Organizational Learning and Sustainable Competitive Advantages (SCA): The Nigerian Experience

O. Oyeniyi

Omotayo Oyeniyi
Department of Business Studies
Covenant University, Ota, Ogun State, Nigeria

Abstract
The purpose of this paper is to test for core competencies of organizations in achieving sustainable competitive advantage within the service organizations in a developing economy like Nigeria. The paper specifically deals with the importance of organizational learning on sustainable competitive advantage and how it can be used to achieve sustainable advantage. Despite the wide spread importance attached to building sustainable competitive advantage, the relationship between organizational learning and sustainable advantage has received scant empirical attention. The study empirically examined the relationships between organizational learning and sustainable competitive advantage as well as the impact of organizational learning on sustainable competitive advantage. The results suggest that organizational learning is positively related to sustainable competitive advantage and has the potential of improving sustainable competitive advantage.

Keywords: organizational learning, intellectual capacity, core competencies sustainable competitive advantage
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Introduction
Firms compete in a complex and dynamic environment that is affected by several uncontrollable factors. To do this, firms need assets that could be used not only to survive but to remain competitive (Njuguma, 2009). A firm is a bundle of tangible and intangible assets. Assets are used by a firm to build strong foundation, expand operations and create competitive advantages (Cater and Cater, 2009). In a highly competitive business environment the survival of business depends on its ability to develop unique assets that can enhance performance. As such one main objective of strategic business environment is the development and maintenance of sustainable competitive advantage (Ogorean, Hericiu and Belascu, 2009). Competitive advantage of firms has been a major concern to management and interest to scholars and practitioners in the last decade (Prahalad and Hemel, 1990; Cater and Cater, 2009). This interest is sustained as a result of the belief that above-average performance can only be achieved in the long-run through sustainable competitive advantage (Porter, 1985). The interest in competitive advantage has led to the development of resource-based and knowledge-based theories that examine the relationships between sustainable competitive advantage and above-average performance.

Sustainable competitive advantage (otherwise refer to as SCA) is obtained when a firm implements value creating strategy not simultaneously being implemented by any current or potential competitors and such strategy cannot be duplicated easily (Barney (1991). Two main line of studies have been identified in the study of sources of competitive advantages. These are study on external factors (the company’s external environment) and the study on internal factors (company’s specific resources, capabilities, knowledge etc). The external factors deal with ‘outside-in’ approach within the industrial school (Porter, 1980). However, the internal factors emphasis the ‘inside-in’ approach within the resource-based school (Barney 1991). The internal factors school is based on the assumption that competitive advantage can be created through the accumulation of unique resources, capabilities and knowledge. Extant literature (McGahan and Porter, 1997; Spanos and Linkas, 2001; Cater and Cater, 2009) established that internal factors (human and organizational resources) seem more
important than external factors (physical and financial resources) in building sustainable competitive advantage as this study will emphasis the internal factors from the perspective of a developing economy like Nigeria. Internal factors of competitive advantage are classified according to physical, financial, human and organizational resources or just tangible and intangible resources (Barney 1991; Michalisin, et al. 1997). This is so because tangible resources fail to meet at least one of the necessary conditions of competitive advantage: value, heterogeneity, rarity, durability, imperfect mobility, unsubstitutability, imperfect imitability (Cater 2005). As a result of the aforementioned this study focuses mainly on the intangible internal resources. This study attempts to find out whether internal factors that endear organizational learning as indicated in literature can be used by Nigerian firms to achieve sustainable competitive advantage. One method of appreciating internal factors is organizational learning through which an organization is capable of developing intellectual capital (human capital, social capital and organizational capabilities) (Njuguma, 2009).

**Organisational Learning Process**

Organizational learning process has been defined as the sum of individual and collective learning training programmes, experience, experimentation and work interaction within the organization (Njuguma, 2009). In other words organizational learning process involves acquisition and changing of meaning shared by people through cultural devices and through the collective actions. Learning processes are rooted in social and cognitive psychology (Sun and Scott, 2003). Lopez, Peon and Ordas, (2005) added integration of knowledge to develop resources and capabilities that contribute to better organization performance as part of their own definition of organizational learning process. A single organizational learning may be relatively easy for competitors to imitate. However, the cumulative effects of continuous organizational learning may be difficult (DeNisi, Hith, and Jackson, 2003).

