



The Impact of Organizational Learning Capabilities on Business Model Innovation: Evidences from SMEs

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Abstract: In the current dynamic economic environment Small and medium-sized businesses (SMEs) are essential for stimulating innovation and economic growth. SMEs in Kabul, however, have faced challenges in promoting company innovation and adjusting to the changing market conditions. This study looks into the connection between business model innovation (BMI) and organizational learning capabilities (OLC) among Kabul's SMEs. The study discovers a strong positive correlation between OLC and BMI using a survey questionnaire given to SMEs and Partial Least Squares Structural Equation Modeling (PLS SEM) analysis. More specifically, BMI is more likely to be exhibited by SMEs with higher OLC levels, highlighting the need of fostering learning-oriented company cultures and practices. The results highlight how crucial OLC is to helping SMEs negotiate the intricacies of the market, spot new opportunities, and creatively modify their business models. Policymakers, business executives, and practitioners can benefit from the study's findings, which include solutions for promoting OLC and increasing BMI in Kabul's SME sector.

Keywords: Business Model Innovation; Organizational learning, Knowledge-based view

1. Introduction

Almost all entrepreneurs and managers want their companies to be successful. For businesses wishes to operate and conduct business, the fast changes in rules, consumer and competition behavior, and innovative technological breakthroughs provide severe obstacles. Organizations must update their business models and procedure to be competitive, enhance economic efficiency and business survival (Vukanovi'c, 2016). Hence, organization can either reinvent their company models or their goods, procedures, and marketing approaches. According to Clauss et al. (2020), business models (BMs) serve as enablers and offer a structured approach for organizations to generate and acquire value. But its value arises due to the novelty, distinctiveness, and efficacy of the BM. According to Hartmann et al. (2013), a well-structured business model has the potential to generate and provide value propositions that are attractive to consumers, hence facilitating innovation and adaptability in response to market dynamics. By providing a diverse range of products and services, the company can greatly enhance its ability to capture value and gain a competitive edge (Teece, 2010).

Various factors serve as catalysts for firms to engage in innovation within their business models. Enterprises are required to respond to dynamic requests and changes within their business environment. For example, factors such as rising costs, the risk of simple replacement, and the ongoing requirement for distinctiveness (Carayannis, Sindakis, & Walter, 2015; Habib et al., 2020). Other aspects and antecedents include unique internal organisational aspects (Schneider, 2013), product and industry determinants (Martnez-Perez et al., 2016) and knowledge

management and sharing (Bashir and Farooq 2018). Organizational learning capability (OLC) has been identified as one of these characteristics that significantly influences the development of new business models (BMI) (Gomes and Wojahn, 2017). The literature that is currently available, however, is restricted to studying the link between BMI and OLC, which is company's capacity to accumulate, transmit, and assimilate information in order to increase its competitive advantage (Jerez-Gomez et al., 2005). As a result, the evidence supporting how this skill equally influences the other aspects of business model innovation, specifically, process and administrative innovations, is relatively sparse (Visnjic et al., 2016). Therefore, the aims of this study are to empirically investigate the effect of OLC on BMI in the context of SMEs sector in Kabul, Afghanistan. Zhang, Sun, and Lyu (2017) have also examined the activities related to BMI in start-up firms in previous research. Moreover, several scholarly investigations have examined the influence of technological innovation and digitalization on body mass index (BMI) (Lyver and Lu, 2018; Bouwman et al., 2018). The impact of Organisational learning on BMI has received fewer considerations in previous studies (Zott, and Amit, 2013; ElNaggar, and ElSayed, 2023).

Nevertheless, the majority of research has primarily concentrated on examining BMI in large corporations, with only a limited number of studies recently directing their attention towards small- and medium-sized firms (SMEs) (Arbussa et al., 2017; Battistella et al., 2018; Heikkilä et al., 2018). SMEs drive economic growth, thus understanding their methods, inventiveness, and competitiveness in the global market is crucial (OECD, 2017). Recent study shows that SMEs improve firm performance by innovating their business model, but their BMI methodologies are unclear. Despite years of BMI study, the notion remains unclear, especially in SMEs (Foss & Saebi, 2017). Thus, this study examines OLC and BMI in Kbul, Afghanistan, SMEs to cover this knowledge gap.

