

Organisation Learning Capability in Malaysian SMEs: Exploring Management Commitment, Openness, and Knowledge Transfer as Drivers for Innovation Implementation

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Small Medium Size Enterprises (SMEs) are vital for facilitating economic growth for developed and developing countries. SMEs are the main vehicle for entrepreneurship, contribute toward employment, society, and political stability, and are pioneers of innovation and competitive power. Besides, SMEs become the main supplier of goods and services to a large industry. However, in reality they are still unaware about the challenges faced by them, such as lack of knowledge, skills, and skills manpower, as well as limited financial resources and insufficient managerial infrastructure. SMEs also do not have abundant resources available for human capital development, which would enable R&D personnel to self-generate new knowledge. Organizational learning capability may serve a great function in innovation activities for SMEs. Therefore, it is important to conduct research that focuses on SMEs in this regard. The main objective of this study was to fill the identified literature gap by exploring organizational learning activities with three established SMEs currently conducting business. In this study, a qualitative method based on interviews was implemented. A total of 3 SMEs was selected. The results of the study revealed that organizational learning capabilities through management commitment, openness, and knowledge transfer can be considered critical factors for SMEs to achieve innovativeness and increase productivity within the organization. This paper is able to enrich the current understanding of

organizational learning capabilities through management commitment, openness, and knowledge creation and transfer. A greater understanding of organizational learning contributes to improved organizational practices and as such, ultimately improves SMEs productivity through innovation activities.

Key words: *Organisation Learning Capability Malaysian SMEs, Exploring Management, Commitment, Openness, Knowledge Transfer, Innovation Implementation.*

Introduction

Competition among entrepreneurs is increasingly fierce due to the constant change in the market environment and demands, uncertain consumer needs and the positive development of international business activities. Hence, entrepreneurial courage and bravery to seek and explore new markets are crucial to stay afloat and competitive in the business market. Moreover, the entrepreneurs' command and know-how of technology for marketing, research, development or product development, also have a very significant effect on the performance of a business organization, even if it is only small and medium sized.

Within the first three to five years of operation, entrepreneurs need to continuously introduce new products and processes. Continuous innovation has become one of the most important consideration in business organisations competition success (Andre de, 2018). Innovation also plays an important role in developing the economy, as well as enhancing and maintaining organisational performance at the highest level. At the same time, innovation can shape the industry's competitiveness, improve standard of living, and create better quality of life (Nielsen, 2018; Guzmán et al., 2018)

However, product and process innovation activities are not easy for business organisations, especially those small and medium sized ones. Innovation activities can sometimes take a long time due to the research process and require substantial investments for the acquisition of new technologies and resources. Small and medium sized organisations (SMEs) are often described as having limited financial resources, possessing low levels of skills and expertise, having labour shortages, and implementing informal strategies and flexible structures (Zhu et al., 2012). In fact there are SMEs that do not directly carry out research and development (R&D) activities in generating new ideas for the development of innovative products. These weaknesses form a major barrier for SMEs to directly engage in innovation activities.

Therefore, some previous studies highlighted the significant relationship between innovation activities in SMEs with organisational learning capability (OLC). OLC encourages SMEs to

create by using existing knowledge. The learning process, management commitment, and transfer of knowledge become important elements of OLC in promoting SMEs active involvement in innovation implementation. The main purpose of this study is to explore in depth how OLC elements such as management commitment, openness, and transfer of knowledge can help improve the performance of SME organisations through the implementation of innovative products and processes. The study was conducted using three industry players who have succeeded in their respective fields of business. Through interviews, much information was obtained and shared, thus creating a guide for the general public.

Literature Review

Innovation

Ever since Schumpeter (2012) introduced the concept of "creative destruction," innovation has been recognised as one of the most effective competitive strategies in the business market. In fact, it is considered as a strategy that not only builds competitive advantage, but also maintains competitiveness (Tidd, 2011; Zharikov, Bezpalo, & Ershova, 2017). Innovation strategy is defined as the successful implementation of creative ideas in the organisation and the generated products can add value to customer experience, differentiate between competitors (unique), and become difficult to copy or imitate. Thus these innovative products cannot be replaced by others (Cheng et al., 2014; Wang, 2014). Innovation can be implemented in a variety of forms, embedded in both products and processes.

