The effect of learning orientation on born global performance: A developing country context

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Abstract
The firms that operate in the international market since their inception, born global, require strong learning orientation to gain competitive advantage in accelerating their performance. Knowledge-based view suggests that ‘knowledge or learning’ as the most important resource and heterogeneity of knowledge across firms is the main determinant which leads performance differences among firms.

The purpose of this study is to examine whether learning orientation affect the performance of born global firms. As a response to the claim that extant literature lacks empirical evidences from the developing country context, this study puts forward to contribute to the existing knowledge with empirical findings in a developing country context, Sri Lanka, that explains the relation between the learning orientation constructs of commitment to learning, shared vision, open mindedness and firm performance.

A model was tested using a sample of 200 ICT (Information and Communication Technology) born global firms and the structural equation modeling (SEM) was performed to examine the hypothesized relationships. The results revealed that all three constructs of learning orientation have a significant positive impact on firm performance.

In the practical sense, this study provides several important suggestions for ICT firms in Sri Lanka on how they could improve their performance, following strong learning oriented climate within the firm.

1. Introduction
Entrepreneurialness has been one of the central themes of research on the performance of the born global firms. In line with the majority, this study defines born global firms as the firms that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries (Knight & Cavusgil, 2004, p. 35). These firms are small in scale and entrepreneurial in nature, but are focusing on rapid internalization, regardless of the facts of being small, resource constraints and their level of development (Kuivalainen, et al., 2007). It is clear that operating on highly competitive international markets demands specialized resources, skills and capabilities. But many of these resources, skills and capabilities tend to be scarce or even non-existent in many small firms, in addition to their greater financial constraints (Kuivalainen, et al., 2010). Despite being new and small with lack of financial, human, and other resources that characterize new business, these firms achieve considerable international success (Knight & Cavusgil, 2004). Thus, born global firms, exhibiting a greater entrepreneurial orientation, follow proactive international strategy to overcome these resource/capabilities constraints. Thus, this study focuses on the phenomenon of born global firms and the capabilities that born global firms leverage for achieving superior performance in international markets.

According to McDougall &Oviatt (1996), the decision to become a born global is undoubtedly a strategic one. Especially, in a dynamic and most competitive international environment, the knowledge-based resources and strong entrepreneurial orientation are seemed to
contribute most to the performance (Autio, et al., 2000; Kuivalainen, et al., 2010). In this context, the role of ‘entrepreneurialness’ in international performance of born globals are at its utmost important for both the business world and the international entrepreneurship literature. Thus, it is worth to investigate different entrepreneurial aspects of born global firms and how these aspects are influencing on performance of those firms.

Learning orientation is one of the key aspects of entrepreneurialness of born global firms which impacts on their firm performance. This is an emerging phenomenon of interest in the international entrepreneurship literature. Learning orientation refers to the proclivity of the firm to acquire intelligence on foreign markets and to make use of it to its maximum (Gabrielsson, et al., 2014). Baker & Sinkula (1999) define learning orientation as an organizational characteristic which affects higher-order learning (i.e. firm’s propensity to value generative and double-loop learning). According to (Jantunen, et al., 2008), learning orientation is not just acquiring knowledge from customers and competitors. Thus, it refers to acquisition, creation and transfer of knowledge, and challenge existing values and norms to reproduce new knowledge and insights for new value acquisition (Wang, 2008). Learning orientation is a key aspect of organizational culture and is a firm-level resource which enhances sustained competitive advantage of the firm (Long, 2013). Thus, imitating the learning orientation of a firm finds difficult as learning orientation is attached with firm-specific knowledge creation and sharing which happen internally to the firm.