Although SMEs in developing nations like Afghanistan share certain qualities with multinational firms, their structural and environmental conditions provide distinct problems (Khan et al., 2020). Its major objective was to assess OLC and BMI contribution in Afghanistan's SMEs. SMEs create jobs, boost the economy, and reduce poverty, as in many other nations (Shah et al., 2019). SMEs' smaller size and more diversified staff lead to improved OLC, which may be harder to achieve than large firms' established framework and stability (Yousaf and Majid, 2018). SMEs' poses more diverse workforce that increase OLC, which may be tougher to attain than large enterprises' structure and stability (Yousaf and Majid, 2018). Afghanistan SMEs lack resources like other economies. Thus, SMEs build new networks and maintain close contacts with other enterprises in their particular business environments to control resource availability risk. Their smaller size, closeness to other small business units, and desire to survive and compete push them to improve their OLC, learn new skills, and switch to BMI (Mahmood and Ahmed, 2015).

The current study supports the suggestion made by Pasamar et al. (2019) that organizational learning skills and BMI be the subject of future research. Our study closes this gap by examining the relationship between OLC and BMI. While previous research has not utilized Resource Based View and knowledge-based view theory to elucidate the relationship between the focus variables, this study contributes to the literature by employing these concepts to offer a novel perspective on business innovation and organizational learning.

2. Literature Review

2.1 Organizational Learning Capability

Organizational learning is how a company adapts to a changing external environment (Tohidi et al., 2012). OLC refers to an organization's ability to create, acquire, share, and integrate knowledge. It also requires adapting to new intellectual situations to improve organizational efficiency (Jerez-Gomez, et al., 2005). Organizational learning is accelerated by OLC (Goh & Richards, 1997). It includes an organization's tangible and intangible assets and the skills that help people develop and compete (Alegre & Chiva, 2013). Hsu and Fang (2009) define OLC as an organization's ability to absorb and process new knowledge to generate creative products with a competitive edge and fast manufacturing. A company's learning capacity may affect its ability to innovate quicker than competitors. Organizational learning refers to the dynamic process by which individuals within an organization has the capacity to influence the growth capacities and behaviors of the firm. This is achieved by leveraging their collective experiences and acquiring knowledge from new information and developments. (Slater and Teller, 1995).

OLC involves collecting, sharing, distributing, and applying knowledge (Imamoglu et al., 2015). However, OLC operationalization has concentrated on cultural and behavioral characteristics rather than systems, processes, and routines. For example: Jerez-Gomez et al. (2005) define four dimensions of OLC that are management

commitment to learning (MC), system perspective (SP), openness and experimentation (OE), and knowledge transfer and integration (KTI). A committed administrative staff improves an organization's learning and creativity. This dedication is shown by allocating resources, removing barriers to learning, and encouraging workers to gather, exchange, and try new ideas. SP refers to the process of uniting an organization's members by establishing a collective identity via the development of a shared vision. OE encompasses crucial parts of OLC, since it requires openness to facilitate learning by allowing the exploration of novel concepts. Experimentation, on the other hand, entails evaluating of notions and the implementation of new techniques, which required a culture of risk-taking, learning from failures, and fostering creativity. In order to cultivate learning capacity, it is imperative for businesses to engage in information Transfer and Integration (KTI). This entails not only disseminating gained information to workers through effective communication, collaboration, and meetings, additionally incorporating this knowledge into business procedures and preserving it in an archive for future utilization (Tafesse, 2021).

