Organizational Learning Orientation and Sustainable Competitive Advantage: Towards More Accountable Government-Linked Companies

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Organizational Learning Orientation for More Competitive and Accountable Government-Linked Companies in Malaysia

Abstract

Government-Linked Companies (GLCs) are expected to show competitive performance in order to reflect the accountability of taxpayers' money. Therefore, this study is an attempt to assess the status of the current level of organizational learning orientation among the Government-Linked Companies (GLCs) in Malaysia. This study collected primary data based on a set of questionnaire survey among 134 executives and managers of GLCs in Malaysia. The data were collected based on opinions of the ten factors of organizational learning practices by using the five-point Likert scale. The data were analysed using descriptive statistics. Further, the reliability of the data was tested using Cronbach's alpha test, the validity of the data was tested by checking the normality test through skewness and kurtosis, and the consistency of the data was tested using factor analysis. On an average, 74.6% of the respondents agreed that they focus on these factors of organizational learning. The federal owned GLCs place more emphasis on organizational learning than the state owned GLCs. This study suggests improving the practices of organizational learning within the GLCs in Malaysia by emphasizing on the consideration that employee learning is an investment rather than an expense, employees should view themselves as partners in charting the direction of the organization, employees should not be afraid of critically reflecting on the shared assumptions about the ways of managing the organization, and by analyzing unsuccessful organizational endeavours and communicating the lessons learned widely among the employees.

Key Words: organizational learning, government-linked companies, sustainable competitive advantage, Malaysia

1. Introduction

The resource-based view theory (RBV) focuses on transforming valuable resources of the organization to assist in achieving its goals (Barney, 1991). RBV states that organizations that are able to use or fully utilize their resources, such as raw materials, skills, etc., will have the opportunity to gain competitive advantages over their competitors (Grant, 1991), and offer sustainable competitive advantage to the organization (Macfarlane, 2014). Competitive advantage is a situation where the organization is able to create or improve its product and make it superior to the competitors' product. Sustainable competitive advantage will help the organization cope with the changes in the environment and stay successful in the future (Ketchen & Short, 2014) by achieving long-term competitive advantage, which will be costly and difficult to imitate by their competitors (Papulova & Papulova, 2006).

Sustainable competitive advantage can bring many advantages, as it is a powerful source for the organization to achieve superior performance and create value for the organization (Gupta & Benson, 2011). According to Barney (1991), organizations could create competitive advantages by obtaining valuable, rare, inimitable resources, and capabilities. Obtaining such resources will lead to value creation and sustainability in the organization. Kraaijenbrink & Spender (2011) also state that without value creation, the organization would have no added value and thus, there would be no reason for the organization to exist in the market. Value creation can improve the performance of the

organization by maximizing earnings per share, ensure high levels of operational effectiveness, and remain competitive (Gholami, 2011). This will indirectly help the organization to implement strategies to improve their efficiency and competitiveness (Porter, 1997).

However, there is no guarantee that all of the resources will lead to competitive advantage or value creation. This is because, according to Kraaijenbrink and Spender (2011), people may perceive values differently. What one perceives as valuable may not be the same for another person. Moreover, due to globalization and the increase in competition, it is hard for organizations to sustain and cope with the rapid changes in the environment. Therefore, organizations must be able to offer or create something new in order to differentiate themselves from their competitors. According to Prieto and Revilla (2006), organizations that are able to offer something different in the market have the potential to achieve superior performance and are able to create value for their organization.

Therefore, in order to ensure the sustainability of some government agencies, the government of Malaysia decided to privatize the companies, which led to the formation of the Government-Linked Companies (GLCs). GLCs are defined as companies that achieve the primary commercial objective of the Malaysian government (Khazanah, 2014) and the Malaysian government has a direct controlling stake in these companies (OECD, 2013). The controlling stake refers not only to the percentage of their ownership, but also their direct or indirect influence in the appointment of directors and senior management officers. They also make 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 via GLICs, Khazanah, Ministry of Finance Inc. (MOF), Employees Provident Fund (EPF), and Bank Negara Malaysia (BNM).¹