Many studies have continuously highlighting that learning orientation has a substantial impact on overall firm performance (Slater & Narver, 1995). Learning oriented firms operate in a climate where it always questions its systems, processes and operations. Thus, they always seek after knowledge to use them rather than just storing knowledge (Calantone, et al., 2002). Therefore, these firms always come to the market with new practices. Learning oriented firms eventually receive the competitive advantage of learning orientation which leads to superior long-term firm performance. Learning orientation is essential for internationalized firm in two ways: first to identify opportunities in foreign markets and second for the growth and long-term success of internationalized firms (Dimitratos, et al., 2012). According to Autio, et al. (2000), born global firms are characterized by the feature of “learning advantage of newness”. Extant literature has found that learning orientation is positively related to product innovation performance (Baker & Sinkula, 1999; Calisir, et al., 2013; Alegre & Chiva, 2008), new-product success, capability development and long term firm performance (Jantunen, et al., 2008; Alegre & Chiva, 2008; Calantone, et al., 2002; Calisir, et al., 2013). Although many studies are available on this line of research, extant literature lacks empirical investigations from emerging country contexts (Peiris, et al., 2012). The present study puts forward to contribute to the existing knowledge with empirical findings in a developing country context that explains the relation between the learning orientation constructs of commitment to learning, shared vision, open mindedness and firm performance of ICT (Information and Communication Technology) born global firms in Sri Lanka.

As a developing country, Sri Lanka aims at accelerated economic growth through the sectors of entrepreneurship and information and communication technology as the competitive advantage of the traditional agricultural and industrial sectors are gradually declining. The Export Board of Sri Lanka (EDB) has recognized ICT sector as one out of seven key competitive products/services in the export sector, contributing more than 3.3 percent to the total export revenue (Export Development Board of Sri Lanka, 2011). Thus, to the best of the knowledge, this is one of the earliest studies evaluating the synergetic effect of learning orientation on the performance of ICT born global firms in Sri Lanka.

2. Conceptualization and Hypotheses

Organizational learning is a higher-order construct (Baker & Sinkula, 1999). To date still there is no one agreement upon how to conceptualize learning orientation. The conceptualization of learning orientation is based on two approaches: one approach focuses the knowledge acquisition and the other is on value acquisition (Wang, 2008). As she further pointed out, these two approaches
to learning orientation should not be investigated in isolation and the combination of both aspects is preferable. Thus, different authors have conceptualized learning orientation from different perspectives. Sinkula, et al. (1997) operationalize learning orientation from three aspects of commitment to learning, shared vision and open mindedness. Compare to Sinkula, et al., (1997)’s, Calantone, et al.(2002) identified four components of learning orientation as commitment to learning, shared vision, open mindedness and intra-organizational knowledge sharing. According to Akgun, et al., (2007), learning orientation is composed of managerial commitment, system perspective, openness and experimentation, knowledge transfer and integration. Alegre & Chiva(2008) identified five dimensions of learning orientation as experimentation, risk-taking, interaction with the external environment, dialogue, and participative decision making. In consistent with the majority, this study follows the Sinkula, et al., (1997)’s perspective of learning orientation: commitment to learning, shared vision and open mindedness.

Based on the extant literature, this study presents the relationships between commitment to learning, shared vision, open mindedness and firm performance as shown in Figure 1. Accordingly, the following hypotheses were formulated with the support of the available literature.

**Commitment to Learning**

According to Sinkula et al.(1997), commitment to learning refers to the extent to which a firm places value on learning and promote a learning culture within the firm. This will eventually create a learning climate. Thus, if an organization places a little value on learning then there is a little tendency to occur a learning climate in that organization. Calisir, et al.(2013) define commitment to learning as the firm’s readiness of changing the current practices by combining existing knowledge or incorporating new knowledge which involves acquisition, communication, acceptation and incorporation of knowledge within the firm. Thus, for committed firms, learning is an essential factor or rather an investment which is crucial for the survival of the firm (Calantone, et al., 2002). Most importantly, commitment to learning is associated with long-term strategic orientation. Thus, studies have found that commitment to learning has a significant influence on firm performance (Calisir, et al., 2013). Therefore, the following hypothesis was established:

H1: Commitment to learning has a positive effect on firm performance of born global firms