Product innovation can be defined as the development or use of new components, features, and technologies to create new products (Evanschitzky et al., 2012). Meanwhile, the innovation process is defined as an improvement to the production process and the technology used to generate the product (Lin et al., 2013). Both of these innovations have a positive impact on business performance. Through product innovation, organisations are able to develop and introduce new product categories as well as make small changes to existing products. Indirectly, customers will benefit more from these innovations that are being carried out. Process innovation is also defined as an improvement over the existing process used to produce products (Abdallah et al., 2019). It also includes technology improvements that are applicable to the production process. In fact, innovation process is considered as a tool, device, and knowledge in processing technologies that intermediate between input and output (Zhu et al., 2017; Wang, 2019).

In general, product innovation is of more concern for industries, especially in the manufacturing sector, than process innovation. This is because innovative products are easily identifiable by customers and organisations are also likely to explore new markets through the creation of new products. Basically, product innovation offers customers various values other than "renewal" of the product itself. The production of new products is able to improve sales

because the new product usually has better features, performance, and aesthetic value than existing products. However Maine et al. (2012) argued that process innovation has advantages over product innovation as it is hidden in the organisation, making the organisation's improvements difficult to imitate by competitors.

In fact, organisations can also utilise process innovation (using technological improvements in production processes) as a strategy to raise barriers for new competitor entry into the market as well as to protect the organisation's market advantage. This indirectly affects the customer's purchasing decisions. Both product and process innovations can be used as a highly competitive organisational strategy in offering high value to customers, besides enhancing business performance.

SME Definition

SMEs are the main drivers for a country's economic development. In Malaysia, 96% of business units are made up of SMEs. SMEs offer the majority of job opportunities to Malaysians and major suppliers of semi-finished goods to large organisations. SMEs in Malaysia can be divided into several sectors, namely manufacturing, services, and agriculture. The details of each SMEs definition are illustrated in Table 1 below.

Table 1: SMEs Definition

MICRO	SMALL	MEDIUM
Sales turnover of less than RM300,000 or employees of less than 5	Sales turnover RM300,000 to less than RM 15 ml OR Employees from 5 to less than 75.	Sales turnover from RM15 mil to not exceeding RM50 mil or employees from 75 to not exceeding 200

Source: National SME Development Council (2018)

SMEs in Malaysia can be categorised into three types of company sizes, which are micro, small, and medium enterprises. The definition of SMEs is based on two criteria, i.e., the number of employees or annual sales turnover. The micro-organisations in the manufacturing, services, and others are classified according to earned annual sales of not exceeding RM300,000.00 or less than five full-time employees. Meanwhile, the definition of small-sized organisations for the manufacturing and services sectors is different. In the manufacturing sector, small-sized organisations are defined as earning annual sales from RM 300,000.00 but less than RM15 million or full-time employees ranging from five to less than 75 employees. Small-sized organisations in the services sector are classified as having annual sales turnover of between RM 300,000.00 and less than RM3 million or the number of employees from five to less than 30 full-time employees. The third category is the medium-sized organisation. In the manufacturing sector, medium-sized firms earn annual sales of more than RM15 million but

not exceeding RM50 million, or have a number of employees exceeding 75 but not more than 200 full-time employees. For the services sector and others, medium-sized companies earn annual sales of RM3 million but not more than RM20 million or the number of employees being more than 30 but not exceeding 75 full-time employees (SME Corp Malaysia, 2019).

SME Innovation and Performance

The 2012-2020 SME Master Plan focused on providing ecosystems that can support SMEs to innovate, grow businesses, and increase productivity on an on-going basis. To realise this goal, a total of RM7.95 billion has been utilised to implement 154 SME development programmes. This Master Plan involved 529,390 SMEs receiving benefits in 2016. These programmes also aim to increase productivity and promote innovation and technology among SMEs.