There is no agreement in literature in respect the dimensions or phases of organisational learning process. Dale (1994) suggested a three-level process (knowledge acquisition, dissemination, and shared interpretation and implementation. Others however, argue for a four-level dimension. These four-level dimensions include knowledge acquisition, distribution, application and translation into organizational
memory (Winter, 2000), such as procedure and systems and database. The implication of this is that knowledge is not only acquired, it must be disseminated at corporate level. Thereafter the organization must develop a method of dissemination and usage of the knowledge so acquired at the individual level for corporate benefit.

**Intellectual Capital and Organizational Learning**

Part of the intangibility assets of a company for competitive advantage is the human capital. This is part of the knowledge-based resource of an organization (Olavarrieta and Friedmann, 2008). Knowledge-based resource of the firm is usually combined with other resources of the firm (client capital) and (structural capital) to produce a firm’s competitive advantage. One important factor for the knowledge based resource is that only implicit and/or tacit knowledge will be able to assure competitive advantage for firm on the long time. The value of knowledge-based assets could be greater than the value of tangible assets (Ogorean, Hérciu and Belascu, 2009). According to Roos, Bainbridge and Jacobsen (2001) intellectual capital of a firm can be divided into three: organisational capital, social capital and human capital. Human capital is defined as all ‘individual capabilities, knowledge, skill and experience of a company’s employees and managers’ (Lin and Wang, 2005). Others refer to the components of intellectual capital as comprising knowledge, skills, intellect and talent of individuals.

Lin and Wang (2005) described intellectual capital to include all talents capable of core skills. These talents include intellectual ability to relate with others and perform duties and tasks excellently. Intellectual skills become increasing importance in the search for value creation for shareholders, managers and the company as a result of differences between company’s market value and the book value (Viedman, 2003). The intellectual capital theory was initially development as a framework for analyzing the value contribution of intangible assets for an organization (Njuguma, 2009). However, recent theories such strategies perspectives allow identification and evaluation of the core competencies that help achieve sustainable competitive advantage (Viedman, 2003).

Researchers have stressed that organizations have to learn in order to change what they doing—whether incremental or radical (Crossan et al 1999). Organisational learning is one of the most critical
intangible assts that an organization has to own to improve and sustain its position in the market through innovation (Tidd et al, 2005, Yeung et al, 2007).

In recent past, there has been increasing interest in the ability of organization to learn. Increasing level of liberalization and effect of globalization through technological and political changes has sharpened competition. This has necessities the need for organizations to acquire new knowledge and to gain sustainable competitive advantage (Fuglseth and Grunhaug, 2003). Organisational learning is one of the most important sources of a sustainable competitive advantage that companies have as well as important aspect of corporate performance (Stata, 1989). Continuous learning is the key driver of the organization ability to remain adaptive and flexible – that is, to survive and effectively compete (Burke, et al. 2006). The effects of organizational learning has been shown on competitive advantage (Jashapara, 2003), financial and non financial performance (Dimovski and Skerlavaja, 2005), tangible and intangible collaborative benefits in strategic alliance unit cost of production and innovation.

Learning depends not only on investment offers, but also on the previously accumulated knowledge or experience. More importantly, learning process is intrinsic, social and collective; which is attained through collaboration and interaction in understanding complex problems and not through imitation and emulation of individuals (Njuguma 2009). Through organisational learning, a firm can develop unique human and organizational capital that are hard to imitate and that evolve continuously with the firm (Armstrong and Overton, 1997).

Intellectual capital is difficult to imitate, because it is formed through an evolutionary process that takes time and is a product of unique organizational learning processes that are part of unique organizational culture (Denisi et al 2003). Conversion of knowledge at all levels takes place through social capital from individual to collective to organizational to inter organizational and vice versa (Njuguma 2009). The process of transfer of knowledge and its acquisition is unique in every organization and this makes it difficult to imitate. This is apart from the fact that it takes a long time to be developed and perfect. Organizational capital arises from converting individual and collective knowledge acquired through learning processes into routines, processes and systems that help develop organizational reputations, competences and capabilities that are rare and difficult to imitate (Armstrong and
Overton, 1997). Individual skills, collective skills and knowledge are used to develop work methods and database which in turn are used as sources of knowledge by individuals and groups in future work assignment (Njuguma 2009).

Despite its importance to sustainable competitive advantage, human capital is more mobile than other intangible resources (Teece et al 1997). The mobility of the human capital may not be too much of a problem to the organization because the other resources may have been integrated together with human capital to create organizational capabilities. These organizational capabilities help the firm to develop structures, systems, procedures and reputation that can help it to sustain its competitive advantage (DeNisi et al 2003).