**Shared Vision**

Shared vision refers to deeply shared goals and missions which direct organizational employees to work toward a common goal and give them a sense of destiny (Sinkula, et al., 1997). Shared vision influences the direction of learning process and thus, it is different from other two aspects of commitment to learning and open-mindedness which influence the intensity of learning (Sinkula, et al., 1997). A clear direction for learning leads to increase the strength of the firm and to
enhance quality of learning (Calantone, et al., 2002). Thus, “without a shared vision, individuals are less likely to know what organizational expectations exist, what outcomes to measure, or what theories in use are in operations” (Sinkula, et al., 1997, p. 309). As well if one with open minded and committed to learning is really motivated to learn, but without a shared vision, it is difficult to experience as he/she is not aware of what to learn. Ultimately this leads to have multiple thoughts within the organization. Thus, there should be a universally understood organizational shared vision inside the organization to provide the organization a sense of purpose and direction (Fang, et al., 2014). Further to them, practicing a good shared vision ultimately result in employees’ commitment to goals and guarantee learning to take place in the same direction (Calisir, et al., 2013). Many studies have found the significant effect of shared vision on firm performance (Garcia-Morales, et al., 2006; Ussahawanitchakit, 2008). Therefore, the following hypothesis was established:

H2: Shared Vision has a positive effect on firm performance of born global firms.

Open Mindedness

Open mindedness refers to the extent to which a firm “proactively question long-held routines, assumptions and beliefs and is linked to the notion of unlearning” (Sinkula, et al., 1997, p. 309). Further to them, unlearning is central to organizational change, and open mindedness is an organizational value which facilitates unlearning efforts to transpire. Therefore, firms should always go beyond just depending on learning from their past successes and failures as these past learning experiences, information which embedded in their long-held routines and processes may no longer hold true when the external environment takes change (Wang, 2008). Thus, open minded firms critically evaluate its traditional operational routines and seek for new ways of looking at (Calantone, et al., 2002). Most of these new ideas come from the members of the organization and thus, creating an open-minded culture within an organization is important (Calisir, et al., 2013). Further to them, open-mindedness culture enhances valuable operations with new methods of business processes and achieves organizational competitiveness, performance, success, survival, growth and sustainability (p.180). Empirically supporting this statement, several studies explored the significant impact of open mindedness on firm performance (Calisir, et al., 2013; Ussahawanitchakit, 2008). Therefore, the following hypothesis was established:

H3: Open mindedness has a positive effect on firm performance of born global firms.

3. Research Method

Sample and Data

The study employed followed a survey based quantitative research design to test the hypotheses. Concerning time frame of the study, it is limited to cross-sectional study and the unit of analysis was the firm. The population of the study included ICT export entrepreneurs in Sri Lanka. Due to rapid development of ICT sector and unavailability of the official figures for the ICT industry, there was no single up-to-date sampling frame available for the study purpose. Therefore, the ICT exporters, registered at the Export Development Board (EDB) in Sri Lanka, has chosen as the target population of the study and the sample includes 225 exporters. At the time of the survey conducted, 600 exporters registered with EDB, but 20% of them have withdrawn from the industry and out of the remaining 225 exporters (47% of response rate) participated the survey. They were first contacted by telephone to receive their consent of participating the survey and the questionnaire were mailed to those who agreed. A face-to-face interview was conducted for those who agreed for it and for other it was telephone interview. This method was appropriate as the questionnaire was mailed earlier and quite simple and short.

Measurements

In measuring learning orientation, this study adopts LO scale developed by (Sinkula, et al., 1997), which is the most widely used scale in extant literature. Learning orientation construct is a higher-order construct, measured in terms of three first-order factors of commitment to learning,
shared vision and open-mindedness. The first factor, commitment to learning is measured by assessing the extent to which firms value organization learning and it includes four items. The next, shared vision is measured by assessing the extent to which firms follow a common goal at different layers of employees and it assesses by three items. Finally, the open-mindedness is measured by three items focusing whether a firm critically reflects on existing assumptions and business processes. In testing hypotheses, first-order construct of learning orientation was considered. Each of the variable was measured, using a seven-point likert scale, ranging from 1 (strongly agreed) to 7 (strongly disagreed).