The government has also undertaken various initiatives to encourage SMEs to directly participate in innovation activities, especially the development of innovative products. The SME Master Plan (2012-2020) was set up on 12 July 2014. Through that plan, the High Impact Programme was organised. This programme, led by SME Corp. and launched by former Malaysian Prime Minister Datuk Seri Najib Tun Razak, is aimed at accelerating SME growth through monitoring of innovation and technology utilisation. The success of the Master Plan implementation will lead to an increase in SME contribution to the Malaysian economy, so that the government's desire to achieve the status of a high-income nation would be easier to achieve by 2020.

The continued production of new products will help SME organisations face challenges such as: competition in the global market, shorter product life, sharp changes in consumer demand for a wide range of good products, and products that meet market needs and technological change. In fact, as a catalyst for large industries in supplying semi-finished products in substantial composition, engagement in on-going innovation activities can help reduce the country's dependence on products from foreign countries. According to Cefis & Marsili (2006); Madrid-Guijarro et al. (2009), and Hullova et al. (2016), SMEs that establish product development process as the core of the company's strategy will continue to grow and stay longer in the market. Continuous production of new products can also help SMEs retain existing customers, attract new customers, and achieve the edge in global competition. For SMEs that fail to implement innovation activities as part of their strategic plan, they are faced with inability to compete well in the market, thus the processes and products produced will fall far behind their competitors, and fail to meet the needs and wants of consumers.

SMEs have significant differences when compared to large-sized organizations. Among the major weaknesses faced by SMEs are the lack of financial resources and other resources, low level of skills and expertise of employees, implementation of informal strategies and

establishment of a flexible structure (Olawale & Garwe 2010). Even SMEs in the manufacturing sector are also faced with fierce competition from producers that are able to offer their products at cheaper prices, especially manufacturers from China and India. That is why the number of SMEs that are able to survive long in the industry has declined.

Alternative methods need to be identified in promoting the involvement of SMEs in on-going innovation activities. Studies need to be expanded to guide SMEs to innovate, and not only rely on improving financial resources, increasing number of employees, enhancing technical expertise, and establishing internal R&D capabilities. Therefore, some previous studies (Slimane et al., 2015; Nosi et al., 2017; Prange & Pinho, 2017, Silva et al., 2018) examined the relationship between innovation activities in SMEs with OLC and its ability to motivate SMEs to innovate through the development of knowledge. Hence, management's commitment, openness, and knowledge transfer become important elements in OLC.

Organisational Learning Capability

Organisational learning capability (OLC) can be defined as the ability of an organisation to create, transfer, and integrate knowledge and change behaviour with the aim of improving the performance of a business organisation (Alegre et al., 2012; Prange & Pinho, 2017). The learning process has become an important aspect in entrepreneurship research. OLC has been identified as being able to influence entrepreneurs to create by using knowledge. Covin & Lumpkin (2011) in their studies revealed that OLC is an important strategic resource and a major contributor to competitive advantage, especially for SMEs. Meanwhile, Jerez-Gomez, Cespedes-Lorente & ValleCabrera (2005) revealed the concept of OLC as a catalyst for the creation, acquisition, transfer, and integration of knowledge within the organisation. Thus OLC is seen as the firm's ability to create a platform that enables entrepreneurs to produce, transfer, and integrate knowledge, and thus modify their behaviour with the aim of improving performance.

Organisations should strive to develop internal systems and procedures to enhance knowledge development capabilities and promote learning activities within the organisation. Through an on-going implementation of learning activities and knowledge creation, it will make business organisations able to survive longer in the market. To achieve the success of OLC implementation, elements such as management commitment, openness, sense of belonging, transfer of knowledge, and integration need to be created and integrated within the organisation.

Management Commitment

Management commitment is very important in promoting OLC (Luciana, 2018). It involves the support of the management toward learning activities that occur within the organisation. The management needs to ensure that learning is always facilitated and accessible for employees and it should be a key agenda in the formulation and implementation of organisational strategies. Every employee should be made aware by the management of the importance of learning. In fact the management should play an important role in initiating change through innovative ideas and also encourage employees to generate new innovations from learning outcome.

