

INCOMaR 2013

# Learning Organization and its Effect on Organizational Performance and Organizational Innovativeness: A Proposed Framework for Malaysian Public Institutions of Higher Education

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## Abstract

The survival of today's public institutions of higher education (PIHE) depends on how these institutions accept changes, improve practices and competitiveness. Defined as an organization that facilitates learning of all its members, learning organization possesses certain characteristics to meet the ever-changing needs of the environment. With Malaysian PIHEs being major contributors in providing educational opportunities for students in the country, it is equally vital for PIHEs to adapt the learning orientation. Accordingly, this paper proposes that learning organization culture have direct effects on organizational performance and organizational innovativeness, potentially leading to long-term organizational success.

*Keywords:* learning organization; organizational performance; organizational effectiveness; public institutions of higher education (PIHE)

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## 1. Introduction

Learning organization is defined as organization where people continually develop their capacity to achieve results they desire, whereby new patterns of thinking are nurtured, collective aspirations are freed and people learn to learn together (Senge, 1990). A more recent definition highlighted organizational learning, which is related to learning organization (Robelo & Gomes, 2011) as a process or capacity within organization which enables it to acquire, access and revise organizational memory thus providing directions for organizational action (Lin, 2008). In

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the Malaysian context, there are various perspectives as to what learning organizations truly are. While a study noted that learning organization always seek ways to capture learned concepts to function continuously (Alipour, Khairuddin, & Karimi, 2011), another suggested that a vital component of building a learning organization is team learning (Norliya & Azizah, 2007). Additionally, Norashikin and Noormala (2006) also suggested that organizational learning helps to improve organization's competitive advantage and responsiveness to change, subsequently sparking interest to develop organizations that promote and foster learning.

The concept of learning organization has been linked to innovation and performance in organizations (Power & Waddell, 2004; Watkins & Marsick, 1993; 1999). The capacity for change and continuous improvement to meet the challenges in the environment in which organizations operate has been associated with the capability of these organizations to learn (Armstrong & Foley, 2003; Senge, 1990). Thus, organizations that learn will be able to keep abreast with developments and improvements in the business environment to operate successfully. Accordingly, Kalsom and Ching (2011) highlighted that for public institutions of higher education (PIHEs) to strive for academic excellence, it is vital for the institutions to become learning organizations. As one of the main purposes of PIHEs is to achieve academic excellence among its students, it appears that PIHEs may need to transform into learning organizations (used interchangeably with organizational learning in this study) and subsequently improve overall organizational performance and innovativeness. The need for PIHEs to become learning organizations is substantiated because learning creates opportunities for educators to access the right knowledge at the right time and in the right location to stay competitive (Kumar, 2005). However, it should be highlighted that a review of literature discovered lack of studies on PIHE in the Malaysian context as well as lack of measurement for PIHE organizational performance. The Ministry of Higher Education (MOHE) (2013) merely stated that "... PIHE's ability to carry out their functions and responsibilities in a more transparent and effective manner will be conducted in order to create an excellent higher education system" with no specific mentions of how the performance of PIHEs are measured.

In an attempt to further understand the subject matter, the three concepts, which are learning organization, organizational performance and organizational innovativeness will be defined in general organizational terms. Watkins and Marsick (1996) noted that learning organizations are where learning and work are integrated in an ongoing, systematic manner in order to support continuous individual, group and organizational improvements. A more recent definition noted that learning organizations are organizations looking for transformation and excellence through interrupted and continuous organizational renewal and gradually mastering the subject matter (Griego, Geroy, & Wright, 2000).

Organizational performance, meanwhile, has not been frequently defined and has been used differently according to the context, as well as being difficult to define and measure (Erbisch, 2004; Stainer, 1999). A general definition of organizational performance by Stankard (2002) noted that it is the product of interactions of different parts or units in the organization. In the context of this study, organizational performance refers to the outcomes of various organizational processes which occur in the course of its daily operations. For PIHE, it is proposed that organizational performance is represented by various dimensions such as school reputation, quality of students, research results and social responsibility (Chen, Wang, & Yang, 2009).

Organizational innovativeness is defined as organization's capability to embrace an organization-wide atmosphere that is willing to accept diverse ideas and is open to newness, and that encourages its individual members to think in novel ways (Lin, 2006). The context in which organizational innovativeness is used in this study is defined as organization's willingness to encourage and support employees' innovation whereby the development of new knowledge and insights are promoted (Hult, Hurley, & Knight, 2004; Hurley & Hult, 1998; Liu, Luo, & Shi, 2002). In a study of innovation management, M Nordin, Fauziah, Rohana and Norlina (2013) identified that besides research agencies, PIHEs are also responsible in "manufacturing" innovations. Although the study identified that innovations can be categorized into technology, product and service as per suggested by Burgelman, Christensen and Wheelwright (2009), it seems to be lacking the definition of innovativeness in PIHEs.

Looking at PIHEs as entrepreneurs who promote economic development (Li-Hua, Wilson, Aouad, & Xiang, 2011), Etzkowitz and Zhou (2007) identified three characteristics of entrepreneurial universities: a) entrepreneurial activities are accepted and systematically supported; b) interface mechanisms exist, for example a technology transfer office and corresponding achievements; and c) significant numbers of staff members who can generate income to support university research and other activities. Additionally, a study emphasizing on PIHE in Libya by

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