Organizational Learning Capacity And Organizational Effectiveness: The Moderating role of Absorptive Capacity

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ABSTRACT

A few studies have recognised the significant positive influence of organizational learning capacity in enhancing organization effectiveness. Also, it is well documented in the management literature that in order to be innovative, an organization should develop its absorptive capacity. Therefore, this paper makes a significant contribution to theory by introducing absorptive capacity as a moderator to moderate the relationship between organizational learning capacity and organization effectiveness. A total number 85 employees working in the automobile sector of Nigeria provided responses for this survey. Data was analysed using SPSS, version 16.0. The result shows that although organizational learning capacity has a significant positive influence on organization effectiveness, its influence is considerably higher with absorptive capacity introduced as a moderator.

Keywords: organizational learning capacity; absorptive capacity; organization effectiveness.

INTRODUCTION

It is widely recognized and emphasized in the literature that the development of organizational learning capacity is a fundamental factor for the achievement of a long term competitive advantage. However, the relevance of organizational learning capacity for the improvement of the organizational performance and effectiveness has not received too much attention in the management literature. At present, learning capacity development is one of
the most pivotal areas of management research and it has become an interdisciplinary domain which advancement is subject to the contributions made by array of fields such as organizational psychology, organizational theory, production management, strategy, and management science.

The main objective of this study is to examine the influence organization learning capacity on organizations effectiveness, ultimately, to explore the moderating role of absorptive capacity in the relationship. Therefore, this paper provided a brief discussion on organizational learning capacity, organizational effectiveness, and absorptive capacity with the essential dimensions of these variables been identified. On the base of these essential dimensions, organizational learning capacity is examined as systems orientation, organizational culture for learning orientation, knowledge acquisition and utilization orientation, and information sharing and dissemination orientation. Organizational effectiveness is examined as employee satisfaction, customer orientation and financial and growth performance while the moderator, absorptive capacity is examined as employee ability and employee motivation (Refer to Figure 1). A research model is then developed based on the study variables. Methodology and analysis is then introduced, which include information about the sample, study measures, data analysis and empirical results. Finally, a section on discussion and conclusion is provided incorporating the directions for future research.

ORGANIZATIONAL LEARNING CAPACITY

Organizational learning capacity (OLC) is simply described as an organization’s capacity to develop the capabilities to acquire new information and convert that information into knowledge (Aydin and Ceylan, 2009). Organizational learning capacity (OLC) is a combined process of internal and external organizational systems alignment, culture of learning, including an emphasis on exploration and information, open communication, staff empowerment, and support for professional development. OLC goes beyond the principles of organizational learning, i.e. developing and applying new knowledge; OLC has huge the potential to change employees’ behaviour which means that it will strengthen the organization to achieve improved results, ensure adaptability to change, growth through innovation and build result-oriented employees.

OLC is vital for organizations to remain competitive. In this study, OLC is conceptualised and examined in consonant with previous studies by (Teo et al., 2006; Aydin and Ceylan, 2009) as having four dimensions namely: systems orientation, organizational climate for learning orientation, knowledge acquisition and utilization orientation, and information sharing and dissemination orientation. There may be many factors that could influence organizational effectiveness (OE) but this study focuses mainly on organizational learning capacity.

ORGANIZATIONAL EFFECTIVENESS

It is difficult to reach a consensus on the definition of organizational effectiveness. Organizational effectiveness is simply a measure of how well an organization meets its
organizational goals and objectives. It encompasses maximizing production and output, minimizing cost and input, attaining technological excellence and so on. Organization effectiveness is a function of productivity and performance emanating from employee satisfaction. Richard et al. (2009) describes organizational effectiveness as the myriad of internal performance outcomes generally linked with more efficient or effective operations order than external measures. Organizational effectiveness covers organizational performance and it is manifested in organization’s ability to excel at one or more output goals; internal efficiency, coordination, motivation, and employee satisfaction; ability to utilize scarce and valued resources from the environment, satisfy multiple strategic constituencies both within and outside the organization and ability to excel in one or more domains.

Organizational effectiveness (OE) is positively related to organizational development (OD). Previous studies emphasises that an increase in the level organizational effectiveness (OE) has a great role to play in increasing the level organizational development. Organizational development is described by Cummings and Worley (2004) as a process by which behavioural knowledge and practices are used to assist organizations in achieving greater effectiveness. In this study, organizational effectiveness (OE) is examined as having three dimensions (namely: employee satisfaction, customer orientation and financial and growth performance). This conceptualization of OE is in consonant with previous studies conducted by Aydin and Ceylan (2009).

