Learning Capability and the Performance of Small and Medium Enterprises in Developing Economies: The Role of Absorptive Capacity

Yakubu Salisu¹, Sani Mohammed²

¹Department of Business Administration, Yobe State University Damaturu, Yobe State Nigeria
²Department of Business Administration, Federal Polytechnic Damaturu, Yobe State, Nigeria

* Corresponding author: ysalisu@ysu.edu.ng, smgadaka68@gmail.com

INTRODUCTION

The performance of small and medium enterprises in Nigeria has persistently falls below expectation over the years (Salisu, 2018, Aminu, 2015, SMEDAN and NBS, 2013). Nigerian economic largely depends on natural resources endowment with no adequate stimulus and support to invest in SMEs and human capital (Oluwatobi, 2015). Consequently any economic that relies heavily on the proceed from the natural resource tends to be uncompetitive (Salisu, 2018). Ajonbadi, (2015) have demonstrated that the ability of SMEs in Nigeria to learn and adopt new technologies is the major challenges to their growth. However, to remain competitive in today’s rapidly changing environment, business firm are frequently adopting strategy for encouraging employees to continuously learn from within and outside the firm. Developing human capital is an important competitive and survival strategy (Elbaz, Agag, and Alkathiri, 2018). However, human capital can be develops through transfer of knowledge and learning (Peansupap and Walker, 2009). Therefore, learning capability is consider as the most essential firm’s resources and a strategic capability that drive and enable firm sustain competitive advantage in a dynamic and competitive environment. Thus to effectively achieve strategic business objective, business firms must encourage employees to be innovative and continually learn new skill and try new method and processes (Goh, 2003). Nevertheless, to unfailingly improve overall performance, firms need not only to be able to acquire the new knowledge, but must also be able to effectively apply the knowledge in continuous profitable innovation (Chaudhury and Batra, 2018b).

Although, extensive research exist on firms strategic learning and absorptive capacity (Ramachandran, 2018, Tian and Soo, 2018, Ojo, Raman, and Chong, 2017, Huan, Yongyuan, Sheng, and Qinchao, 2017, Wang and Byrd, 2017, Hailekiros and Renyong, 2016, Verma, Singh and Rao, 2014, Calantone, Cavusgil and Zhao 2002, Sinkula et al., 1997). Learning has been conceptualized as essential antecedent for absorptive capacity (Rezaei-Zadeh and Darwish, 2016). Camps, Alegre, and Torres, (2011) demonstrated the needs for exploring the relationship of organizational learning and absorptive capacity. However, to date research has not delved specifically to empirically examine the relationship between learning capability and absorptive capacity. Equally, the mediating role of absorptive capacity on the relationship of learning capability and performance particularly in small and medium enterprises (SMEs) is quit limited.

LITERATURE REVIEW

The review of literature in this study were divided into; the concepts of the learning capability, absorptive capability, learning capability and performance, learning capability and absorptive capacity as well as absorptive capacity and SMEs performance.

Learning Capability

Learning is an important and complex activities that require management support dedicated to the acquisition and promoting behaviors pervading throughout the firm (Saeedi, Dadfar, and Brege, 2014). Rezaei-Zadeh and Darwish, (2016) demonstrated firm learning as consisting of three components exploratory, transformative and exploitative learning. Firm’s exploratory learning capability enhances acquisition capacity (Rezaei-Zadeh and Darwish, 2016), through promoting individual initiative, incentive, system and procedure to search and assess the incoming external knowledge (Aribi and
The transformative learning practice increases assimilation and transformative capability (Rezaei-Zadeh and Darwish, 2016), through inter-departmental and inter-firm communication and relationship (Aribi and Dupouët, 2015). While the exploitative learning capability expedite exploitation capability (Rezaei-Zadeh and Darwish, 2016), through adaptation of the product to the market and interaction between various stakeholders (Aribi and Dupouët, 2015).