2.2 Business Model Innovation

According to Markides (2006), business model innovation refers to the identification of a completely unique business model within an established business. Alternatively, Casadesus-Masanell and Zhu (2013) describe BMI as the exploration of novel operational rules and strategies to generate and extract benefit for stakeholder. A BMI is the adoption of a novel business model within a company. A BMA is frequently compared alongside a product or service breakthrough, which involves the introduction of a product or service that represents a substantial enhancement or novelty to the organization or the global market in terms of its attributes or anticipated applications. According to Björkdahl (2009), a BMI does not include the creation of a novel product or service. Rather, it has the potential to reshape a previously developed good or service, alter its delivery method to customers, and/or alter the business's revenue generation from the client offerings. Gumusluoglu and Ilsev (2009) define MBI as the process through which a company develops fresh concepts and enhances its current offerings. Furthermore, according to Carmeli et al. (2010), BMI comprises encouraging new ideas and offering adequate and unambiguous quality assessment. BMI assists businesses in achieving their strategic objectives, such as increasing sales, sustaining profits, and market value of the firm (Vaska et al., 2021). Additionally, it assists businesses in implementing a number of tactics, including marketing, merchandising, and financing (Latifi, Nikou and Bouwman, 2021). BMI is now understood to be a major risk for the majority of modern businesses. BMI may be seen from a variety of angles. BMI stands for business model innovation, which is the creation of new business models or the redesign of existing ones via the development of fresh value propositions, fresh value-creation strategies, and inventive value-capturing technologies (Beltagui, 2018).

2.3 Theoretical Framework and Hypotheses Development

Penrose's (1959) theory of the resource-based perspective posits that organizations hold many resources, some of which confer a competitive advantage, while a subset of these resources contributes to improved long-term performance (Wernerfelt, 1984, p. 108). Saffu et al. (2008) argue that this particular viewpoint places significant emphasis on the significance of both tangible assets, such as buildings and equipment, as well as intangible assets, such as the qualities possessed by management leaders, in facilitating a company's exceptional performance and competitive advantage. According to Grant (1996), the knowledge-based approach is an expansion of the resource-based paradigm. This is because it places an emphasis on knowledge as the primary engine of innovation. Magno et al. (2017) and Farzaneh et al. (2021) have found that the concept of organizational learning, which is of great significance, has resulted in the development of the notion that organizations should transform into learning organizations with the objective of maximizing their knowledge base and achieving an advantage over their rivals by means of creative and sustainable growth. Academics of organizational behavior have concentrated on resource-based and knowledge-based perspectives (Duarte Alonso, 2017; Toylan et al., 2020). This study explores OLC and BI, with a focus on the firm's internal resources and business model innovation. The research examines this link from a resource- and knowledge-based perspective

2.3.1 Organizational Learning Capability and Business Model Innovation

According to Argote and Ingram (2000), OLC is critical for the consistent supply of improved goods, services, and practices that are accompanied by the required degree of knowledge and behaviors that are anticipated. According

to Jiménez-Jimenez and Sanz-Valle (2011), OLC is a significant predictor for organizations, something that is essential for their continued existence and development in the context of competitive marketplaces. This is accomplished through the implementation of rapid adjustments in order to enhance performance. According to Santos-Vijande et al. (2012), OLC frequently depend on a company's ability to build a variety of knowledge acquisition strategies that provide them with the essential capacities to shift their oath reliance. According to Huang and Li (2017), after firms have improved their OLC, they will be able to introduce changes to their business processes in a manner that is both efficient and successful. According to published research, OLC aids businesses in locating, obtaining, disseminating, and absorbing specific knowledge that is crucial for formulating the best possible combination of strategic intentions and serving as the foundation for long-term sustainable success (Chang et al., 2012). Moreover, according to Fores and Camison (2016), organisations that have strengthened their organisational learning cultures, knowledge-sharing practices, and organisational cultures build the framework for business model innovation (BMI) and commit to modifying in response to new circumstances. Therefore, it is expected that businesses having OLC will be more committed to BMI. Hence, it was hypothesized:
H1: Organizational learning capability has a significant positive effect on business model innovation.

2.4 Conceptual Model

Organizational learning capabilities is treated as independent variable predicting business model innovation with mediating role of transformational leadership style. Further, OLC has been measured by four dimensions such as MC, SP, OE, and KTI. Whereas, business model innovation is measured with three dimensions such as; value creation (V-CR); value delivery (V-DLV) and value capturing (V-CAP).