GLCs cover a wide spectrum of economic activities from infrastructure, telecommunication, agriculture, to financial services. Thus, GLCs play an important role in the operation of every commercial concern in Malaysia and contribute significantly towards improving the quality of life for the public (Abdullah, 2007; Razak, 2012). GLCs are a corporate entity that may be a private company or a public listed company. However, GLCs only account for about five percent of the total companies in Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange or KLSE), GLCs' market capitalization 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 organization is to improve the performance and the business process of the organization so that they will be as competitive as other companies in the market (Aivazian, Ge, & Qiu, 2005). According to Phua (2001), the government economic planners believe that the privatization of public services would bring many advantages to the country. This is in line with past evidence that agrees privatization could increase the efficiency of the organization, greater utilization of growth opportunities, reduce the administrative and financial burdens of the Malaysian government, and increase Bumiputera participants in the corporate sector (Nambiar, 2009). However, there are issues in which GLCs are labelled as underperforming, as they deal with dual objectives, which are to make profits and fulfil social obligations. This has given GLCs an adverse image.

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

Therefore, to overcome the underperformance issue, in May 2004, the government introduced the GLC Transformation Programme. The main objective of this programme is to improve the performance of GLCs and all corporate sectors so that they would perform successfully. This transformation program is important as it is one of the journeys for the organization to achieve Vision 2020. Quite a few GLCs have been successful in implementing the programme, such as Telekom Malaysia, Malaysian Airport Holding Berhad (MAHB), and United Engineering Malaysia (UEM) Group Berhad. These companies have turned out to be more profitable and have been recognized internationally (Md Zin & Sulaiman, 2011).

However, past studies still show that GLCs lack value creation compared to non-GLCs (Entebang, 2010; Mohamad & Said, 2011; Lau & Tong, 2008; Feng, and Sun, & Tong, 2004; Razak et al., 2011). Muslim, Hafiz, and Fekri Ali (2012) state that GLCs have suffered from recurring poor firm performances due to the lack of value creation in their organization, which has made them come under the government's scrutiny. Razak et al. (2011) find that non-GLCs' performances are better than GLCs in terms of their corporate governance and other forms of specific characteristics, which makes them create more value than GLCs. This is because GLCs do not focus too much on maximizing profits, as they are also concerned about contributing towards nation building (Lau & Tong, 2008).

Several GLCs are unable to create value and thus suffer from poor performances such as the Malaysian Airline System (MAS) and Proton Holding Berhad. Hence, GLCs need to put in extra initiatives to create value so that they will be able to meet the requirements and expectations of the government and at the same time, be able to increase and add value to their products, services, and business performance (Lawler & Mohrman, 2013; Aziz et al., 2015a,b,c; Said et al., 2015, 2016). Khazanah (2014) states that GLCs are expected to improve and enhance their value creation by focusing on sustainable practices and execution from 2015 onwards. Currently, GLCs, especially the G20² companies, have started to focus on sustainable practices to achieve long-term value creation. However, some GLCs tend to undermine the importance of sustainable practices as they have several goals to accomplish. Moreover, there are currently limited researches done on value creation in Malaysian GLCs (Lau & Tong, 2008).

Under this circumstance, this study investigates the practices of sustainable competitive advantage strategies among different categories of Government-Linked Companies (GLCs) in Malaysia. Organizational learning is considered one of the most important elements to gain a sustainable competitive advantage (Kloot, 1997; Garavan, 1997; Choe, 2002; Ramin et al., 2013). According to Purhaghshenas and Esmatnia (2012), learning processes occur when there is a change in ideas and viewpoints in the organization. These changes will create new ideas and point of views through communication and interaction in the organization. Learning orientation emphasizes on the development and adaptation of knowledge in the organization, while organizational learning focuses on acquisition of knowledge and skills by the employees of the organization, such as by sending them for training (Mavondo, Chimhanzi, & Stewart, 2005).

