Building Dynamic Capability in Time of Uncertainty through Organisational Learning

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Abstract: The recent covid-19 pandemic adversely affected several businesses especially the hospitality industry that provide pleasurable and emotional services to different categories of customers across the globe. Based on this global turbulence, some hospitality businesses laid-off some of their valued employees as a result of their weak dynamic capability to withstand the aforementioned disruption. It is based on this premise that this study investigates the effect of organisational learning on dynamic capability of hospitality business with specific focus on accommodation sector in Sub-Saharan Africa using cross-sectional survey design. Target population for the study is made up of sixty four-star hotels that are registered with Enugu State Ministry of Culture & Tourism, Nigeria. Fifty four-star hotels were selected using simple random sampling. Two hundred and seventy two participants were drawn from the hotels with sample size of one hundred and sixty-one. Questionnaire was used to collect data from the participants while formulated hypotheses were analysed with linear regression. Finding from the study revealed that organisational learning has positive significant effect on dynamic capability of hospitality businesses under study. Thus, the study concludes that organisational learning measured in terms of exploratory and exploitative learning enhances dynamic capability of hospitality businesses being investigated. Further study with statistical evidence is encouraged in different industries and regions of the globe.

Keywords: Organisational learning, Dynamic capability, Sensing capability, Reconfiguration capability, Exploratory learning, Exploitative learning, Covid-19 pandemic.

1. Introduction

The sudden outbreak of coronavirus on December 31, 2019 dislocated many organisation’s structures, strategies and capabilities across the globe thereby making most of them
to downsize their workforce due to financial incapacitations (Organization, 2020; Tazim & Christine, 2020; Cucinotta & Vanelli, 2020). The uncertainties triggered by covid-19 pandemic rendered so many organisations handicapped due to their unpreparedness to tackle the menace. To recover from these shocks, and disruptions, organisational learning is the wheel lubricant that would increase the dynamic capability of dislocated organisations (Jhony et al., 2020; Souza & Takahashi, 2019; Giniuniea & Jurksiene, 2015). This research builds on Helfat and Winter (2011) definition of dynamic capability as organisation’s capacity to create, adjust and reconfigure its resources to cope with environmental turbulences. Dynamic capability has contributed positively to organisations survival, performance and sustainability (Cyfert et al., 2021, Matwiejczuk et al., 2020). It has been shown that organisation’s dynamic capability is a strong instrument for competitive advantage (Saenchaiyatho & Liengjindathaworn, 2019). Researchers have revealed that dynamic capability helps firms to strategize in terms of creativity, innovations, and recovery from disruptive uncertainties (Hieu, 2020; Wendra et al., 2019; Akintokunbo, 2018).

However, the uncertainty environment engendered by covid-19 pandemic has changed the methodologies of production used by most organisations since the culture of hand washing, social distancing, wearing of face masks and flexible working schedules were embraced across the world. Thus, mastering the above new work culture, organisations must be ready to learn so as to enhance their dynamic capabilities. It has been revealed that organisational learning is a predictor of performance, innovation, employee retention, employee commitment, transformational leadership, and workplace change (Mohamed & Otman, 2021; Kosasih & Nugroho, 2021; Zhu et al., 2019). Change engendered by the uncertainty pandemic has forced organisations to learn the new normal of production of goods and services. Covid-19 pandemic has also given most firms the opportunity to change their previous culture and embrace new one that would be acceptable by all and sundry in the multicultural workplace. Therefore, organisations that are ready to learn new work culture have the capacity of enhancing their dynamic capability thereby preparing their workforce to be able to handle future uncertainties (Thomas et al., 2017).

Drawing from the above, organisations that intend to enhance its dynamic capability would achieve it by employing exploratory and exploitative learning as dimensions of organisational learning (Mohamed & Otman, 2021; Chung et al., 2015; Kwaku & Janet, 2007; March, 1991). Exploratory learning requires that organisations that are seriously hit by the pandemic need to search for new knowledge that would enable them to come out of the menace (Guan & Liu, 2016; Li & Huang, 2013). On the other hand, exploitative learning assumed that the acquired knowledge must match with the demand of the market (Yu et al., 2017; Kostopoulos & Bozionelos, 2011). What this implies is that as organisations explored different approaches of survival in the uncertainty environment, the experiences and solutions can be preserved for future exploitation.
Nonetheless, trend of studies on dynamic capability had been investigated by scholars across various industries using different methodologies (Ekom et al., 2021; Ezenwakwelu et al., 2021; Souza & Takahashi, 2019; Saenchaiyathon & Liengjindathaworn, 2019; Akintokunbo, 2018; Apriza & Utami, 2018; Matysiak et al., 2018), but it does appear that very few of these studies examined the current phenomenon in the hospitality industry especially in Sub-Saharan Africa work environment which has created a lacuna that this study intend to fill. This is what motivated the researchers to embark on this study. The choice of hospitality industry especially accommodation sub-sector is based on the enormous contributions it has yielded to global economy. It has been revealed that Africa’s hospitality industry contributes about 8.5% GDP in 2018, 8.1% in 2017, and 7.8% in 2016 with about 24.3 million jobs created (Jumia, 2019; Tore, 2019). Ukadike (2020) asserts that the most countries depend largely on hospitality industry as their main source of revenue. In Nigeria, hospitality industry (accommodation) is the second major source of revenue followed by crude oil and other solid minerals.

