCs in Malaysia**

| Score           | L1    | L2    | L3    | L4    | L5    | L6    | L7    | L8    | L9    | L10   | All Average |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------------|
| 1               | 0     | 0     | 1     | 0     | 3     | 2     | 0     | 2     | 3     | 0     | 0           |
| 2               | 11    | 6     | 10    | 6     | 6     | 7     | 6     | 6     | 9     | 7     | 1           |
| 3               | 32    | 21    | 20    | 24    | 30    | 39    | 19    | 25    | 45    | 16    | 33          |
| 4               | 51    | 61    | 64    | 65    | 60    | 64    | 58    | 68    | 52    | 64    | 75          |
| 5               | 40    | 46    | 39    | 39    | 35    | 22    | 51    | 33    | 25    | 47    | 25          |
| Disagree (1-2)  | 11    | 6     | 11    | 6     | 9     | 9     | 6     | 8     | 12    | 7     | 1           |
| Agree (4-5)     | 91    | 107   | 103   | 104   | 95    | 86    | 109   | 101   | 77    | 111   | 100         |
| Disagree% (1-2) | 8.2%  | 4.5%  | 8.2%  | 4.5%  | 6.7%  | 6.7%  | 4.5%  | 6.0%  | 9.0%  | 5.2%  | 0.7%        |
| Agree% (4-5)    | 67.9% | 79.9% | 76.9% | 77.6% | 70.9% | 64.2% | 81.3% | 75.4% | 57.5% | 82.8% | 74.6%       |
| Average         | 3.90  | 4.10  | 3.97  | 4.02  | 3.88  | 3.72  | 4.15  | 3.93  | 3.65  | 4.13  | 3.93        |
| Maximum         | 2     | 2     | 1     | 2     | 1     | 1     | 2     | 1     | 1     | 2     | 2           |
| Minimum         | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5           |
| Std. Dev.       | 0.93  | 0.82  | 0.90  | 0.81  | 0.93  | 0.85  | 0.83  | 0.86  | 0.94  | 0.82  | 0.68        |
| Factor Loading  | 0.80  | 0.76  | 0.74  | 0.72  | 0.69  | 0.69  | 0.68  | 0.68  | 0.64  | 0.55  |             |

Among all of the factors of organizational learning, the factor of encouraging employees to think outside the box (L7) has the highest mean score of 4.15. The factor of unafraid to reflect critically on the shared assumptions about how the organisation is managed (L6) has the lowest mean score of 3.72 (Table 2). The average mean value is 3.93. The overall organisational learning can be improved by emphasising the factors that have a below-average score, such as regarding employee learning as an investment and not an expense (L1), employees view themselves as partners in charting the direction of the organisation (L5), employees are unafraid to reflect critically on the shared assumptions about how the organisation is managed (L6) and analysing unsuccessful organizational endeavours and communicating the lessons learned widely (L9).

**Table 3: Score of the Factors of Organizational Learning according to the Types of GLCs in Malaysia**

| Category      |               | L1   | L2   | L3   | L4   | L5   | L6   | L7   | L8   | L9   | L10  | Total |
|---------------|---------------|------|------|------|------|------|------|------|------|------|------|-------|
| GLC Type      | State         | 3.58 | 3.78 | 3.55 | 3.85 | 3.65 | 3.30 | 3.85 | 3.58 | 3.60 | 3.85 | 3.66  |
|               | Federal       | 4.05 | 4.27 | 4.16 | 4.08 | 3.94 | 3.90 | 4.29 | 4.05 | 3.64 | 4.23 | 4.06  |
|               | Other         | 3.88 | 3.88 | 4.00 | 4.25 | 4.38 | 4.00 | 4.13 | 4.38 | 4.00 | 4.38 | 4.13  |
| Industry Type | Service       | 4.04 | 4.25 | 4.08 | 4.04 | 3.79 | 3.64 | 4.19 | 4.06 | 3.75 | 4.19 | 4.00  |
|               | Manufacturing | 4.38 | 4.31 | 4.15 | 4.00 | 4.15 | 3.85 | 4.08 | 3.92 | 3.77 | 3.77 | 4.04  |
|               | Other         | 3.69 | 3.94 | 3.85 | 4.01 | 3.90 | 3.76 | 4.13 | 3.82 | 3.54 | 4.15 | 3.88  |

Generally, federal-owned GLCs place more emphasis on the factors of organisational learning than state-owned GLCs (Table 3). Among the factors of organisational learning, state-owned GLCs place the most emphasis on employee’s commitment to the goals of the organisation (L4) and sharing knowledge in the organisation (L10) and the least emphasis on being unafraid to reflect critically on the shared assumptions about how the organisation is managed (L6). Federal-owned GLCs place the most emphasis on encouraging employees to think outside the box (L7) and the least emphasis on analysing unsuccessful organisational endeavours and communicating the lessons learned (L9).