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

Organizational learning enables the organization to do continuous improvement, and enhance employee knowledge, skills, and attitude, which would contribute to value creation (Chawla & Joshi, 2011). In addition, organizational learning is also an advantage for organizations to have better futures (Singh, 2011). This is because organizations that practice organizational learning will be able to receive the newest updates in terms of knowledge regarding the markets, customers, competitors, and environments. This would make them be prepared to update their strategies and produce more skilled employees. Additionally, according to Singh (2011), organizational learning is considered a long-term activity that contributes to competitive advantage. However, to ensure the success of organizational learning, it requires the organization to give its full commitment, attention, and effort. Purhaghshenas and Esmatnia (2012) state that organizational learning can create value by providing new ideas, change of ideas within the organization through communication, and sharing of knowledge between the employees of the organization.

The government of Malaysia is focused on developing non-physical infrastructures, which include human capital development or skills development (Prime Minister's Department, 2010). This enables organizations to implement an organizational learning culture and gain skilled and knowledgeable employees through the learning and development process. This will indirectly help organizations in gaining competitive advantages and creating value, as employees are able to respond and act rationally during emergency situations. Therefore, this study investigates the practices of organizational learning as a strategy for sustainable competitive advantage among different categories of Government-Linked Companies (GLCs) in Malaysia.

2. Methodology

2.1 Sampling and Data Collection

The data for this study are collected based on a questionnaire survey among 134 executives and managers of GLCs in Malaysia. The survey was conducted between February and April of 2015.

2.2 Measurements of Variables

This study uses ten parameters to measure the practices of organizational learning adopted from McLaughlin (2002). The respondents are asked about their commitment to learning, shared vision, and open mindedness. The factors are as follows:

- L1 Considering employee learning as an investment, not an expense.
- L2 Considering organization's ability to learn is the key to gain competitive advantage.
- L3 Strong agreement about the organization's vision across all levels, functions, and divisions.
- L4 Employees are committed to the goals of this organization.
- L5 Employees view themselves as partners in charting the direction of this organization.
- L6 Not afraid to reflect critically on the shared assumptions about the ways of managing the organization.
- L7 Encouraging employees to think outside the box.
- L8 Good deal of organizational conversation that keeps alive the lessons learned from history.

- L9 Analyzing unsuccessful organizational endeavours and communicating the lessons learned widely.
- L10 Top management repeatedly emphasizes the importance of sharing knowledge in the organization.

The respondents are asked to compare all the practices of innovation in their organization against their competitors in the same industry for at least three years. The questionnaire uses a five-point Likert rating scale ranging from 1 (strongly disagree) to 5 (strongly agree).

2.3 Data Analysis

The data are analysed using descriptive statistics. Factor analysis is used to measure the consistency of the data. Further, the reliability of the data is tested using the Cronbach's alpha test. Finally, the data validity is tested by checking the normality of data through skewness and kurtosis.

3. Analysis and Finding

3.1 Demographic Information

The study collected a few demographic data of the respondents, which include gender, age, job position, level of education, number of years working in the GLC, type of industry, and the number of employees in the organization. A summary of the demographic information is given in Table 1.

Table 1: Demographic information of the respondents

Demographic Profile		Frequency	Percentage (%)
Gender:	Male	55	41.0
	Female	79	59.0
Age Group:	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
Level of education:	SPM/MCE/Certificate	1	0.7
	Diploma	19	14.2
	University degree	104	77.6
	Professional qualification	10	7.5
Job Position:	Top management	7	5.2
	Middle management	68	50.7
	Lower management	59	44.0
Type of industry:	Service	53	39.6
	Manufacturing	13	9.7
	Others	68	50.7
Owner Type of GLCs:			

	State	40	30
	Federal	86	64
	Other	8	6
Number of years working in GLCs:			
	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
No. of employees:			
	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 female and 41% are male. Most of the respondents are in the 30-40 years age group, which comprises 38% of the total respondents. Majority of the respondents, 77.6%, have a minimum first degree.

Among the respondents, 50.7% are in the middle management position. In terms of the type of industries, 39.6% of the respondents are involved in the service sector followed by 9% in the manufacturing sector, while most of them are 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 governments.

About half of the respondents (59.7%) have been working for more than 5 years in GLCs. Based on the number of employees, 61.2% of the respondents work in large organizations that consist of more than 1000 employees.