Performance is a multidimensional concept. The existing literature reports a greater diversity of performance measures (Rauch, et al., 2009) and hence, no common valid operationalization of the concept is available (Jantunen, et al., 2008). Performance could be measured in terms objective measures and subjective measures of performance (Cavusgil & Zou, 1994; Jantunen, et al., 2008). According to Rauch, et al., (2009), objective measures of performance are more appropriate than subjective measures of performance. But, collecting financial data from entrepreneurs is extremely difficult as owner managers are generally unwilling to share their sensitive financial information to a third party (Dess & Robbinson, 1984). On the other hand, general tendency among owner managers is to provide biased information of their firms’ performance (Sapienza, et al., 1988). Thus, the recent trend in entrepreneurship studies is to use non-financial subjective measures to measure performance (Jantunen, et al., 2008). With these justifications and in line with the majority, this study too employs subjective measures of performance. The common dimensions of subjective measures of international performance consist of sales volume, market share, profitability, market entry, image development, knowledge development and overall performance, for example see, (Jantunen, et al., 2008; Knight & Cavusgil, 2004; Kuivalainen, et al., 2010; Kuivalainen, et al., 2007; Cavusgil & Zou, 1994). Following the scale for performance in international markets, developed by (Cavusgil & Zou, 1994), this study measured the international performance in terms of sales volume, market share, profitability and overall satisfaction which was measured with seven-point likert scale. Thus, the respondents were asked to express their level of satisfaction, varying from 1 = Strongly disagree to 7 = Strongly agree, on the said four dimensions of performance.

4. Analysis and Results

In the analysis, the present study followed the two-step approach of (1). Assessing the measurement model validity and (2). Assessing the structural model validity as recommended by (Hair Jr., et al., 2009). The Structural Equation Modelling (SEM) was used as the main statistical tool and the data was analyzed using AMOS 23 software package.

Measurement Model

The measurement model consists of four first-order constructs: Commitment to Learning (CL), Shared Vision (SV), Open Mindedness (OM) and Firm Performance (PF) and the model includes total of 14 items.

Measurement model validity follows two steps of (1) achieving acceptable levels of goodness-of-fit for the measurement model (2) finding the specific evidences of construct validity (Hair Jr., et al., 2009, p. 639). Confirmatory factor analysis (CFA) was performed to test for reliability and validity of the constructs, pertaining to the measurement model. The purpose of the CFA was to test the unidimensionality of the multi-item constructs. No single item in the model recorded low item-to-construct loadings, it was not needed to revise the items of the initial measurement model with 14 items.

The factor loading results of the CFA are presented in Figure 2. Standardized factor loading estimates of all items are above 0.7 which further confirm the construct validity of the measurement model as recommended by (Hair Jr., et al., 2009). The fit statistics confirm the measurement model is with the good fit to the data.
According to the recommendations of (Hair Jr., et al., 2009), it should at least be reported “one absolute index and one incremental index, in addition to the $\chi^2$ value and associated degrees of freedom, and at least one of these indices should be badness-of-fit indices” (p.752). Thus this study selected the values of chi-squared ($\chi^2$), its degrees of freedom, root mean square error of approximation (RMSEA), goodness-of-fit index (GFI), standardized root mean square residual (SRMR), normed-fit index (NFI), comparative fit index (CFI) and HOELTER index. In addition to absolute and incremental indices, one of parsimony indices, parsimony goodness-of-fit index (PGFI), was selected as recommended by (Hooper, et al., 2008). The fit statistics of the CFA of the measurement model are illustrated in Table 1 and all fit statistics were confirmed according to the recommendation provided by (Hair Jr., et al., 2009; Hooper, et al., 2008). Although the $p$ value is quite below the recommended value of 0.05, chi-square value ($\chi^2$) = 101.548 and the ratio of chi-square to degrees of freedom = 1.548 are within the acceptable level. Thus, this suggests to use other fit indices to confirm the validity of the measurement model. The absolute fit indices: RMSEA = 0.44, GFI = 0.942, RMR = 0.018, HOELTER = 203 and the incremental fit indices: NFI = 0.952, CFI = 0.985 are within the acceptable levels. Further, parsimony indices: PCFI = 0.768, PNFI = 0.743 are also within the acceptable level of above 0.5 as recommended by (Mulaik, et al., 1989). Thus, all favorable fit indices suggest that the measurement model is with the good-fit to the data. Unless the measurement model does not confirm the reliability and validity of its model the structural model cannot be performed (Hair Jr., et al., 2009).

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<tr>
<th>Fit Index</th>
<th>Recommended Value</th>
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<td><strong>Absolute Indices</strong></td>
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Figure 2: Measurement Model: Standardized Loadings
### Structural Model

Structural model exhibits the structural or dependence relationship between the constructs (Hair Jr., et al., 2009) and basically it tests for the acceptance of the formulated hypotheses of the path model. The same fit indices used for the analysis of the CFA model were also used to assess the structural model and these fit indices are produced in Table 3. Since the initial measurement model was accepted without any modification same results were obtained for the structural model, except the chi-square ratio to degrees of freedom (CMIN/DF = 1.43). These results indicate a good fit of the model to the data.