Openness

Openness is the attitude of staff within an organisation that easily accepts new ideas from sources within and outside the organisation (Dhir et al., 2019). Openness will have a positive impact when it is easier for the organization to obtain the latest and up-to-date information, knowledge, and data. Indeed, the openness and acceptance of the organisation in light of new ideas will be a major factor in the emergence of learning. Organisations will dare to try new ideas with a more innovative approach to solve current and future problems that occur within the organisation. Moreover, the creativity that arises from the adaptation of new ideas for improvements within the organisation will stimulate creative thinking and learning from mistakes among organisational staff.

Knowledge Transfer

Transfer of knowledge refers to the integration and sharing of knowledge that occurs within the organisation (Daryani, & Karimi, 2017). Both of these processes are interconnected and can assist the process of knowledge transfer among organisational staff without any hindrance. These transfers need to be transparent and will involve many communication platforms, such as staff meetings, forums, and workshops. Learning and knowledge are important for initiating product or process innovation in every organisation. The rapid development of technology, the sudden change in customer demand, and the complexity of innovation process implementation has forced organisations to make the outside sources of knowledge a source of reference and learning (Liao & Barnes, 2015). Previous studies identified several important aspects of knowledge management from external sources, such as takeover, cooperation, integration, protection, dissemination, and experimentation. Managing knowledge from outside sources is recognised as the process of acquiring, developing, sharing, and using external knowledge effectively (Van Wijk et al., 2008)

Method

Data Collection

Purposive random sampling has been used due to purposive (judgment) sampling technique being a nonprobability sampling technique in which the study selects the sample based on judgments about several appropriate characteristics required of the sample member (Zikmund et al., 2010). The inclusion criteria of the study satisfies the following criteria; first, the respondents must actively practice OCL and be registered as small and medium Malaysian SMEs in order to ensure the accuracy of the data. Second, the organization should fulfil the criteria of Malaysian SME based on number of permanent employees and total annual sales turnover.

This study relied on primary data collected by adopting a qualitative approach—using in depth personal interviews. The interviews were conducted with three successful SMEs in product and process innovation implementation. Through these interviews, the researcher obtained the respondents' own views. This situation provides the respondent and researcher with equal status in the dialogue (Burns, 2000). The use of in depth interviews enables a researcher to gain insights and understanding of complex, sensitive issues, or very personal topics. Becoming an entrepreneur is a complex decision; therefore, interviews were considered to be the most suitable method to uncover the challenges that could go beyond the usual clichés about entrepreneurs. The qualitative approach was conducted in order to get a clear picture on implementation of OCL in SMEs. The in depth case study of the selected three SMEs was able to provide answers to all the research questions and gather in-depth evidence for the research, as suggested by Yin (1994).

Research Sample

Three SMEs that produce food and beverage products were selected for this case study. These SMEs were selected based on experience and involvement in the production of innovation, both in terms of products and services. In addition, these SMEs were also active in producing new products throughout the period of operation. Initially 10 SMEs were contacted by telephone calls and invited to participate in the survey. Five SMEs agreed to be interviewed, but at the last minute some SMEs withdrew on the basis that the information required by the research was classified as private and confidential. Consequently, the total number of SMEs involved in this study was only three.

Interviews with representatives of the three SMEs employed a semi-structured interview protocol based on previous literature and surveys. The preparation of the interview structure was crucial to ensure data consistency and clarity of interpretation. In addition, to ensure that the interviews were smooth, spontaneous, and alive, researchers made sure that the questions asked were in line with the interview atmosphere. Therefore, a question raised is not entirely dependent on the sequence in the interview protocol, since the researcher would make additions, subtractions, and modifications in the style of language to ensure the suitability of the question being asked. Interviews were conducted in the form of discussions between

researchers and respondents representing SMEs. Table 1 presents a summary of the background information of respondents involved in this study. In order to preserve the confidentiality of the company, each company is only referred to as Company A, Company B, and Company C.