Learning capability has been defined as a systemic and organized firm’s culture, commitment and practice that facilitate knowledge acquisition process toward support of fundamental business strategy (Hailekrios and Renyong, 2016). However, it has been established that the culture, behavior and commitment of a firm determine the efficiency at which firms learn (Verma, Singh and Rao, 2014, Calantone, Cavusgil and Zhao 2002, Sinkula et al., 1997). Pilar Jerez Gómez, Lorente, and Cabrera, (2004) stressed that learning capability comprises system thinking, learning commitment, openness and experimentation and the transfer and integration of knowledge. Organizational support for learning, absorptive capability, individual learning and sharing, the nature of the knowledge source and work environment, learning equilibrium and personal relationship determine firm’s learning capability (Peansupap and Walker, 2009). Thus the complexity of learning sequences makes it a capability that is perfectly inimitable in explaining performance heterogeneity (Manley and Chen, 2015).

Chiva, Alegre, and Lapiedra, (2007) recognized experimentation, interaction, risk taking, participative decision making and dialogue as essential factors influencing firm’s learning capability. Experimentation designated the magnitude of concerned to which new ideas and suggestions are attended and treated in the firms (Chiva et al., 2007). Alegre and Chiva, (2008) defined external interaction as the ability of the firm to relate and associates with external partners like customers, competitors, suppliers, and government. Risk taking exhibits the firm’s intensity to tolerate ambiguity, uncertainty, and errors (Chiva et al., 2007). Dialogue demonstrates continued communal inquiry into the assumption, uncertainties and process that make up the firm’s daily experience (Alegre and Chiva, 2008, Chiva et al., 2007). Whereas participative decision making denotes the level to which employees participate actively in decision making concerning the affairs of the organization (Chiva et al., 2007). Therefore, organizational learning system enhances firm’s knowledge transfer through team work and individual learning (Siachou and Gkorezis, 2014, Awang, Hussain, and Malek, 2013).

Absorptive Capacity

The effectiveness of the acquisition and transfer of knowledge depends on firm’s absorptive capability, willingness to transfer the knowledge and the environment for learning (Aribi and Dupouët, 2015, Awang, Hussain, and Malek, 2013, Lin, Tan, and Chang, 2002). Firms need to develop effective absorptive capacity to attain and maintain continuous learning. Thus manager’s ability, motivation and opportunity to improve knowledge acquisition and sharing in the organization maximizes firm’s and employee knowledge sharing capabilities (Elbaz et al., 2018). This demonstrate the functions of the firm’s absorptive capacity (Chaudhary and Batra, 2018, Rezaei-Zadeh and Darwish, 2016, Andersén, 2012, Zahra and George, 2002, Cohen and Levinthal, 1990). However, to develop absorptive capacity, firms invest adequately in research and development, networks, system and human capital (Rezaei-Zadeh and Darwish, 2016). Albort-Morant, et al., (2018) established that dedicating firm’s resources to strengthen the asset view of the organization (Chiva et al., 2007) is essential capability from external sources. However, it has been established that absorptive capacity (AC) has been described as firm’s ability to identify the value of new external knowledge and information, assimilate and apply it to business operation (Cohen and Levinthal, 1990). Zahra and George, (2002) demonstrated absorptive capability as consisting of the potential (acquisition and assimilation of knowledge) and realized (the transformation and exploitation of knowledge). Equally, the concept AC has been categorized in two perspectives “the assets and dynamic perspectives” (Roberts, et al., 2012). The asset view consider absorptive capacity as an essentially knowledge base develop and transferred through path-dependency. While the dynamic view focuses on the identification, assimilation, transformation and application of knowledge. Nevertheless, business firms can employ both perspectives as complementary to effective enterprise resource planning and utilization (Nandi and Vakkayil, 2018).

Zahra and George, (2002) further showcase the concept of absorptive capability into four distinguish and complementary dimensions toward effective firm’s operation and performance. It comprises the acquisition (firm’s capability to identify and acquire essential knowledge from external source), assimilation (the firm’s capacity to process, interpret, analyze and interpret and understand the knowledge obtained from outside the firm), transformation (the firm’s capability to convert adapt and combine the external and new knowledge with the existing internal knowledge to understand the obtained external knowledge), transformation (the ability to modify and adapt external knowledge and combine new and existing knowledge to improve understanding and develop new perspectives) and the exploitation (the firm’s capacity to integrate the newly knowledge acquired and transformed into competitive advantage).