As shown in figure 2, all proposed paths (Hypotheses: H1-H3) are significant. The path coefficient estimates on the path from commitment to learning (CL) to firm performance (FP) and shared vision to firm performance are respectively 0.46 and 0.42 (p<0.01) and support H1 and H2. The path coefficient estimate from open mindedness to firm performance is 0.25 (p<0.05) and supports H3. Concluding, all three constructs of learning orientation (Commitment to Learning, Shared Vision and Open Mindedness) affect the firm performance of born global firms.

### Table 1: Fit Indices for Measurement Model

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<th>Fit Index</th>
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<td>(\chi^2)</td>
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<td>(\chi^2/df)</td>
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<td>(\chi^2, p) value</td>
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<td>RMSEA</td>
<td>(\leq 0.07)</td>
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<td>GIF</td>
<td>(\geq 0.90)</td>
<td>0.942</td>
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<td>RMR</td>
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<td>HOELTER</td>
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5. Discussion and Implications

The purpose of this study was to investigate the effect of learning orientation on firm performance of born global firms. More precisely, it examined the effect of commitment to learning, shared vision, open mindedness on firm performance of ICT firms in Sri Lanka, a developing country context. The research hypotheses were tested using data collected from 225 ICT firms in the ICT industry, a homogeneous sample. The structural equation modeling was the main statistical treatment used to analyze the structural relationships established in the research framework. Based on the findings, several implications could be offered for both scholars and practitioners.

Supporting all the hypotheses formulated, the results revealed that all three aspects of learning orientation: commitment to learning, shared vision and open mindedness are significant predictors of firm performance of born global firms. These findings provide an empirical support to the LO framework and scale developed by (Sinkula, et al., 1997), especially in testing it in a developing country context which still yields a room in the extant literature. Similarly, these findings are consistent with several other studies (Calisir, et al., 2013; Garcia-Morales, et al., 2006; Ussahawanitchakit, 2008). According to the findings, commitment to learning (coefficient = 0.48, p<0.01) and shared vision (coefficient = 0.42, p<0.01) are relatively more critical than open-mindedness (coefficient = 0.25, p<0.05). This finding is debatable with the findings by (Calisir, et al., 2013). They found that open-mindedness is the sole predictor of innovation performance, whereas other two are insignificant. This may be quite interesting finding for future researchers. However, since data were collected from only a specific industry, ICT industry, these findings may change if different industries are considered for the sample. Degree of the impact of the learning orientation on firm performance may vary among industries due to differences in their demographic profiles.

These findings confirm the fact that greater the learning orientation of a born global firm achieves superior performance. Therefore, practicing a learning culture within a firm always provides competitive advantage for born global firms which ultimately leads to superior long-term firm performance. Learning orientation is essential for born global firm in two ways: first to identify opportunities in foreign markets and second for the growth and long-term success of those firms (Dimitratos, et al., 2012). Therefore, born global entrepreneurs should practice a learning climate within their firms as learning orientation is attached with firm-specific knowledge creation and sharing which happens internally to the firm. As they should encourage their employees to pursue new knowledge which enhance, improve and share their work at the firm and to pursue opportunities in foreign markets. Thus, commitment to learning, shared vision and open-mindedness are crucial in this regard.

6. Directions for Future Research

To conclude, learning orientation and its dimensions of commitment to learning, shared vision and open-mindedness are significant predictors of firm performance for born global firms, even for developing country contexts like Sri Lanka. But the magnitude of this LO-Performance relationship may vary due to several other factors which are either moderators or mediators to this
relationship. Thus, this area of research is likely to continue to be of relevance and interest for the foreseeable future.

This study focused on the role of learning orientation and linked its effect on firm performance. But its impact is not only on firm performance. The role of learning orientation impacts several other firm activities like innovation, growth, efficiency etc. Future research could be conducted to examine the impact of learning orientation on several other outcomes of a firm, other than firm performance.

References