Findings

Respondent Profile

Table 1: Respondent Background

	Manager A	Manager B	Manager C
Age	26	34	46
Business Experience	5	6	9
Education level	Degree in Islamic Finance and Banking	Degree in Plant Biotechnology/ Entrepreneurship	Degree in Civil Engineering
Previous experience	Sell and distribute <ul style="list-style-type: none"> - Watches - Printed shirts - Food - Consultation 	Perform market research	Civil Engineer (18 years)

Interviews were conducted with these three SME managers. All managers have been in employment for five years or more. The majority of respondents had undergone tertiary education and earned a Degree. During the interview session, the information obtained was recorded using a tape recorder. The researchers also had the opportunity to visit parts of the office used for OLC activities.

Table 2: Background of Case Company

	Company A	Company B	Company C
Years established	2014 (5 years)	2013 (6 years)	2010 (9 years)
Organizational size (number of employees)	3	10	4
Type of business	<ul style="list-style-type: none"> - Sell products taken from the producer - Entrepreneur counselling 	<ul style="list-style-type: none"> - Manufacturer and seller of health and beauty products 	<ul style="list-style-type: none"> - Farming/Husbandry (deer) - Product manufacturer - Hotel

	- Product assembly		
Types of products produced	<ul style="list-style-type: none"> - Various perfumes and colognes - Air fresheners for cars - Body wash 	<ul style="list-style-type: none"> - Various soaps - Various aromatherapy products - Various oils - Cosmetic products - Virgin coconut oil - Bathing salts - Various body hygiene products 	<ul style="list-style-type: none"> - Farming and selling venison (deer meat) - Handicraft producer - Stingless bee (meliponines) honey producer - Preserved fish producer - Keychain manufacturer - Baker - Hotel
Product market	<ul style="list-style-type: none"> - All of Malaysia (Sabah & Sarawak) - Indonesia - Brunei 	Entire Peninsular Malaysia	Entire Peninsular Malaysia

Based on the background of these case study companies, Company A has been in operation for 3 years, while Company B has been in operation for 10 years, and Company C has been operating for 4 years. All companies have successfully manufactured products that are distributed throughout Peninsular Malaysia, and Company A successfully penetrated the international market.

Result Analysis

Upper Management Commitment

Upper management or SME owners are important individuals that encourage company employees to directly engage in innovation activities. Recognising the importance of implementing new product innovation on an on-going basis to help SMEs stay long in the market, the top management of Company A, B, and C is deeply committed to improving the efficiency and effectiveness of staff learning, and enhancing knowledge. The findings from cross-case studies identified the commitment shown by the top management in promoting the employees of the company to be directly involved in learning activities. Company A is directly involved in various businesses, including online business, so the understanding of staff regarding organisational direction, as well as business management skills, is very important. To help improve staff understanding of goals, visions, missions, and strategies, Company A

has taken the initiative to hold monthly meetings that need to be attended by all staff and administrators.

“Every month we will meet, every time we meet, the direction and main objective of the company are explained. This will indirectly encourage staff to improve themselves and improve work quality. For sales staff, they will feel motivated to increase sales so as to achieve the company's goals”.

Company A's main business is to sell products taken from producers. This company also organises short-term courses aimed at enhancing basic knowledge and skills required in business venture. This indirectly enhances the knowledge, skills, and expertise of the staff in carrying out their responsibilities.

“Last year, the company organised about four important courses for the company's staff. These courses successfully exposed staff to basic knowledge in becoming successful entrepreneurs”.

“Basic knowledge and skills in business ventures are essential. That's why every year four key courses will be organised for staff such as: the right product marketing method, the company's financial management method, copyright techniques, and success factors of entrepreneurs”.

Company C is actively involved in livestock breeding activities, production of livestock products, and hotels. Company C also sees the importance of applying knowledge among staff to improve organisational performance.

“We have organised courses for staff to enhance their understanding and skills in animal husbandry. If they have knowledge, they will know how to carry out their responsibility properly. Animal breeding is a challenging job. But if there is knowledge, no problem”.

“Among the courses organised by the company are ruminant farming, poultry courses, and livestock nutrition courses. Usually in a year there are two or three courses we will organise”.