Absorptive capacity have been acknowledged to be the function of firm’s infrastructure and human capital (Cohen and Levinthal, 1990), innovation (Lau and Lo, 2015) and middle level management (Rafique, Hameed, and Agha, 2018). Firms can effectively foster the process of their absorptive capacity through effective knowledge management process, employees training on knowledge sharing activities and assimilation and the realized which cover transformation and exploitation of the knowledge acquired. The routines and processes underlying each capability if put together allow the firms to make changes that afford them much-needed flexibility in dynamic markets (Zahra and George, 2002). Saeedi, Dadfar, and Brege, (2014), uphold that SMEs can develop and enhance absorptive capacity through learning to benefit from external knowledge.

Learning Capability and Performance

The challenges in the business environment today poised onto the business firms that conventionally source their core operational capabilities externally to where possible re-strategize and commit their resources and time on human capital to develop these capabilities and skills internally (Clements, 2010). Thus central to the firm learning process is the development of firm’s and individual knowledge through transfer and integration of knowledge that is individually acquired (Pilar Jerez Gómez et al., 2004). Learning capability enable firms transform and creating organization that continuously expand their abilities to shape and change their future (Lam, Poon, & Chin, 2006). Firms that develop effective and continuously upgrade their learning capability achieve competitive advantage ahead of competitors (Clements, 2010, Bhatnagar, 2006, Goh, 2003). It is essential capability in enhancing innovation, employee’s job satisfaction and competitiveness (Goh, Elliott, and Quon, 2012). Firm’s learning capability create the foundation to develop and elaborate the concept of strategic learning which enable the achievement of competitive advantage and adaptive capability (Moon and Lee, 2015). This underscore the effectiveness of learning capability in firm’s innovation as symbiotic (Limpibunterg and Jobri, 2009). Thus the development of learning capability is not only by itself, firm’s pursued learning and knowledge as necessary conditions that explain changes in performance (Prieto and Revilla, 2006).

Learning capability enhances firm’s radical innovation development process and facilitates organizational capability to support radical and incremental innovation (Peris-Ortiz, et al., 2018, Escrig, et al., 2016, Tohidi, Seyedaliakbar, and Mandegari, 2012). It is crucial to the nurturing of firm’s strategic orientations (Hakala and
external bodies would enable SMEs firms to effectively respond to environmental changes and create new opportunities by improving firm’s innovation strategy.

The limited size of employees in SMEs enables the development of mutual relationship among employees that create a sense of belonging and collectivism which lead to the understanding of workplace. Understanding work environment encourages employees to willingly learn, actively participate in decision making; develop more courage to experiment new ideas and techniques which may result into innovative product or processes that would improve performance and generate more revenue (Cohen and Levinthal, 1990). Familiarization of work environment and learning capability facilitate the acquisition; sharing and dissemination of new knowledge within the firm which increases the chances of innovating new product, process or solution to survive and succeed in a strongly competitive operating environment (Ho, Hazlina Ahmad, and Thurasamy, 2013). Thus this study hypothesis that:

**H1:** Learning capability positively relates to SMEs performance

### Learning Capability and Absorptive Capacity

Due to the intensive competition and dynamic environment, the absorption of external knowledge becomes one of major challenges to business firms (Jung-Ercge, et al., 2007). Nevertheless, with effective organizational and social capital firm’s develop sufficient absorptive capability to exploit external knowledge (Aribi and Dupouët, 2015). Kamal and Flanagan, (2012) identified supply availability; cost affordability; demand; policies and regulation; infrastructure; employees attitude and motivation, labor readiness; culture and communication and sources of new knowledge as determinants of SMEs firm’s absorptive capacity. Age, educational qualification, size and clear growth objective influence firm’s absorptive capacity (Gray, 2006). While, Lowik, et al., (2017) highlights prior knowledge diversity, social cognitive and the firm’s diversity in external network as factor explaining absorptive capacity.