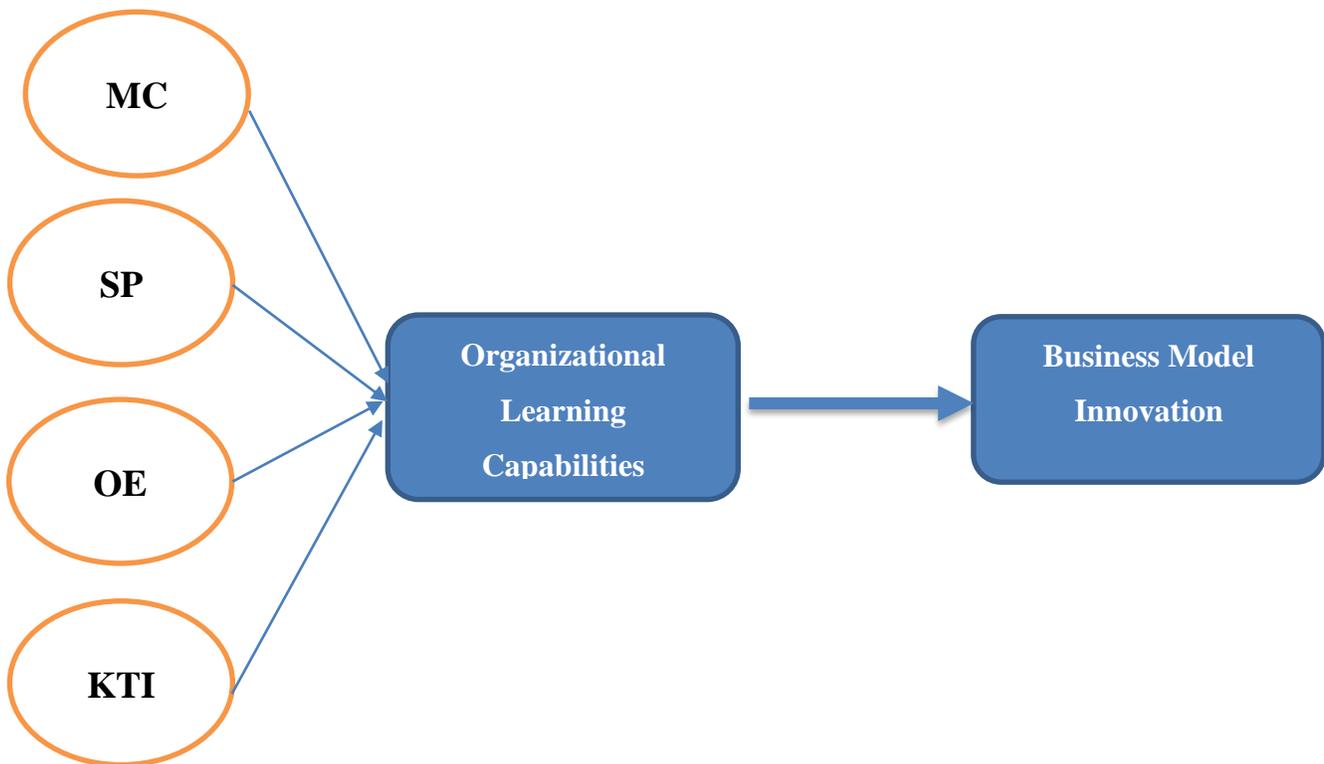


Figure 1: Conceptual Model

3. Research Methodology

3.1 Population of the Study

Since, the aims of this study is to investigate the effect of OLC on BMI in SMEs sector Kabul, Afghanistan. SMEs in Afghanistan make significant efforts to increase technological capabilities, a qualified staff, and performance in order to maintain market competitiveness. In the SMEs sector, businesses compete for qualified human resources since they contribute positively and provide innovation, expertise, and new skills necessary for successful organizational outcomes (Pregolato et al., 2017). The SMEs sector has a significant barrier to overcome in terms of improving employee learning capacity due to fierce market rivalry over knowledge resources. The goal of the current study is to investigate how SMEs might enhance OLC towards BMI for their competitive edge. Therefore, the population of this study comprises of managers, supervisors and employees of SMEs operated in Kabul, Afghanistan.