**ABSORPTIVE CAPACITY**

The concept of absorptive capacity was made popular by Cohen and Levinthal (1990) and according to them, absorptive capacity is the ability to recognize the value of new information, to assimilate it, and apply it to commercial ends. It may not be wrong to refer to absorptive capacity as the quantity of scientific or technological information that a firm can absorb based on its prior knowledge and deploy to effective use in order to enhance the organization effectiveness. A remarkable contribution was made Minbaeva et al. (2003). They examined the firm’s capacity to utilize and exploit previously acquired knowledge. They identify employees’ ability and motivation as the key aspects of the firm’s absorptive capacity.

The empirical findings by Minbaeva et al. (2003) revealed that specific human resources management activities have a positive effect on the development of absorptive capacity while the findings by Lenox and King (2003), shows that managers can directly affect a firm’s absorptive capacity by providing information (learning opportunities) to potential employees in the organization. Their findings suggested that absorptive capacity could be influence by learning in the organization and in turn absorptive capacity could help improve organization effectiveness as a result of its influence on the firm’s innovation capabilities. For this simple reason, absorptive capacity is adopted and utilised in this study as a moderator for the organizational learning-organization effectiveness relationship.
THE RESEARCH MODEL

This study’s research framework is presented in Figure 1. The research model shows the relationship between organizational learning capacity and organization effectiveness, and the moderating role of absorptive capacity. In this study, organizational learning capacity (OLC) has four dimensions (namely: Systems Orientation, Organizational culture for learning Orientation, Knowledge acquisition and utilization Orientation and Information sharing and dissemination Orientation). Organizational effectiveness has three dimensions (namely: Employee satisfaction, Customer Orientation and Financial and growth performance) while absorptive capacity which is the moderator has two dimensions (namely: Employee Ability and Employee Motivation).

![Figure 1: The relationship between Organizational learning capacity and organization effectiveness, and the moderating role of absorptive capacity.](image)

METHODOLOGY/RESULTS

This study employed the quantitative approach and utilised the questionnaire as the research instrument used to gather data for this survey. 85 employees working at the automobile industry in Nigeria completed this survey. The average age of the respondents is 35 years with an average overall working experience of 10 years. The data was statistically analysed using SPSS (Statistical Package for the Social Sciences) version 16.0.
A statistical test using the cronbach’s alpha was carried to ascertain the reliability. The cronbach’s alpha score is 0.80, meaning that the findings are reliable. The findings show a significant positive correlation between organizational learning capacity (OLC) and organizational effectiveness (OE). It also showed a significant positive relationship between absorptive capacity and organizational learning capacity (OLC), as well as absorptive capacity and organizational effectiveness (OE). Most importantly the regression analysis result showed that organizational learning capacity (OLC) explained 60% of the total variance of organizational effectiveness (OE). Also, with the absorptive introduced as a moderator, organizational learning capacity (OLC) was able explained 70% of the total variance of OE. This means that absorptive moderates the relationship between organizational learning capacity (OLC) and organizational effectiveness (OE). Based on these results, it is pertinent to deduce that an enhancement of organizational learning capacity in an organization would lead to an increase of their organizational effectiveness. This means that the organization would witness a customer-orientation, a more employee’s satisfaction level and increase in their financial and growth performance.

**DISCUSSION AND CONCLUSION**

The results of this study contribute to knowledge and have huge implications for businesses and academic research. The findings suggest that organizational learning (OLC) would accelerate organizational effectiveness especially when such organizations maintain its absorptive capacity. The capacity of organizations to learn, acquire and utilise their learning and organizational knowledge would help them become more innovative and ultimately help them to attain competitive advantage. The concepts learning organization and organizational learning should be well integrated in order for organizations to channel all their learning activities into problem solving and creativity.

According to Aydin and Ceylan (2009) an increase learning capacity will trigger people’s ability to utilize the learning opportunities. Therefore, an organization that has a high level of OLC may have higher level of employee satisfaction which may in turn improve the financial and growth performance of such an organization. Also, an organization with high level of OLC and absorptive capacity would have much knowledge resources embodied in its employees and embedded in the organization. If this true, it is therefore essential for top management and managers to place greater emphasis on knowledge creation and knowledge sharing through diverse means to encourage learning activities which in turn could contribute to improvement of the organization’s innovation capabilities and competitive advantage.

Future studies could consider the introduction of other moderators or mediators. For example, absorptive capacity could be examined as a mediator. Also, future studies could consider more OLC and OE dimensions. In addition, a more interesting study would be the development of a complex research model and detailed investigation to ascertain if each of the dimensions of OLC could separately influences each of the dimensions of OE.

In conclusion, there is need for organizations to create a culture of learning, organizational climate that facilitates organizational learning and knowledge creation, provide avenues and processes that would increase the skills and competence of their employees and ensure that technological platforms are put in place for information sharing and knowledge dissemination across departmental units and through the organization.
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