Openness

In addition to the knowledge acquired from within the company, employees of companies A, B, and C are also encouraged by top management to participate in workshops, training, and activities that enhance knowledge and work skills organised by external organisations. As small and medium sized companies, SMEs are often faced with limited financial resources and technical knowledge. Due to this problem, Company B does not have the ability to organise training programmes within the organisation. However, Company B's management is very committed to promoting that employees participate in programmes that are capable of enhancing knowledge and skills, despite being organised by external organisations.

“The company's management does not hinder organisational staff to participate in workshops or programmes organised by outside organisations. They are even encouraging and supportive”.

“I have participated in many programmes and courses organised by government agencies and private companies: Gate to Global Model 1, Gate to Global Model 2, Gate to Global Model 3, Halal Talent Tour, Malacca IAMUsahawan, and Briefing on Halal Certification Application & Grant”.

For Company A, while having organised many learning and training programmes, still encourages company employees to participate in programmes organised by external companies.

“The company sends some of my friends and I to attend programmes organised by outside organisations, such as Facebook advertising courses, real estate seminars, and customer-management techniques”.

In conclusion, organisational staff members are able to enhance their knowledge and skills through various sources, whether they participate in courses organised within or outside the organisation. For SME organisations, human capital is an important asset for market competitiveness and longevity. The long-term performance of the organisation can be enhanced through the improvement of efficiency and the effectiveness of employees in carrying out their responsibilities. That is why it is important for organisations to organise programmes that can improve the knowledge of staff. This will benefit especially those who have just begun in business activities.

Knowledge Transfer

Many benefits can be obtained by Company A, B, and C through the transfer of knowledge that is being carried out, among them:

a. Good and continuous communication

“Continuous collaboration and communication between organisational staff is crucial as it ensures that knowledge sharing between company staff can run continuously...at the same time it can strengthen the relationships among employees...employees will also be more innovative if there is a good team”.

“Once a month, the company will hold a meeting. Usually at this meeting every employee will be given the opportunity to share new ideas...we will brainstorm...this is the time for us to present our views and suggestions to the organisations”.

b. Good co-operation and communication with outside organisations

“Company staff should also have good relationships with suppliers, customers, and distributors. This communication is also one of the inputs for the improvement of existing products. In this way the latest information is more readily available”.

c. Pro-active atmosphere for sharing of knowledge and stimulating creativity

“The atmosphere of the company is very conducive...we make email as the main medium for sharing organisational information...email more effective...company staff also use social media like Whatsapp, Facebook, and Instagram to communicate with company customers”.

“We use social media like Whatsapp, Facebook, and Tweeter to announce new information and ideas to the public. The idea can be further developed with the brainstorming among the people...so we exchange ideas with customers”.

SME Performance Improvement through OCL Implementation

The results of a questionnaire survey with Company A, B, and C staff members who attended courses organised by their respective company or outside the organisation demonstrated that the acquired knowledge has improved their self-esteem and the performance of their company. Among positive achievements noted are:

Benefit for the Staff

a) More understanding and skill in the area of endeavour

“Knowledge is there, but only a little bit...after attending courses related to livestock, I am more adept at looking after livestock, choosing the best food for livestock, knowing how to care, knowing the level of health of animals, and choosing a good breed. Knowledge has increased”.

b) More confident in facing and overcoming business problems

“Motivation and self-confidence in carrying out duties would increase after attending courses organised within and outside the organisation. Work done can be completed at once. Skills are increasing...it is easier to handle problems that occur in the company”.

c) Capable of generating new ideas

“These learning programs are good. We ourselves will feel confident in giving new ideas for the improvement of our company's products and services. Among them are improvements to existing products and produce new packaging”.

d) Improved work efficiency

“Workers become more proficient and efficient in getting work done if they are able to apply the acquired knowledge”.

Benefit to the Organisation

a) Increased product sales

“Sales revenue increases...easier to market products with the acquired knowledge... marketing proves to be more effective.”

b) Increased productivity

“More understand the proper method of care in terms of breed selection, selection of animal feed, more familiar with animal illness and the like. When the method is correct, the output of farming increases. Productivity also increases.”

c) Global market penetration strategy

“Many new disclosures are obtained, which are important information on the external market. We intend to penetrate the global market.”

d) Decision-making power

“Yes...I have been given the responsibility by the employer to resolve any problems that arise. However, it still needs to be reported to the employer.”