3.2 Sample Size

Since, data collection from whole population is difficult and time consuming. Therefore, keeping in view; time and cost constraints the data was collected from a sample of 300 of the total population. As, the population is unknown therefore, sample size is selected based Memon et al., recommendations of 20:1 variable to observation ratios. The total number of variables is eight with dimension of OLC and BMI; which make a sample size equal to $(20 \times 8 = 160)$. However, 300 sample size is selected in order to avoid common method bias. This sample size is also consistent with previous studies conducted with similar nature such Mai, Du and Phan (2020) studied the impact of leadership traits and organizational learning on business innovation with a sample of 255. Further, Haile and Tüzüner (2022) also studies organizational learning capabilities with 197 sample size. These, research shows evidence that 300 sample size large enough for conducting the impact of OLC on BMI in SMEs.

3.3 Research Instrument; Questionnaire Development

The data regarding OLC and BMI was collected through a self-administered survey questionnaire. The questionnaire will be comprising of three section. The first section contains information regarding demographic characteristic such gender, age, education, experience, and designation of survey participants. The second section contain information regarding firm characteristic such as firm age, business type, firm size with respect of human resource and market share. The third section will contain questions related to OLC, transformational leadership style and business model innovation. This construct will be measured with five-point Likert scale ranging from 1 for strongly disagree to 5 for strongly agree.

3.3.1 Measure

The scale related to OLC consist of 16 items and was adopted from Jerez Gomez et al.'s (2005). The sixteen items scales comprises of 4 items for each dimnetion of OLC such as MC, SP, OE and KTI. Further, the scale regarding BMI consist of 7 items and was adopted from the study of Hock-Doepgen et al. (2020).

3.4 Data Analysis

The data will be analyzed using descriptive statistics for explain demographic characteristics. Further, in order to examine the relationship among the variables; the Pearson correlation test will be applied on the data. Whereas, for hypotheses test the structural equation model (PLS-SEM) will be applied on the data set. All the analysis will be conducted using SPSS 22 and SmartPLS 4.0.

4. Results

The frequency analysis indicates that the majority of respondents were male (72.6%) and fell into the 26-35 age group (49.2%). Most respondents had either a graduate (37.2%) or master's degree (45.1%) and had 9-12 years of experience (33.5%). Managers were the most common designation (37.6%). See table 1 for detail.

Table 1: Frequency Analysis of Demographics

		Frequency	Percent
Gender	Male	193	72.6
	Female	73	27.4
Age	15-25	46	17.3
	26-35	131	49.2
	36-45	75	28.2
	46 & Above	14	5.3
Education	Matric	12	4.5
	Intermediate	35	13.2
	Graduate	99	37.2
	Master	120	45.1
Experience	1-4	57	21.4
	5-8	68	25.6
	9-12	89	33.5
	13 & above	52	19.5
Designation	Senior Manager	53	19.9
	Manager	100	37.6
	Supervisor	68	25.6
	Sub Ordinate	45	16.9

4.1 Reliability Analysis

Factor Loadings: Factor loadings represent the strength of the relationship between the items and their respective constructs. Hair et al. (2017) recommend a threshold of 0.50 or above for a strong loading. All factor loadings provided are above 0.50, indicating that all items have a strong relationship with their constructs.

Reliability: Both Cronbach's Alpha and CR measure the internal consistency reliability of the scale. A value of 0.70 or above is generally considered acceptable for both measures. All constructs have Cronbach's Alpha and CR values above 0.70, indicating good internal consistency reliability.

Convergent Validity: AVE compares the variance accounted for by the construct to the variance introduced by measurement error. Hair et al (2017) recommend a value of 0.50 or greater to ensure convergent validity. All constructs have AVE values greater than 0.50, which signifies satisfactory convergent validity.

