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Organizational Learning Capabilities and Strategic Renewal: Mediating Role of Business Model Innovation

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Abstract

The purpose of this study is to investigate the influence of Organizational Learning Capabilities on Strategic Renewal: Mediating role of Business Model Innovation. Quantitative methodology used and research design was gathered by a structured questionnaire using the key informant approach as part of a survey method. Data collection from owners, managers, and senior executives of SMEs that information and communication technology organizations. Convenience sampling techniques used. As part of the survey, participants were asked to fill out a questionnaire on their own. A total of 275 samples were collected. Organizational capabilities, business model innovation, strategic renewal were the measures that were utilized in the scales. Analysis of the data using SPSS 23 and PLS-Smart was performed. Through the demonstration of organizational performance and the enhancement of productivity through the utilization of business model innovation, the findings of this study bring about a conceptual expansion of our existing knowledge. The conceptual and empirical data that supports these proposed assumptions makes a contribution to the existing body of knowledge by drawing attention to the disparities in the degree of organizational capability correlations that exist between business model innovation and strategy renewal.

Keywords: Organizational Learning capabilities: Strategic Renewal: Business Model Innovation

Introduction

To ensure their long-term survival and profitability, enterprises must be able to effectively adapt to unanticipated changes and environmental turbulence, which are always increasing due to the competitive nature of the environment (Herbane et al., 2019). To provide the desired goods and services, companies must be able to create novel and creative products, services, and strategies (Herbane, 2019). According to (Williams et al., 2017), strategic renewal is characterized as an ongoing process of organizational transformation, rather than a one, isolated shift. The field of SR has a sufficient quantity of literature accessible. The existing literature pays little attention to the revitalization of small and medium-sized enterprises (SMEs) in developing nations. This study aims to address the lack of research on the strategic resilience of small and medium-sized enterprises (SMEs) in developing countries. It seeks to fill this gap by offering a model that can identify the potential reasons of strategic resilience in SMEs. According to (Evans et al. 2017), BMI helps companies in achieving their strategic objectives, which include increasing sales, maintaining profits, and gaining market

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share. New business model innovation can be examined from a variety of perspectives in recent research. The term "business model innovation" is employed to describe the process of establishing resourceful value capture systems, developing new value creation mechanisms, and providing new value propositions through the collection of existing information when discussing the construction or reinvention of current business models (Beltagui et al., 2018). To become a knowledge factory, the company needs to undergo a transformation in which knowledge is passed on to other people. Both positive and negative aspects are associated with this. The concept of Organizational Learning Capabilities draws from various fields, including organizational theory, strategic management, and knowledge management. It has gained significant attention in literature as organizations recognize the importance of learning and knowledge integration for achieving sustainable competitive advantage (Roth, 1996). To thrive in this competitive landscape, organizations need to continually adapt and evolve their strategies, structures, and processes. OLC is a tool that allows enterprises to organize and restructure their unique knowledge resources more quickly and effectively to face changing environmental conditions, so as to bring BMI closer (Huang et al., 2017) The current study examines the effects of organizational learning on strategic renewal. If we are to move beyond the claim that organizational learning can be the only sustainable competitive advantage, it is essential to understand the process of strategic renewal (Crossan & Berdrow, 2003). According to (Khan et al., 2021) it was suggested that studies concerning the BMI residue was still in its infancy. It is necessary for researchers to make better efforts to progress their study in this stream in order to avoid misunderstandings regarding the notion of body mass index (BMI) and to address concerns regarding the usefulness of the concept. There is the possibility that the researchers will make an effort to determine the requirements for a successful BMI.

In the rapidly evolving landscape of ICT-related SMEs, particularly software houses, the pressing research problem revolves around understanding the extent to which organizational learning capabilities influence strategic renewal and subsequent business success. This research makes a significant theoretical contribution by uncovering the intricate interplay between organizational learning capabilities and strategic renewal and shedding light on the mediating effect of business model innovation. It is becoming increasingly necessary for businesses to modify their business models in order to accommodate the ever-evolving business conditions that exist in today's technologically chaotic, rapidly changing, and heavily unpredictable environment. By leveraging technology, SME's specifically software houses can innovate their business models, renew their strategies, and stay ahead of the competition.