2. Literature Review

2.1 Organisational Learning

Organisational learning (OL) has dominated human resource, management and industrial literature due to its numerous benefits to organisational continuity (Mohamed & Otman, 2021; Torrington et al., 2017; Armstrong, 2009). OL refers to continuous change in behaviour and structure that occur as a result of experience over the years or periods organisations are in existence (Werlang & Rossetto, 2019). Organisational learning is a process through which organisations modify their rules, process as well as knowledge with the aim of improving performance. Osagie & Olajide (2019) maintained that organisational learning drew its strength from the experiences witnessed due to changes that occur regularly in the uncontrollable business environments. In another view, OL has been perceived as a process that firms deploy to respond to environmental turbulences by making use of skills, capacities and knowledge of its members to withstand its competitors (Ewans et al., 2017; Argote & Miron-Spektor, 2011). Meanwhile, the measures of organisational learning that have been validated include exploitative learning and exploratory learning (Mohamed & Otman, 2021; March, 1991). The above indicators have already been explained earlier in the introductory section of this study.

Nevertheless, results of other researchers on organisational learning showed that it predicted other variables. Adefisayo et al., (2020) and Abimbola et al., (2019); Mak’Anyengo and Maina (2019); Osagie and Olajide (2019); Hartono et al., (2017); Zgrzywa-Ziemak (2015) and Gachoka (2015) results shows that organisational learning measured in terms of exploratory learning and exploitative learning has significant impact on firm performance, innovativeness, competitiveness and entrepreneurial
success. Result of Chuan-Peng et al., (2017) showed that organisational learning has positive significant effect on knowledge management. Kleefstra et al. (2020) investigated the relationship between organisational learning and firm performance in Dutch hospitality sector using in-depth interview for data collection. Senior human resource managers participated in their study. Finding from their study revealed that workplace learning has significant positive association with corporate performance of chosen hospitality businesses. Eketu and Edhe (2015) conducted an empirical study on predictability of employee loyalty through organisational learning in Nigerian hospitality industry with about 122 employees as respondents. Result of their study shows that organisational learning predicted employee loyalty in hospitality firms. Fu (2017) examined organisational learning and innovation in selected hospitality firms in Taiwan and found that organisational learning predicted innovation.

2.2 Dynamic Capability

This research defined dynamic capability as the flexibility of organisations to make use of its available resources to overcome adverse turbulences in its uncontrollable environment. On a general note, we defined dynamic capability as organisation’s ability to recognize opportunities available in the environment and withstand any forces that may be of threats and reconfigure very fast if adversely affected. On the other hand, several scholars have their own view on the concept. Wheeler (2002) viewed dynamic capabilities as the process through which organisations deploy resources to integrate, reconfigure, and gain possession of market advantages. In addition, Pavlou and El Sawy (2011) assert dynamic capability as organisation’s capacity to adjust to changes as well as uncertainties in the external environment. Dynamic capability is referred to procedures and processes that enable organisations to attain higher performance and sustainability. Dynamic capability is also perceived as the strengths that organisations use to reconfigure or revitalized its dilapidated structures from external forces (Kaur & Mehta, 2017; Kurtz & Varvakis, 2016; Wang & Ahmed, 2007). On another hand, Teece (2007) argues that dynamic capability refers to firm’s ability to build, integrate and readjust its internal and external competencies so as to tackle unstable environmental factors. In furtherance, Ofoegbu and Onuoha (2018) argue that dynamic capability can be perceived as how organisations make changes that would give them the advantage over their rivals in the same industry.