Table 2: Reliability and Validity of the Constructs

Constructs	Items	Loading	Cronbach's Alpha	CR	AVE
Business Model Innovation	BMI1	0.690	0.854	0.889	0.536
	BMI2	0.779			
	BMI3	0.798			
	BMI4	0.770			
	BMI5	0.705			
	BMI6	0.772			
	BMI7	0.592			

Knowledge Transfer and Integration	KT11	0.821	0.844	0.895	0.681
	KT12	0.839			
	KT13	0.837			
	KT14	0.804			
Managerial Commitment for Learning	MC1	0.870	0.855	0.902	0.699
	MC2	0.892			
	MC3	0.817			
	MC4	0.757			
Openness and Experimentation	OE1	0.845	0.871	0.911	0.720
	OE2	0.886			
	OE3	0.818			
	OE4	0.844			
Systems Perspective	SP1	0.877	0.832	0.888	0.667
	SP2	0.843			
	SP3	0.715			
	SP4	0.822			

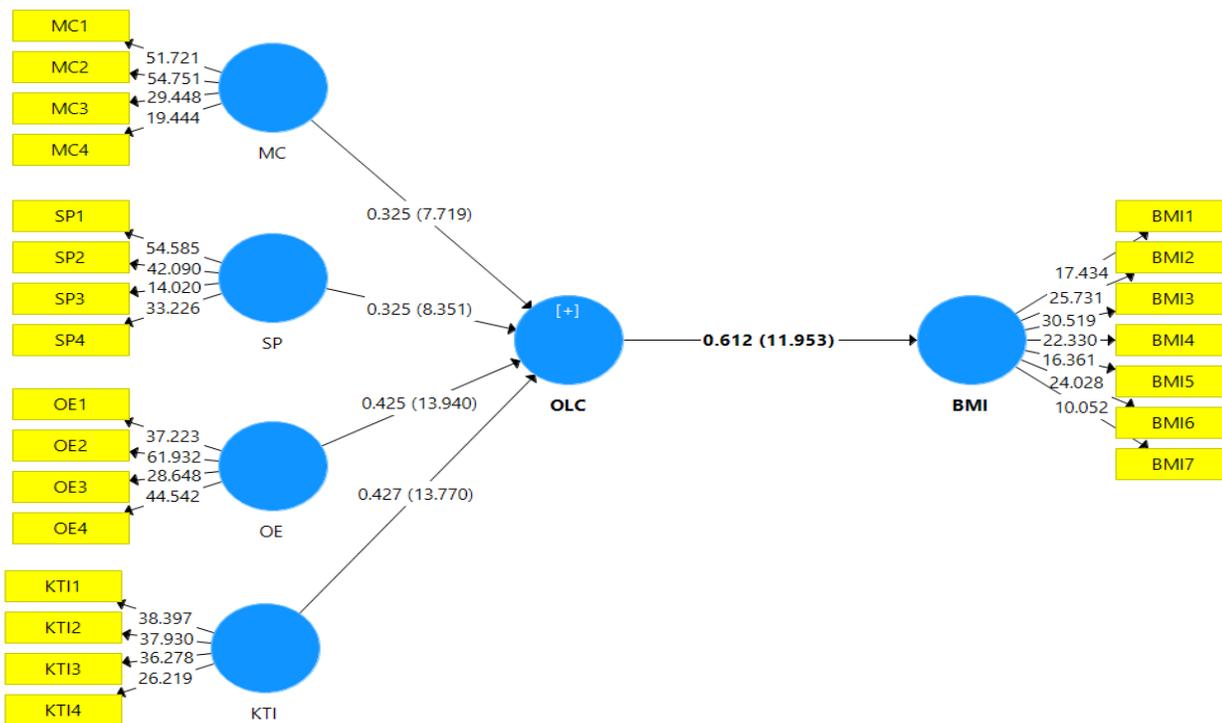


Figure 2: Path Analysis

Table 3 represent the R-squared (R^2) and adjusted R-squared (R^2 adjusted) for the BMI construct in a regression model. These values indicate the proportion of variance explained by the independent variables in the model.

R-squared (R^2): This value, 0.374, indicates that approximately 37.4% of the variance in the BMI construct is

explained by the independent variables included in the model.