Organizational Learning and Sustainable Competitive Advantage

Lots of attention has been devoted to organizational learning because it provides a means of combating the sophisticated level of competitive behaviours observable in most consumer goods and industrial marketplace (Njuguma 2009). Growing a business and achieving competitive advantage is a major concern of managers in competitive and slow growth markets (Foon, 2009). The main objectives of this paper therefore are:

a) Does organizational learning lead to sustainable competitive advantage?

b) What is the relationship between organizational learning and sustainable competitive advantage?

c) Does sustainable competitive advantage increase performance?

Sustainable competitive advantage is achieved when firms strive for unique characteristics that distinguish them from competitors. It is the ability to offer superior customer value on an enduring and/ or consistent basis, a situation in which competitors are unable to easily imitate the firm’s capacity for value creation (Njuguma 2009). Barney (1991) argued that Sustainable competitive advantage is obtained when a firm’s resources are valuable (the resources help the firm to create valuable products and services), rare (competitors do not have such resources), imitable (the resources cannot be replicated or copied), and appropriate (the resources are owned by the firm and can be exploited at will). Superior performance of a firm can be traced to its resources and
capabilities brought into competition. Knowledge resources and capabilities are in turn a product of learning process which will lead to response capacity through a broader understanding of the environment (Sinkula 1994).

Capability to learn is a critical part of Sustainable competitive advantage. This is because of the acceleration of markets and technological changes, explosion of available market data and importance of anticipatory action (Njuguma 2009). More importantly, capacity to learn, acquisition and use of learning resources is difficult to replicate because of its complexity, cost and time required (Ruzzier and Anthonic, 2007). Sources of Sustainable competitive advantage are internal or external. The internal sources are more critical than the external. This is because the external resources such as physical resources (Wu, 2007) and financial resources (Vorhies, Harker and Rao, 1999) can be replicated than the intangible resources and capabilities (Ogrean Herciu and Belascu 2009). Additionally, learning through better understanding facilitates behavioral change that leads to improved performance. Therefore, internal forces can be used to exploit the opportunities of the environment and to neutralize threats while avoiding weak points (Njuguma 2009).

Real and perceived market value of a firm can be created through the process of creating and transferring knowledge. Therefore, knowledge based view depicts firms as repositories of knowledge and competencies (Ghoshal and Morgan 1996) as cited by DeNisi at. al (2003). Acquisition of knowledge constitutes a driving force in development and growth of firms and sustain a competitive position vis-a'-Vis its competitors (Njuguma 2009). Therefore, this study links organizational learning to sustainable competitive advantage through intellectual capital elements. Firms can achieve above average performance over a long period of time if it pursues organizational learning strategies that lead to competitive advantage and are too hard to imitate.

**Methods and Materials**

The population of this study consists of all registered four and five star hotels with operational base in Lagos, Nigeria. Nigerian Association of Chamber of Commerce, Industry, Mine and Agriculture registered database was used to determine members of the population. A
sample of fifteen (15), four and five star hotels was chosen randomly from the target population. Two hundred and ten (210) copies of questionnaires were distributed (fourteen copies for each hotel) the response rate for the study was 40.95% (i.e. 86 usage responses). The questionnaires were distributed between February and April 2009, in Lagos. Lagos is Nigeria’s largest city with an official population of over 15 million people. Lagos has the largest concentration of hotels, banks, industries and commercial activities (as the former Federal Capital of Nigeria) (Oyeniyi and Abiodun 2010). The research instrument used was a structured questionnaire. The design of the questionnaire benefited from external literature dealing with organizational learning and sustainable competitive advantage. Specifically, the following works were used in designing the questionnaire: human capital (Bontis 1998), sustainable competitive advantage (Cheng and Yeh 2007).

Content validity of the instruments was determined through extensive literature review of published materials in the academic journals. Face validity was determined through discussions with several experts and scholars on the field. The comments and suggestions of these experts were included in the final draft. The data for this study was analyzed using SPSS computer package version 10. Factor analysis was conducted on the data to assess its suitability to Sustainable Competitive Advantage and organizational learning. This was done with the use Bartlett’s test of Sphericity (p=0.000) and Kaiser-Meyer-Olkin (KMO). Measure of Sampling Adequacy for the study is 0.79. KMO and the Measure of Sampling Adequacy results show that the data was adequate for the factor analysis (Hart, Webb and Jones 1994, Oyeniyi and Abiodun 2010). The research instrument comprised of 4 parts. Part one: company profile of the respondents; Part two: Human capital and Organizational learning; Part three: sources (intangible) dimension of sustainable competitive advantage; Part four: the relationship between sustainable competitive advantage and performance.