However, prior studies have validated dimensions of dynamic capability to include sensing capability, reconfiguration capability and seizing capability (Ezenwakwelu et al., 2021; Jhony et al., 2020; Sukaris et al., 2019; Saanchaiyathon & Liengjindathaworn, 2019; Souza & Takahashi, 2019; Ofoegbu & Onuoha, 2018; Inigo et al., 2017; Teece, 2007); Matysiak et al., (2018) added transforming to the above dimensions. Other dimensions identified include learning capability, integration capability and reconfiguration capability (Peng et al., 2019; Rezazadeh et al., 2016); adaptive capability, absorptive
The sudden outbreak of coronavirus on December 31, 2019 dislocated many organisations' methodologies of production used by most organisations since the culture of hand exploitation, different approaches of survival in the uncertainty environment, the experiences hit by the pandemic need to search for new knowledge that would enable them to come to downsize their workforce due to financial incapacitations (Organization, 2020; Tazim & Christine, 2020; Cucinotta & Vanelli, 2020). The uncertainties triggered by the covid-19 pandemic rendered so many organisations handicapped due to their unpreparedness to handle the new work culture and document it for future use (Cyfert et al., 2021, Kaur & Mehta, 2017). Studies have been validated that organisational learning drew its strength from the experiences witnessed due to the serious challenges such as covid-19 pandemic would withstand future occurrence as they explore all avenues to acquire knowledge regarding the situation. It is based on the above premise that the researchers hypothesized as follows.

**HA1: Exploratory learning has significant effect on sensing capability**
2.3.2 Exploitative Learning and Reconfiguration Capability

Managers and members of organisations having sensed the causes and effects of disruptive on business performance indicators strive to reconfigure them so as to bounce back in their respective industries (Albot-Morant et al., 2017). Exploitation learning affirms that managers, supervisors and employees learn new strategies and methodologies that would equip them to reconfigure those areas that were destroyed by the recent covid-19 pandemic that ravaged businesses across the world. Covid-19 has taught managers a great lesson to be prepared of uncertainties at all times because external environmental disruption may not be dictated easily compared to the internal factors. Thus, exploitative learning has shown that organisation can learn by putting in place how they can survive in the midst of uncertainties by reconfiguring their structures which have the capacity of disrupting every part of the organisation in terms of process, methods and philosophy (Hieu, 2020; Akintokunbo, 2018). It has been shown that the capacity to reconfigure is depended on organisation’s ability to learn new culture and competencies that stimulates innovativeness and creativity as well as sustainability (Jhony et al., 2020; Mamédié et al., 2019). It, therefore, implies that organisations that are ready to continue after facing uncertainty disruption would not relent but rather reconfigure as soon as possible so that they can remain relevant in the industry. Based on the above premise, hypothesis two is hereby formulated.

HA2: Exploitative learning has significant effect on reconfiguration capability

2.4 Theoretical Underpinning

The theory that befit this study is social learning theory advocated by Bandura (1977). Bandura (1977) is of the view that individual or organisation can acquire knowledge for survival through observation and experience from others that has similar characteristics. Robbins and Judge (2018) argue that individual and organisations can learn by observing what happened to others, recognise their consequences, exploit and explore ways to alter any adverse circumstances that affect their behaviour. Thus, social learning theory affirm that organisations can learn behaviour that are both favourable and unfavourable through observation and direct experience (Robbins & Judge, 2018; Ivancevich et al., 2014).

2.5 Aim and Objectives of the Study

The aim of this study is to investigate the effects of organisational learning on dynamic capability of hospitality businesses in Nigeria. The specific objectives are to:

1) Investigate the significant effect of exploratory learning on sensing capability
2) Determine the significant effect of exploitative learning on reconfiguration capability
3. Methodology

Research design adopted in this study is cross-sectional research survey. The choice of cross-sectional survey is that, it supports the study undertaken by an investigator in which data is gathered just once, perhaps over a period of days or weeks or months, in order to address a research question.

3.1 Procedure

Target population for this study comprises of sixty (60) four-star hotel businesses that are registered with Enugu State Ministry of Culture & Tourism, Nigeria. Simple random sampling was used to select fifty (50) out of sixty (60) registered four-star hotels in Enugu State, Nigeria. However, sample frame of the study consists of two hundred and seventy-two (272) staff drawn from HR departments of the fifty four-star hotels. Sample size of one hundred and sixty-one (161) was determined following Krejcie & Morgan (1970) sample size determination table. Researchers used one hundred and sixty-one (161) questionnaire to collect data concerning organisational learning and dynamic capability from the participants. The researchers divided themselves into five clusters to enable them cover the fifty hotels in Enugu, south eastern Nigeria. Participants that were extremely busy were given the questionnaire to fill within a month while those that are able to complete the questionnaire in short period of time called the researchers to come and pick them up. After collecting the questionnaire, the researchers sorted the questionnaire based on ‘correctly filled’ which are one hundred and fifty-two (152), and ‘not correctly filled’ which are nine (9). The ones that are not properly filled were removed while 152 copies of questionnaire that were correctly filled were used for analysis.