Innovative Idea Generation

Obviously, learning programmes attended by staff members are able to improve the effectiveness of staff in carrying out their assigned responsibilities and tasks. In the long term, staff members are able to contribute new ideas that can help contribute toward improved organisational performance and productivity, as well as successfully implement the given assignments effectively. The following is feedback related to new ideas contributed by the attendant staff in learning programmes organised by their own companies or other external companies:

a) New product design and packaging for the organisation

“The improvement that we highlighted is from the aspect of product design and also product packaging.”

b) Generation of new ideas for penetrating new markets

“Staff members are more proficient in performing tasks. Many new ideas are generated to improve the current existing products. The company strives to explore new markets.”

c) Implementation of a more efficient production process layout

“I gave an idea related to the modification in the flow of product manufacturing processes in the factory. This is actually the second new branch of the company being setup. There are many newly ordered machines that have been received. Through the new production process I recommended, the flow of movement between worker, machine and raw material is faster and more comfortable. Indirectly, the efficiency of the production process can be improved. This situation can help increase the productivity of the company.”

d) New strategy development for improving company performance

“I have recommended some additions in the company’s marketing strategy. This new strategy will help the company to be more publicly recognised.”

e) Strategy for fulfilling customer demand during times of limited resources

“...to recommend to the upper management to fulfil the demands of each customer. If there is surplus demand from customers, the company should try harder to obtain and utilise resources from outside the company to fulfil that extra demand”.

In short, based on the above feedback from the respondents, the OLC in their organisation may contribute to the betterment of innovation implementation which eventually increases business performance. Furthermore, through product innovation, organisations are able to develop and introduce new products as well as improve existing products or services. In a similar vein, OLC is an important strategic resource and a major contributor to competitive advantage, mainly for SMEs.

Limitations and Future Research

This study focuses on OLC and provides valuable insights regarding innovation implementation strategies among SMEs. There are several limitations in this study which give credit to the desirability of future research on OLC and innovation. The study only employed a qualitative approach to access the OLC and innovation implementation among SMEs in Malaysia. It is acknowledged that, the relatively small number of respondents and this qualitative approach may limit the findings and generalization. In view of that, a sophisticated and extended research model needs to be developed and empirically tested by using quantitative triangulation methods. It is further recommended that future studies include a larger sample size of SMEs in various business sectors. Again, future studies could also integrate other variables that are not identified in this study such as internal factors i.e. organisational culture or external factors i.e. government support that could possibly contribute to the success of innovation implementation in the organisation.

Conclusion

In conclusion, continuous innovation has become one of the most important methods to enable business organisations to be more successful in business competition. Innovation also plays an important role in developing the economy and developing and maintaining organisational performance at the highest level. At the same time, innovation can shape industry competitiveness, improve the living standards of society, and create better quality of life. However, product and process innovation activities are not easy for SMEs. Innovation activities can sometimes take a long time due to the research process and require substantial amounts of investment for the acquisition of new knowledge, technologies, and resources. Small and medium sized organisations (SMEs) are often described as having limited financial resources, possessing low levels of skills and expertise, and labour shortages. These underlying weaknesses are among the main reasons why most SMEs fail to offer a wide range of products or services to customers during the course of their operations.

Therefore, this study was conducted to explore how the commitment of the management, the nature of openness, and the transfer of knowledge among SME staff members can help SMEs continue to innovate in the face of various barriers and constraints. Based on the findings of this study, it is clear that the implementation of OLC will greatly benefit the organisation, such as: increased product sales, productivity improvement, global penetration capability, and confidence in decision making. In fact, SME staff members also benefit from: enhancement of understanding and skills, confidence in confronting and solving business problems, generation of new ideas, and enhanced staff efficiency. This research has also proven that SMEs that implement OLC as an alternative to innovative activities will continue to generate new ideas to penetrate new markets, re-organise layout for more efficient production processes, develop more efficient organisational strategies, and succeed in fulfilling extra customer demand with limited resources.

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