3.2 Descriptive Analysis

The study measures the practices of organizational learning in GLCs using ten variables. Among the respondents, on an average, 74.6% agree that they exercise these factors of organizational learning and 0.7% mention that they do not practise them (Table 2).

Table 2: Score of the factors of organizational 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 the factors of organizational learning, the highest mean score is 4.15 for the factor of encouraging employees to think outside the box (L7), and the lowest mean score is 3.72 for the factor of not afraid to reflect critically on the shared assumptions about the ways of managing the organization (L6) (Table 2). The average mean value is 3.93. There is scope to improve the overall organizational learning by emphasizing on the factors that are below the average score such as by considering employee learning as an investment, not an expense (L1), employees view themselves as partners in charting the direction of the organization (L5), employees are not afraid to reflect critically on the shared assumptions about the ways of managing the organization (L6), and analyzing 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

Overall, the federal owned GLCs emphasize more on the factors of organizational learning than the state owned GLCs (Table 3). Among the factors of organizational learning, the state owned GLCs emphasize the most on employee commitment to the goals of this organization (L4) and sharing knowledge in the organization (L10), and emphasize the least on not afraid to reflect critically on the shared assumptions about the ways of managing the organization (L6). On the other hand, the federal owned GLCs place the most emphasis on encouraging employees to think outside the box (L7) and place the least emphasis on analyzing unsuccessful organizational endeavours and communicating the learned lessons (L9).

The GLCs engaged in the manufacturing sector are more focused on organizational learning than other sectors (Table 3). These manufacturing GLCs emphasize the most on considering employee learning as an investment rather than an expense (L1) and emphasize the least on analyzing unsuccessful organizational endeavours and communicating the learned lessons (L9) and sharing knowledge in the organization (L10). The GLCs engaged in the service sector place the most emphasis on considering the organization's ability to learn as the key to gain a competitive advantage (L2) and the least emphasis on analyzing unsuccessful organizational endeavours and communicating the learned lessons (L9).

3.3 Diagnostic Test

3.3.1 Consistency Test

The factor analysis provides the consistency of these variables for organizational learning measurement. The factor loadings for all the variables are more than 0.6, except L10 (Table 2). Among the other nine variables, the ranges of the loading value of the factor is from 0.64 (L9) to 0.8 (L1). This indicates that nine out of the ten variables are good to measure the practices of organizational learning in the GLCs of Malaysia.

3.3.2 Normality Test

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

3.3.3 Reliability Test

The Cronbach's alpha (Table 4) value on organizational learning is 0.88, which indicates the reliability of the questions is excellent (George & Mallery, 2003). The eigenvalue for the test indicates that the factor used in organizational learning explains the 48.7% variance. The Kaiser-Meyer Olkin test indicates a value greater than 0.6 at 0.828 (Chi-Square = 634, $p < 0.000$). Therefore, the sample is adequate to be used in the factorial analysis. Generally, the test supports the variables of organizational learning in this study.

Table 4: Reliability test for the factors of organizational 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

4. Conclusion and Recommendation

Malaysia has targeted to achieve Vision 2020 to become a developed nation, but there are many more steps to be taken in importing value creation in GLCs. This study measured the status of the current practices of organizational learning among different categories of GLCs in Malaysia by assessing ten related factors. The factor analysis provided the consistency of the ten variables for organizational learning measurement. 74.6% of the respondents admitted to exercising these ten factors of organizational learning, and their average score was 3.93 out of a 5 scale.

Therefore, there is scope for improving the practices of organizational learning by the GLCs. Hence, the GLCs need to put in extra initiatives to create value so that they will be able to meet the requirements and expectations of the government and at the same time, be able to increase and add value to their products, services and business performance (Lawler & Mohrman, 2013). Overall, to improve the organizational learning practices, GLCs should emphasize on considering employee learning as an investment and not an expense, employees should view themselves as partners in charting the direction of the organization, employees should not be afraid to reflect critically on the shared assumptions about the ways of managing the organization and analyzing unsuccessful organizational endeavours and communicating the lessons learned widely. However, the state owned or federal owned GLCs and GLCs engaged in the manufacturing or service sectors should emphasize on more focused areas for their improvement.

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