Reliability of the instrument was determined using Cronbach’s alpha coefficient. The reliability test was used to determine the internal consistency of question items. The more the reliability is close to one, the more acceptable (Hart et al 1998). The Cronbach alpha is 0.91 which falls within acceptable limits.

Multiple regression analysis was used to test the data. The assumptions underlying linear regression was taken care of. According to Hair et al (1998), outliers refer to extreme cases. Deleting outliers need extra care
so as not to generate other outliers. The sample size of this study is small, more importantly extreme cases may be due to the most successful cases, and as such none were deleted. Multi-colinearity and singularity were also treated. Multi-colinearity indicates the relationship between two or more variables (Hair et al 1998). Singularity shows perfect correlation among independent variables. Tolerance and Variance Inflation Factor (VIF) were used to test for multi-co linearity and Singularity. The tolerant values fall within the acceptable range $\geq 0.01 \leq 1.00$ (Hair et al 1998). Tolerance level for this study falls between 0.513 - 0.619. The VIF values for this study fall below 10, while VIF above 10 could pose a problem as the variables are highly collinear.

**Results**

In testing our data, descriptive statistics: means standard deviation and coefficient of variance (CU) were used to describe the variables. Spearman Correlation and multiple regression analysis were used to test the hypothesis in the study.

**Table nr. 1: Results of Core Components of Organizational Learning**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Kurtosis</th>
<th>Skewness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge Based System</td>
<td>4.44</td>
<td>0.53</td>
<td>0.054</td>
<td>-0.779</td>
</tr>
<tr>
<td>Learning Process</td>
<td>4.34</td>
<td>0.56</td>
<td>0.376</td>
<td>-0.812</td>
</tr>
<tr>
<td>Capabilities</td>
<td>4.5</td>
<td>0.50</td>
<td>0.124</td>
<td>-0.754</td>
</tr>
<tr>
<td>Uniqueness of Knowledge Base</td>
<td>4.2</td>
<td>0.58</td>
<td>0.141</td>
<td>-0.692</td>
</tr>
</tbody>
</table>

The mean values of the variables listed in table 1 above indicate the mean values range between 3.6 and 4.4. The most important on a 5 point liker Scale are capabilities (4.5), knowledge based system (4.4), uniqueness of knowledge base (4.2) in that order. The standard deviation lies between 0.71 - 0.79.

The mean scores for items on Competitive Advantage range from 3.77 to 4.68 on a 5 point liker scale. This means that the respondents strongly agree to the items. (Where, 5 is strongly agree and
1 is strongly disagree). The standard deviation however, ranges between 0.47 and 0.69. Correlation and multiple regression analysis were used in testing the relationship and the impact between the two variables.

<table>
<thead>
<tr>
<th>Items</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Kurtosis</th>
<th>Skewness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prompt response to consumers complaints</td>
<td>4.50</td>
<td>0.50</td>
<td>0.213</td>
<td>-0.137</td>
</tr>
<tr>
<td>Improvement in quality of Service</td>
<td>4.67</td>
<td>0.47</td>
<td>0.114</td>
<td>-0.049</td>
</tr>
<tr>
<td>Delivery of better range of Services</td>
<td>4.68</td>
<td>0.47</td>
<td>0.056</td>
<td>-0.779</td>
</tr>
<tr>
<td>Making Unique Services</td>
<td>4.60</td>
<td>0.49</td>
<td>0.323</td>
<td>-0.090</td>
</tr>
<tr>
<td>Courtesy of Staff</td>
<td>4.34</td>
<td>0.59</td>
<td>0.120</td>
<td>-0.063</td>
</tr>
<tr>
<td>Professional knowledge of services and customers</td>
<td>4.20</td>
<td>0.59</td>
<td>0.742</td>
<td>0.856</td>
</tr>
<tr>
<td>Follow up on Patrons</td>
<td>4.18</td>
<td>0.64</td>
<td>0.437</td>
<td>0.308</td>
</tr>
<tr>
<td>Provision of upfront information/brochure on services</td>
<td>3.77</td>
<td>0.69</td>
<td>0.768</td>
<td>-0.137</td>
</tr>
</tbody>
</table>