Table 3: R Square

	R Square	R Square Adjusted
BMI	0.374	0.372

4.2 Path Coefficient (Hypotheses Testing)

The path analysis conducted reveals significant positive relationships between various constructs in the structural equation model. Specifically, Knowledge Transfer and Integration (KTI), Managerial Commitment (MC), Openness and Experimentation (OE), and Systems Perspective (SP) all exhibit strong positive associations with Organizational Learning Capability (OLC), with path coefficients of 0.427, 0.325, 0.425, and 0.325 respectively, all accompanied by low p-values (0.000). Moreover, OLC significantly influences Business Model Innovation (BMI) with a substantial path coefficient of 0.612. The significance of all path coefficients is further supported by the fact that their confidence intervals exclude zero. These results underscore the significance of KTI, MC, OE, and SP in business strategy and innovation processes by indicating that these elements are critical to improving OLC, that in return fosters BMI.

Table 4: Path Coefficient

Path	Coefficient	STDEV	T Statistics	P Values	Confidence Interval	
					LCI	UCI
KTI -> OLC	0.427*	0.031	13.77	0.000	0.37	0.494
MC -> OLC	0.325*	0.042	7.719	0.000	0.223	0.394
OE -> OLC	0.425*	0.030	13.94	0.000	0.369	0.489
OLC -> BMI	0.612*	0.051	11.953	0.000	0.511	0.712
SP -> OLC	0.325*	0.039	8.351	0.000	0.243	0.401

Note: * denotes significance

5. Conclusion and Recommendations

The primary aim of this study was to examine the impact of OLC on the BMI of SMEs locations in Kabul, Afghanistan. The findings indicate that OLC has an impact on the BMI of SMEs. The correlation between organizational learning and BMI suggests that the emergence of novel products as well as procedures is driven by elements that promote learning, hence establishing a foundation for OLC and BMI. The findings are consistent with the prevailing pattern observed in previous studies done by Tafesse (2021), Beyene et al. (2016), and Gomes and Wojahn (2017). These studies claim that enterprises characterized by a heightened degree of organizational learning are more likely to gain various forms of information from consumers, rivals, collaborators, and staff. The dissemination of information inside a business facilitates the integration of an employee's own expertise with the collective knowledge of the company. Organizations has the capacity to enhance their knowledge systems and overcome organizational inertia, therefore establishing a foundation for fostering creative activity. Hence, OLC has a role in determining BMI. This paper makes two contributions to the existing theoretical advancements. Previous research has not thoroughly elucidated the causal relationship between OLC and BMI (Lambert, 2013). This work aims to investigate the underlying mechanisms via which organizational learning and business model innovation influence each other, therefore making a valuable contribution to the theoretical advancements in the field of BMI. This study enhances the business model research in the Afghanistan setting by focusing on Kabul SMEs as the research subject and incorporating data into the empirical research framework.

The findings also offer valuable perspectives for managers. The study emphasizes the need of focusing on the characteristics that promote organizational learning, since they directly impact BMI. The cultivation of tolerance

for ambiguity, uncertainty, and blunders is of utmost importance. The results imply that it is important for organizations to address and manage the development of novel ideas and proposals from their personnel. The fact that exerted the greatest effect on organizational learning is discourse. Effective communication has the potential to enhance the dissemination of knowledge inside an organization. Managers can apply formal procedures to facilitate the dissemination of optimal methodologies across employees and departments, fostering communication among employees through the utilization of multipurpose work teams. Managers have the ability to foster creative and inventive problem-solving. SMEs should actively foster the acquisition of novel information. This may be achieved by actively encouraging staff to routinely engage in conferences and exhibitions, therefore facilitating the cultivation of innovative ideas and experiences beyond the confines of the organization. Notwithstanding the used methodological rigor, it is imperative to acknowledge several limitations inherent in this study when evaluating the findings. One restriction of the sample is its exclusive focus on SMEs located in Kabul, Afghanistan. Hence, next research should consider SMEs in various regions of the country to enhance the applicability of the study's findings. An additional constraint pertains to the use of a cross-sectional study strategy and the analysis conducted at a singular moment in time. Therefore, it is important for researchers to meticulously analyze the causal relationship between the components. A longitudinal research is recommended to assess the progression of OLC and BMI over a period of time. Longitudinal data should also provide a more comprehensive examination of the correlation between learning capacity and BMI over an extended period. This study specifically examines the direct correlation between OLC and BM in SMEs. It is recommended that future studies assess the possible channel and contingency variables that may exist between OLC and BMI.

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