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Therefore keeping in sight the above-mentioned gaps the current study will examine the influence of Organizational Learning capabilities on Strategic Renewal: Mediating Role of Business Model Innovation.

Theoretical Background and Hypothesis Development

The association among Organizational Learning Capabilities (OLC) and Strategic Renewal, along with the mediating effect of Business Model Innovation, can be effectively explored using a combination of organizational theories. One such theoretical framework that can be applied in this context is the Dynamic Capabilities Theory. Dynamic Capabilities Theory suggests that an organization's adaptability and renew itself is crucial for maintaining competitive edge in an environment that is changing constantly. It comprises three key capabilities: sensing, seizing, and transforming. Sensing involves identifying market changes and opportunities, seizing involves making quick and effective strategic decisions, and transforming involves reconfiguring internal processes and resources to implement those decisions.

In our case, the theory can be applied as OLC stands for an organization's ability to successfully acquire, share, and apply knowledge. A powerful OLC improves an organization's capacity to detect environmental changes and learn from them. This learning can be integrated into strategic renewal efforts, allowing the organization to adapt its strategies based on new insights and knowledge gained. Business Model Innovation involves creating, modifying, or adapting the fundamental ways in which value is created, delivered, and captured by an organization. It acts as a mediator between OLC and Strategic Renewal. A strong OLC enhances the organization's ability to generate innovative business model ideas, which, when implemented, contribute to strategic renewal by introducing new value propositions and revenue streams.

Organizational Learning Capabilities

An organizational learning capability, also known as OLC, is a managerial ability and organizational attribute that enables organizations to learn about and support organizational learning processes. According to the definition provided (Jiménez-Jimenez et al., 2011) organizational learning capability is the organizational capacity to replicate the innovative cognitive state with the intention of improving the performance of organizations. The ability to create new knowledge, acquire new knowledge, transfer existing knowledge, and integrate new knowledge is also included. OLC in terms of its components, which include experimentation, dialogue, interaction with the outside world, and participatory decision-making. When they are being evaluated, the fresh ideas and suggestions that are

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being considered are given empathetic care and attention.

Business Model Innovation

According to (Geissdoerfer et al., 2018) an investigation into the various definitions of body mass index (BMI) that were discovered in the bodies of published research was carried out. They defined business model innovation as the process of conceiving of and putting into action new business models, which is in conformity with the findings of this study. The novel concept of BMI, which provides innovative behaviors of companies that consider all external and internal components simultaneously, has emerged in order to meet these issues (Schneider and Spieth, 2013). According to Anwar (2018), business model innovation (BMI) is defined as the process of rethinking and reconstructing existing business models by including new value propositions, the structuring of creative value acquisition systems, and the design of new value mechanisms.

Strategic Renewal

Strategic renewal is a crucial component of the process of developing and implementing a strategy (Schmitt et al., 2018; Wielemaker, 2003). It focuses on the process of transforming an organization's fundamental skills that are directly connected to its competitive advantage (Klammer et al., 2016). Organizational transformation is the process through which organizations can break away from their established patterns and reshape their strategic goals and capacities. This has a pervasive effect on the organization at all levels and guarantees its enduring existence (Schmitt et al., 2018). Based on this information, strategic renewal essentially involves a substantial change in an organization's strategy. Strategic pivoting is the term used in recent strategic management literature to describe the decisions and procedures involved in organizational strategy transition or renewal (Pillai et al., 2019; Kirtley & O'Mahony, 2020).