Previous studies have confirmed the role of learning to firm’s absorptive capacity and outcomes such as sharing and transfer of knowledge, innovation and performance (Tian and Soo, 2018). AC entails individual or firm’s capabilities which depend on prior experience and need for cognition (Ojo et al., 2017). Tian and Soo, (2018) established that intrinsic motivation and commitment to learning contribute tremendously to the development of both individual and firm absorptive capacity. Therefore, top management must ensure that their firm and employees develop the capacity to identify, process and understand the external knowledge, combine it with the existing firm’s knowledge and apply it to commercial ends (Elbaz et al., 2018).

The flow of knowledge and information from external sources in the firm is positively links to the firm’s absorptive capacity (Miguélez and Moreno, 2015). Firm’s learning ability, quality and structure enhance its capacity to acquire and absorb external knowledge (Jung-Ercge, et al., 2007). Therefore, driving benefits from inter-firms linkage is a function of firm’s absorptive capacity (Rafique et al., 2018, Miguélez and Moreno, 2015, Lin, Tan, and Chang, 2002). Cohen and Levinthal, (1990) maintained that business firm with greater absorptive capacity is considered to be cognitively handy to the external source of knowledge and information as they assimilate; value, exploit and apply the knowledge effectively toward commercial ends.

Encouraging dialogue, team work, debate and communication among employees is essential to the firm’s process of knowledge transfer (Joaquín Alegre and Chiva, 2009). Certainly, with effective communication, all firms’ related problems and opportunities can be communicated to functional departments within the firm’s boundaries. Gathering, transfer and interaction of knowledge and experience of employees create a collective knowledge that can be preserve and use as distinctive capability (Joaquín Alegre and Chiva, 2013). Internal and external transfer of knowledge plays significant role in developing employee’s cognitive ability. Thus the ability of SMEs firms to accept risks of new idea, and stand the possibility of mistake and error, inoculate employee’s capacity to acquire new knowledge and initiative would be high. Through experimentation SMEs firms can encourage employees to promote and support new ideas and techniques from external and internal environment (Calantine et al., 2002). The benefits create by experimental errors in a firm includes risks tolerance, problem recognition and interpretation, prompting attention to the problem, search for solutions, and variety in organizational responses (Hailekiros and Renyong, 2016). The openness and interaction with
willingness to transfer knowledge affect the stickiness in knowledge transfer (Huan et al., 2017). Absorptive capacity lowers the degree of stickiness of knowledge created by knowledge residency and facilitates the smooth process of knowledge transfer and the readiness for innovation of recipients (Huan et al., 2017).

The extant literature has confirmed that innovation alone without external knowledge cannot lead to the achievement of sustainable competitive performance (Taherpavar, EsmaeiliPour, and Dostar, 2014, Cohen and Levinthal, 1990). Aljainani, (2018) reported that AC significantly and positively influences SMEs firm’s technological innovation capability. AC enhances the performance and competitive position of firms (Elbaz et al., 2018). Absorptive capacity component “potential and realized” are essential factor in explaining firm’s performance (Chaudhary and Batra, 2018b). Chaudhary and Batra, (2018a) reported that absorptive capacity through strategic orientation influence small family business performance. Albort-Morant, et al., (2018) found that AC significantly and positively influences firm’s green innovation performance. Kim, et al., (2011) infers that absorptive capacity is crucial in complementing the influence of partners’ resources on the performance of firms in collaborative operation. AC significantly influence individual innovation performance (Lowik, Krajajenbrink, and Groen, 2017). Therefore:

H3: Absorptive capacity positively relates to SMEs performance

H4: Absorptive capacity mediate the relationship between learning capability and SMEs performance

METHODOLOGY

The data of this study were collected from SMEs in Kano state northern Nigeria. The list of SMEs population operating in the state obtained from Kano state Chamber of Commerce, Mine and Agriculture (KACCIMA) as a sample frame. The list of SMEs obtained provides comprehensive information of the target firms which enables the accessibility of the respondent. Personal delivery and collection technique was adopted. A total of 575 questionnaires were administered to SMEs operating in the state. Subsequently a total of 217 questionnaires were retrieved, 9 questionnaires were identified as suspicious and consider not suitable for the analysis. Consequently, 206 valid questionnaires were used for in the analyses. Partial Least Square Structural Equation Model SmartPLS 3.0 version was employed to analyze the data.

