Organisational Learning, Innovation and Performance in Family-Controlled Manufacturing Small and Medium-Sized Enterprises (SMEs) in Australia

A dissertation submitted in fulfilment of the requirements for the degree of Doctor of Philosophy

By

Pradeep Dharmadasa

Faculty of Business, Technology and Sustainable Development
Bond University
Queensland
Australia
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STATEMENT OF ORIGINALITY

To the best of my knowledge and belief, the work presented in this dissertation is original, except as acknowledged in the text. All sources used in the study have been cited and no attempt has been made to project the contributions of other researchers as my own. Further, the material has not been submitted, either in whole or in part for a degree at this or any other university.

Pradeep Dharmadasa
Faculty of Business, Technology and Sustainable Development
Bond University
Gold Coast, Queensland 4229
Australia
March 2009
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ABSTRACT

Organisational learning has been identified as a lasting source of competitive advantage in uncertain environments. Plentiful research has highlighted that knowledge and skills and the capabilities they develop are strategic resources and that effective utilisation of these resources enhances firm innovation and performance. However, in spite of this widespread recognition, family businesses, specifically family SMEs, have not been the subject of previous research exploring the strategic impact of organisational learning on innovation and firm performance. This research, therefore, sets out a theoretical framework drawing upon organisational learning theory and innovation, and explores the strategic links between organisational learning, innovation and firm performance “within” family SMEs and “between” family and non-family SMEs.

The study was undertaken in an Australian context using a sample of 222 manufacturing SMEs comprised of 104 family and 118 non-family SMEs. The data were obtained from the Business Longitudinal Survey conducted by the Australian Bureau of Statistics over the financial years 1995/96 - 1997/98, which provides the most recent available comprehensive longitudinal dataset of SMEs in Australia.

The study involved three constructs: organisational learning, innovation and firm performance. Organisational learning was operationalised using commitment to learning, shared vision, and networking. To measure commitment to learning, three variables, employee training, management development, and comparison of performance were used. Shared vision was measured using the presence of formal planning in the firms. Networking was measured using the existence of external networks. The innovation construct was measured using product and process innovation.
intensity, and *firm performance* was measured by growth of sales and rate of return on total assets.

Data were analysed using two tests: regression analysis and the Chow test. Whereas the former test was conducted to explore the direct and indirect effects of organisational learning on innovation and firm performance “within” family SMEs, the latter was conducted to compare those effects “between” family and non-family SMEs.

Our “within” results, concerning the direct effects of organisational learning on innovation found that network relationships positively influenced innovation in family SMEs. With regard to the direct effects of organisational learning on performance, we found that management development and formal planning were positively linked with family SMEs’ performance. Moreover, relating to innovation and firm performance, our research concludes that innovation in family SMEs is positively linked with their performance. In the case of the indirect effect, we found that networks affect firm performance via innovation. With respect to the “between” results, we found that whereas the effects of formal planning and innovation on firm performance of family SMEs were stronger than for non-family SMEs, the effects of employee training and management development on firm performance were stronger in non-family SMEs. Concerning networks, we found a stronger effect of family SMEs’ networks on their innovation than non-family SMEs.

Finally, we re-emphasised the necessity of more scholarly studies linking organisational learning with family business characteristics such as familiness, leadership, ownership, social interactions and organisational process.

*Keywords*: organisational learning; innovation; firm performance; SMEs, family firms and family SMEs.
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## Abbreviations

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<tbody>
<tr>
<td>ABS</td>
<td>Australian Bureau of Statistics</td>
</tr>
<tr>
<td>ACFB</td>
<td>Australian Centre for Family Business</td>
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<tr>
<td>ANZSIC</td>
<td>Australian and New Zealand Standard Industry Classification</td>
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<tr>
<td>ASX</td>
<td>Australian Securities Exchange</td>
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<tr>
<td>BCA</td>
<td>Business Council of Australia</td>
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<tr>
<td>BLS</td>
<td>Business Longitudinal Survey</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CURF</td>
<td>Confidential Unit Record File</td>
</tr>
<tr>
<td>DIST</td>
<td>Department of Industry Science and Tourism</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings Before Interest, Tax, Depreciation and Amortisation</td>
</tr>
<tr>
<td>FBA</td>
<td>Family Business Australia</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GNP</td>
<td>Gross National Product</td>
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<td>KBV</td>
<td>Knowledge-based View</td>
</tr>
<tr>
<td>KIUS</td>
<td>Knowledge Integration and Utilisation Systems</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium-Sized Enterprises</td>
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<tr>
<td>RBV</td>
<td>Resource-based View</td>
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<tr>
<td>ROTA</td>
<td>Return on Total Assets</td>
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<td>VIFs</td>
<td>Variation Inflation Factors</td>
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