3.2 Measures

Validated and tested Organisational Learning Questionnaire (OLQ) consisting of exploration learning (7-item) and exploitative learning (7-item) was adapted from Atuahene-Gima & Murray (2007) with reliability values between .71 - .75 α coefficients. This validation was also adopted and confirmed by Chuan-Peng et al., (2017). On the other hand, validated Dynamic Capability Questionnaire (DCQ) consisting of sensing capability (8-item), and reconfiguration capability (7-item) was adapted from Ezenwakwelu et al., (2021); and Ofogbu & Onuoha, (2018). All the variables were measured on five point Likert scale: 5= “Strongly Agree (SA)”; and 1 = “Neither Agree Nor Disagree (NAD)”.

3.3 Methods of Data Analysis

IBM SPSS Statistics (20.0) was employed in the analyses. Descriptive statistics was used to analyse respondents’ demographic characteristics while linear regression was used to analyse the formulated hypotheses.
### 3.4 Analysis and Results

Results of demographic profiles of participants revealed that 64 participants representing 42.1% are males and 88 respondents representing 57.9% are females. Age-bracket results show that 51 participants representing 33.6% of the total respondents fall within 45 years and above; 60 participants representing 39.5% fall within 36-45 years; while 41 respondents representing 27.0% fall within 18-35 years. Educational qualifications of the respondents indicated that 17 participants representing 11.2% hold other academic qualifications; 23 respondents representing 15.1% has master degrees; 29 participants representing 19.1% hold diploma certificates; and 83 respondents representing 54.6% hold bachelor degrees.

#### Table 1: Hypotheses Results

<table>
<thead>
<tr>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>T-statistic</th>
<th>Beta (β)</th>
<th>df</th>
<th>N</th>
<th>F statistic</th>
<th>Std. error</th>
<th>Sig.</th>
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<td>0.601*</td>
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<td>0.357</td>
<td>9.210</td>
<td>0.601*</td>
<td>390</td>
<td>152</td>
<td>84.828</td>
<td>0.068</td>
<td>0.000</td>
</tr>
<tr>
<td>0.673*</td>
<td>0.453</td>
<td>0.449</td>
<td>11.141</td>
<td>0.673*</td>
<td>390</td>
<td>152</td>
<td>124.121</td>
<td>0.055</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Predictor variable: Organisational learning (OL)
Criterion variable: Dynamic capability (DC)
**Source:** Field Data (2022)

Results on Table 1 above revealed that organisational learning (OL) has significant effect on dynamic capability. In specific terms, exploratory learning has significant effect on sensing capability (p<0.05; β = 0.601*). R² shows that 36% of the total variation in exploratory learning can be explained by sensing. In addition, results of R² and adjusted R² are less than 5% which shows there is no sample error and goodness of fit for the model is considered significant because F-statistics (84.828**) calculated is greater than tabulated (1, 150 = 3.90) which revealed that the alternate hypothesis is accepted and null hypothesis rejected. This means that exploratory learning predict sensing capability.

However, result of second hypothesis shows that exploitative learning has significant effect on reconfiguration capability (p<0.05; β = 0.673*). R² of the model revealed that 45% of the total variation in exploitative learning can be explained by reconfiguration capability. Secondly, results of R² as well as adjusted R² are less than 5% which indicate that sample error does not occur. The goodness of fit of the model is significant because F-statistics (124.121**) calculated is greater than tabulated (1, 150 = 3.90) thereby accepting alternate hypothesis while null hypothesis is rejected.
4. Discussion

Based on the results of the study, it was found that organisational learning predicted dynamic capability which implies that as hospitality organisations learn from their past experience as regards to Covid-19 pandemic and other economic disruptions, their dynamic capability would be strengthened to withstand any crisis in the future. The study specifically found that exploratory learning has positive significant effect on sensing capability. This is in line with Kleefstra et al., (2020) and Mak’Anyengo & Maina (2019) results which shows that organisational learning has significant relationship with performance of hospitality businesses. Secondly, it was found that exploitative learning has positive significant effect on reconfiguration capability. Finding of second hypothesis is consistent with prior empirical examinations such as Eketu & Edeh (2015), and Gachoka (2015). Eketu and Edeh (2015) result revealed that organisational learning has strong positive relationship with employee loyalty in Nigerian hospitality firm while Gachoka (2015) result shows that organisational learning has positive effect on operational performance of hospitality firms in Kenya.

5. Conclusion and Implications

From the findings on this study, we conclude that organisational learning that is measured on exploratory and exploitative learning enhances the dynamic capability of hospitality businesses being investigated. It, therefore, implies that irrespective of the dynamism, uncertainties and structural dislocations that bedeviled hospitality organisations across the globe especially during global economic crisis, their dynamic capability would be strengthened through exploratory and exploitative learning. In line with the conclusion, the study recommends that managers of hospitality businesses should employ workplace learning to survive and succeed in the dynamic industrial environment by exploiting acquired knowledge needed to strengthen dynamic capability of the organisations.

References


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