A study variable can be measured with multiple or single items (Hair, et al., 2017). However, in this study all the variables were measured with multiple indicators. Specifically, there are 3 variables in this study: learning capability, absorptive capacity and SMEs performance. All the items used to measure the variables in this study were adapted from previous studies. Precisely learning capability were measured with seven items adapted from (Hailekros and Renyong, 2016), Absorptive capacity were measured with nine (9) items adapted from Aribi and Dupouët, (2015), while SMEs performance were measured with six (6) items adapted from (Aminu, 2015). Similarly, all the variables were measured on a five-point likert scale ranging from 1 = Strongly disagree; 2 = Disagree; 3 = Neither agree nor disagree (Neutral); 4 = Agree; 5 = Strongly agree). The table 1 below presents the items used to measure the study variables.

<table>
<thead>
<tr>
<th>Codes</th>
<th>Item Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>PER01</td>
<td>Compared to three years ago, our products/services reach a wider market</td>
<td>Info</td>
</tr>
<tr>
<td>PER02</td>
<td>Compared to three years ago, our enterprise sales volume has increased</td>
<td>Info</td>
</tr>
<tr>
<td>PER03</td>
<td>Compared to three years ago, our enterprise profits have increased</td>
<td>Info</td>
</tr>
<tr>
<td>PER04</td>
<td>Compared to three years ago, the level of complaints from customers has decreased</td>
<td>Info</td>
</tr>
<tr>
<td>PER05</td>
<td>Compared to three years ago, the number of employees has increased</td>
<td>Info</td>
</tr>
<tr>
<td>PER06</td>
<td>Compared to three years ago, the number of our customers has increased</td>
<td>Info</td>
</tr>
</tbody>
</table>

Note: PER = SMEs Performance; LC = Learning Capability; AC = Absorptive Capacity

ANALYSIS OF RESULT

Reliability and Validity

Reliability test evaluates the extents to which study outcomes from a research instrument is consistent over time. Reliability of survey measurement are evaluated with Cronbach’s alpha, Composite reliability and roh-A. The rule of thumb of reliability determination through Cronbach’s alpha established 0.6 as the acceptable threshold. Similarly a composite reliability of 0.70 was established as the acceptable value for establishing reliability of survey measurement. Average variance extracted is used to measure the convergent validity. The acceptable threshold for convergent validity is 0.5. Table 2 below demonstrates the statistical values of the study Cronbach’s alpha, roh-A, composite reliability and average variance extracted (AVE). All the requirements of the techniques used in this study; Cronbach’s alpha, roh-A, composite reliability and AVE have been satisfied.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
<th>Roh-A</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACAP</td>
<td>0.831</td>
<td>0.866</td>
<td>0.883</td>
<td>0.608</td>
</tr>
<tr>
<td>LCAP</td>
<td>0.913</td>
<td>0.946</td>
<td>0.940</td>
<td>0.800</td>
</tr>
<tr>
<td>PERF</td>
<td>0.774</td>
<td>0.810</td>
<td>0.850</td>
<td>0.538</td>
</tr>
</tbody>
</table>

To assess the problem of multicollinearity amongst the study variables, the discriminant validity were evaluated. Discriminant validity examines the variance extracted value of the measurements under study with the square root estimate between the measurements. Discriminant validity was evaluated using Fornell-Lacker criterion which established that the average variance value of a particular variable must be greater than other correlated variable. From the table 3 below it is clearly seen that number in bold are the average value of various constructs. All variables have higher value than the corresponding correlated variable, therefore the condition of discriminant validity were satisfied in this study.