Normality of the data was conducted with the use of Skewness and Kurtosis (measures of distribution). Hair et al (1998) suggested that the skewness and kurtosis value of normal distribution should fall between -1 and +1. This is indicated in Table 1 above, the skewness values of the data range between -0.692 and -0.812 while the kurtosis values range between 0.054 and 0.376. The values are within the acceptable range.
Table nr. 3: Correlation Values of the Core Components and Competitive Advantage

<table>
<thead>
<tr>
<th></th>
<th>1 CC</th>
<th>2 PR</th>
<th>3 DB</th>
<th>4 US</th>
<th>5 CS</th>
<th>6 PK</th>
<th>7 FU</th>
<th>8 UT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Core Competence</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Prompt Response</td>
<td>0.625**</td>
<td>0.015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Delivery Better</td>
<td>0.606</td>
<td>0.509</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Unique Services</td>
<td>0.518**</td>
<td>0.386**</td>
<td>0.758</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Courtesy of Staff</td>
<td>0.348</td>
<td>0.664</td>
<td>0.520**</td>
<td>0.416</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Professional Knowledge</td>
<td>0.745*</td>
<td>0.476</td>
<td>0.296</td>
<td>0.467**</td>
<td>0.183</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Follow Up</td>
<td>0.268</td>
<td>0.334**</td>
<td>0.222</td>
<td>0.712</td>
<td>0.316</td>
<td>0.476</td>
<td>1</td>
</tr>
<tr>
<td>8</td>
<td>Upfront Information</td>
<td>0.400</td>
<td>0.678</td>
<td>0.249**</td>
<td>0.54</td>
<td>0.334**</td>
<td>0.678</td>
<td>0.520</td>
</tr>
</tbody>
</table>

** Sig. at 0.01; * Sig. at 0.05

The result in Table 3 shows that there is a strong positive relationship. The result shows that the more the hotel companies are maximizing their competencies, the easier it is to achieve competitive advantage particularly with the intangible resources with a number of sustainable competitive advantage items positively correlated. For example, prompt response r = 0.625, unique services r = 0.518, professional knowledge r = 0.745 and upfront information r = 0.400.

Table nr. 4: Regression for Core Components of Organizational Learning and Competitive Advantages

<table>
<thead>
<tr>
<th></th>
<th>β</th>
<th>β Sig</th>
<th>R²</th>
<th>Standard Error</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Components</td>
<td>0.682</td>
<td>0.045</td>
<td>0.55</td>
<td>0.09</td>
<td>5.786</td>
<td>0.035</td>
</tr>
<tr>
<td>Prompt Responses</td>
<td>0.734</td>
<td>0.035</td>
<td>0.69</td>
<td>0.12</td>
<td>8.654</td>
<td>0.002</td>
</tr>
<tr>
<td>Delivery Better Services</td>
<td>0.712</td>
<td>0.021</td>
<td>0.52</td>
<td>0.04</td>
<td>4.612</td>
<td>0.033</td>
</tr>
<tr>
<td>Unique Services</td>
<td>0.655</td>
<td>0.046</td>
<td>0.40</td>
<td>0.06</td>
<td>5.780</td>
<td>0.017</td>
</tr>
</tbody>
</table>
P ≤ 0.05

The above Table 4 on multiple regression shows $R^2$ values which predict the effects of core competencies on sustainable competitive advantage to be 55%. That is 55% of competitive advantages obtained hospitality industry can be accounted for by core competencies. The beta value of this regression value is 0.68 at $p \leq 0.05$.

Conclusions and Discussions

The primary aim of this study is to find out the impact of organizational learning on sustainable competitive advantage. Multiple regression was used. The explanatory variables used to capture organizational learning includes prompt responses, delivery better services, unique services, staff courtesy, professional knowledge and follow up. Findings show that beta value of core component of organizational learning is $0.682 \leq 0.045$ and $R^2=0.55$

One important activity of any company is to identify and develop SCA. The hospitality industry in Nigeria particularly should have a systematic approach to achieve SCA from the use of intangible and competencies approach. The first aim of this study is to identify Core Competencies of hotel companies and to relate these Core Competencies to SCA.

The main contribution of this paper is that Core Competencies in respect of intangible resources affect a company’s SCA in a developing country like Nigeria. Sustainable Competitive Advantage of a firm can be attained with the use of core competencies especially intangible resources. That is, core competencies have positive effects on the level of sustainable advantage of a firm. Therefore, managers are required to emphasize intangible core competencies in order to achieve Sustainable Competitive Advantage.
Bibliography