GLCs engaged in the manufacturing sector place more emphasis on organisational learning than those in the other sectors (Table 3). These

manufacturing GLCs place the most emphasis on regarding employee learning as an investment rather than an expense (L1) and the least emphasis on analysing unsuccessful organisational endeavours and communicating the lessons learned (L9) and sharing knowledge in the organisation (L10). GLCs engaged in the service sector place the most emphasis on regarding the organisation's ability to learn as the key in gaining a competitive advantage (L2) and the least emphasis on analysing unsuccessful organisational endeavours and communicating the lessons learned (L9).

## **Diagnostic Test**

### **Consistency Test**

A factor analysis was conducted to verify the consistency of the variables for organisational learning measurement. The factor loading of all the variables is more than 0.6, except for L10. Among the nine variables, the range of the loading value of the factor is from 0.64 (L9) to 0.8 (L1) (Table 2). This result indicates that nine out of the ten variables are suitable for measuring the practices of organisational learning in the GLCs of Malaysia.

### **Normality Test**

A normality test was performed to check the distribution of data. According to Pallant (2013), data normality can be described by using the skewness and kurtosis test, where data are considered normally distributed when the kurtosis value is between  $-3$  and  $3$  and the skewness value is below  $0$ . The skewness value of the factors of organisational learning is  $-0.475$ , and the kurtosis value is  $-0.054$ , which are within the acceptable range. Therefore, the data can be considered normally distributed.

### **Reliability Test**

The Cronbach's alpha (Table 4) value of organisational learning is  $0.88$ , indicating that the reliability of the questions is excellent (George & Mallery, 2003) hu5c8 and IDEC-131, were evaluated in 46 patients with chronic refractory ITP. Fifteen patients were treated with  $20$  mg/kg of hu5c8: four (27%). The eigenvalues for the test indicate that the factor used in organisational learning explains 48.7% of variance. The Kaiser–Meyer–

Olkin test has a value greater than 0.6 at 0.828 (chi-square = 634,  $p < 0.000$ ). Therefore, the sample is adequate for use in this factorial analysis. Generally, the test supports the variables of organisational learning for this study.

**Table 4: Reliability Test for the Factors of Organisational Learning**

|  |         |
|--|---------|
| Cronbach's Alpha                                 | 0.88    |
| Eigen % variance                                 | 48.768  |
| % of variance                                    | 48.768  |
| Kaiser–Meyer–Olkin Measure of Sampling Adequacy  | 0.828   |
| Bartlett's Test of Sphericity Approx. Chi-Square | 634.024 |
| Bartlett's Test of Sphericity Sig.               | 0.000   |

## CONCLUSION AND RECOMMENDATION

Malaysia aims to achieve Vision 2020 to become a developed nation, but many steps must be taken to improve value creation in GLCs. This study measured the status of current practices of organisational learning among different categories of GLCs in Malaysia by assessing 10 factors. Factor analysis showed the consistency of these 10 variables for organisational learning measurement. Around 74.6% of the respondents admitted to exercising these 10 factors of organisational learning, and the average score is 3.93 out of 5.

Scopes exist to improve the practices of organisational learning by GLCs. GLCs need to exert extra effort to create value and thus meet the requirements and expectations of the government while increasing and adding value to their products, services and business performance (Lawler & Mohrman, 2013). To improve their organizational learning practices, GLCs should regard employee learning as an investment and not an expense, and employees should view themselves as partners in charting the direction of the organisation. In addition, employees should not be afraid to reflect critically on the shared assumptions about how the organisation is managed. Unsuccessful organisational endeavours must be analysed, and the lessons

learned should be widely communicated. State- or federal-owned GLCs and GLCs engaged in the manufacturing or service sector should focus on areas for their improvement.

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