<table>
<thead>
<tr>
<th>Paths</th>
<th>ACAP</th>
<th>LCAP</th>
<th>PERF</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACAP</td>
<td>0.779</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LCAP</td>
<td>0.723</td>
<td>0.894</td>
<td></td>
</tr>
<tr>
<td>PERF</td>
<td>0.638</td>
<td>0.619</td>
<td>0.733</td>
</tr>
</tbody>
</table>
To evaluate the hypotheses established in this study, a bootstrapping procedure of PLS-SEM was employed. 5000 bootstrapping resampling of 206 cases was used to obtain the statistical values on which the hypotheses were analyzed. Table 4 below presents the statistical results of the direct hypotheses testing. The statistical result shows a support for all the four (4) hypotheses tested. Specifically, from the table 4 below learning capability was found to be significantly and positively relates to the SMEs performance ($\beta = 0.621; t = 10.927; P < .000$). Similarly, learning capability exalt substantial positive influence on SMEs absorptive capacity as demonstrated by the result in table 4.3 below ($\beta = 0.725; t = 17.587; P < .000$). Equally, absorptive capacity significantly and positively impacted on SMEs performance ($\beta = 0.413; t = 3.668; P < .000$). Furthermore, Absorptive capacity was found to mediate the relationship between learning capability and the performance of SMEs as shown in table 4.4 below ($\beta = 0.300; t = 3.512; P < .000$).

### Table 4. Direct Relationship of the Study Variables

<table>
<thead>
<tr>
<th>Paths</th>
<th>Original Sample Mean</th>
<th>Sample Mean</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>LCAP -&gt; ACAP</td>
<td>0.400</td>
<td>0.413</td>
<td>0.109</td>
<td>3.668</td>
<td>0.000***</td>
</tr>
<tr>
<td>LCAP -&gt; PERF</td>
<td>0.723</td>
<td>0.725</td>
<td>0.041</td>
<td>17.587</td>
<td>0.000***</td>
</tr>
<tr>
<td>ACAP -&gt; PERF</td>
<td>0.619</td>
<td>0.621</td>
<td>0.057</td>
<td>10.927</td>
<td>0.000***</td>
</tr>
</tbody>
</table>

Note: *** indicates significant at 0.01

### Table 5. Indirect Relationship of the Study Variables

<table>
<thead>
<tr>
<th>Paths</th>
<th>Original Sample Mean</th>
<th>Sample Mean</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>LCAP -&gt; ACAP -&gt; PERF</td>
<td>0.289</td>
<td>0.300</td>
<td>0.082</td>
<td>3.512</td>
<td>0.000***</td>
</tr>
</tbody>
</table>

Note: *** indicates significant at 0.01

### Coefficient of Determination

This evaluates the coefficient of determination; otherwise known as $R^2$ (Hair et al., 2017). The value of R2 indicates the degree of variation in the dependent variable accounted by the predictor variable (Hair et al., 2017). Although the satisfactory coefficient value (R2) is subjected to research context (Hair, Ringle, & Sarstedt, 2013). Cohen, (1988) recommended that R2 value of .02, .13 and .27 as small, moderate and substantial coefficient respectively.

<table>
<thead>
<tr>
<th>Paths</th>
<th>$R^2$</th>
<th>Decision Based on Cohen (1988)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LCAP -&gt; ACAP</td>
<td>0.523</td>
<td>Substantial</td>
</tr>
<tr>
<td>LCAP -&gt; ACAP -&gt; PERF</td>
<td>0.459</td>
<td>Substantial</td>
</tr>
</tbody>
</table>

From the figure 2 and table 6 above it can be clearly observed that learning capability as the study independent variable accounts for 52 percent of changes in the mediating variable (absorptive capacity). Equally, learning capability and absorptive capability explain 46 percent of changes in the dependent variable (performance).

### Effect Size

Effect size represent the relative influence of an individual variable on the study dependent variable accounted by the variation in the $R^2$ statistical value (Chin, 1988). Alternatively R2 demonstrates the variance between R2 included and R2 excluded. A statistical value of 0.02; 0.15 and 0.35 indicates small, moderate and large effect size respectively (J. Cohen, 1988). Table 7 below demonstrated that all the paths have small effect sizes based on Cohen (1988).

<table>
<thead>
<tr>
<th>Paths</th>
<th>$F^2$</th>
<th>Decision Based on Cohen (1988)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACAP -&gt; PERF</td>
<td>0.141</td>
<td>Small</td>
</tr>
<tr>
<td>LCAP -&gt; ACAP</td>
<td>1.095</td>
<td>Small</td>
</tr>
<tr>
<td>LCAP -&gt; PERF</td>
<td>0.096</td>
<td>Small</td>
</tr>
</tbody>
</table>

### DISCUSSION OF MAJOR FINDINGS

The results of study established that learning capability is crucial to SMEs performance. This demonstrated that the higher the SMEs learning capability the effective the SMEs knowledge generative processes to achieve superior performance in terms of expanding market share, sales volume, profitability and customer satisfaction. The support for this hypotheses confirmed the results from previous studies which demonstrated that learning capability positively related to firms performance (Peris-Ortiz, et al., 2018, Salas-Vallina, et al., 2017, Hailekiros and Renyong, 2016, Escrig, et al., 2016, Visser, 2016, Hooi and Ngui, 2014, Tohidi, et al., 2012 Goh, et al., 2012, Tohidi et al., 2012, Hakala and Kohtanäki, 2011, Limpibunterng and Johri, 2009,Alegre and Chiva, 2008, Bhutanagar, 2006, Prieto and Revilla, 2006, Lam et al., 2006). Therefore, the study validates that learning capability is essential inimitable resources that facilitates the attainment of SMEs competitive advantage in operating market environments.

Furthermore, the finding of the study discovers that learning capability was significant valuable resource that enhances SMEs knowledge acquisition, assimilation, transformation and exploitation capacities. This shows that learning capability contribute tremendously to the development of both individual and firm absorptive capacity. The findings support the views and outcomes from several previous studies (Tian and Soo, 2018, Rafique et al., 2018, Elbaz et al., 2018, Ojo et al., 2017, Miguélez and Moreno, 2015, Jung-Erceg et al., 2007, Lin, et al., 2002, Cohen and Levinthal, 1990). Equally, the outcomes of this study confirmed that absorptive capacity positively and significantly affects SMEs performance. This is in support of the extant literature (Wang, et al., 2018, Costa, et al., 2018, Ramachandran, 2018, Elbaz et al., 2018, Wang and Byrd, 2017, Whitehead et al., 2016, Zhang, et al., 2015 Daspit and Staci, 2014 Zhang, et al., 2015, Andersén, 2012, Deng, 2010 Lev, et al., 2009) and Zahra and George, (2002). Lastly, absorptive capacity was found to mediate the relationship between learning capability and the performance of SMEs.

### CONCLUSION

...
To improve performance and achieve sustainable competitive position in this dynamic operating environment SMEs firms must endeavor to develop an organization capable of experimenting new ideas, takes calculated risk, interact with external environment, encourages dialogue among employees and consult and accept employee’s suggestion while taking decision. This can however accomplished effectively if SMEs firms develop the ability to identify, acquire, assimilate, transform and apply new knowledge to reap the benefits of first mover in this dynamic business environment. Firms with adequate capacity to manage and absorb the existing internal knowledge and that acquired from the external environment stand a better chance of differential performance, effectiveness and efficiency as well as responsiveness to frequent market demand.

References:
Ho, T. C. F., Hazlina Ahmad, N., & Thurasamy, R. (2013). Learn and thou shall thrive: advancing a model of workplace familism and organizational learning capability in small and medium enterprise (SMEs) manufacturers in Malaysia. Business Strategy Series, 14(S56), 151–159. https://doi.org/10.1017/BSS-08-2012-0045