Research Hypothesis

Organizational Learning Capabilities and Strategic Renewal

OLC stands for an organization's ability to successfully acquire, share, and apply knowledge. An organization's capacity to detect environmental changes and learn lessons from them is improved by an effective OLC. This learning can be implemented in efforts for strategy renewal, enabling the business to modify its strategies in the context of current knowledge and understanding. A process of strategy renewal can be mapped onto previous outcomes with the help of an organizational learning approach found that organizational capabilities is related to tangible knowledge assets. Organizations that value knowledge acquisition and ongoing learning

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are more likely to implement successful strategy renewal initiatives. This link depends on the idea that the ability of an organization to identify, assess, and execute novel strategic ideas is enhanced by its internal capacity to learn and adapt. Improved long-term performance and competitive advantage result from the organization's ability to learn from its experiences and environment, which also improves its capacity to innovate and refresh its strategies in response to shifting internal and external dynamics (Crossan et al., 1999). The Dynamic Capabilities Theory, which states that organizations that excel in learning and knowledge integration are better at sensing environmental shifts, seizing emerging opportunities, and reallocating resources, accordingly, can be used to understand the positive relationship between organizational learning capabilities and strategic renewal. They may innovate, refine their strategies, and rejuvenate their competitive edge thanks to this iterative learning process, which ultimately encourages strategy renewal (Teece et al., 1997). Thus, we hypothesize that:

H1: *Organizational learning capabilities (OLC) are positively related to strategic renewal.*

Organizational Learning Capabilities and Business Model Innovation

According to (Argote and Ingram, 2000) state that organizational learning and development (OLC) is vital for the continuous expansion of enhanced products, services, and procedures, as well as the requisite knowledge base and targeted behaviors. Organizations may effectively innovate and change their strategies to stay competitive and meet changing market needs when they continuously learn about possible improvements or disruptions to their current business models. Learning improves an organization's capacity to test, refine, and put new ideas into practice, enabling the creation of innovative business models that promote development and success in a quickly shifting business environment. Dynamic capabilities, according to (Teece et al., 1997) include the ability to effectively reorganize existing resources and skills in response to shifting market conditions. Organizational learning strengthens these dynamic capabilities by promoting a culture of experimentation, continuous growth, and knowledge sharing. An organization can identify new business model opportunities, improve on existing ones, and maintain competitiveness in the ever-changing market environment when it is skilled at learning from its successes and failures. Thus, organizational learning capabilities and the capacity for business model innovation are positively correlated, which is consistent with the basic principles of dynamic capabilities theory.

Hence, it is hypothesized that:

H2: *Organizational learning capabilities" (OLC) are positively related to business model innovation.*

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Business Model Innovation and Strategic Renewal

According to (Zott et al., 2011) BMI has been regarded as a crucial element in achieving a competitive advantage as well as improved performance results. It has additionally been considered a prerequisite for a sustainable growth strategy (Demil & Lecocq, 2010). For an organization to effectively respond to quickly changing circumstances, it must possess the ability to incorporate, nurture, and rearrange its internal and external capabilities. To enable a business to adapt to changing market circumstances, advancements in technology, and customer demands, business model innovation entails rethinking and altering the fundamental structure and operation of an organization. By enabling a company to continuously analyze and adapt its business models in response to new opportunities and risks, this innovation strengthens its strategy renewal and gives it a competitive edge. Dynamic capabilities theory highlights the necessity for businesses to proactively modify their resources and skills, with business model innovation being a vital mechanism for accomplishing this strategic agility and renewal, as (Teece et al., 1997) explain in their seminal work.

Hence, it is hypothesized that:

H3: *Business model innovation is positively related to strategic renewal.*

Mediation

Most important ways in which organizational learning skills can lead to strategy renewal is through the process of innovation in business models. By helping businesses to discover fresh opportunities, experiment with new ideas, and adapt to change, business model innovation can help companies stay ahead of the competition and survive in an environment that is constantly changing (Teece, 2010). Business model innovation serves as a connection between strategic renewal and organizational learning capabilities. A company's organizational learning capabilities allow it to learn from its mistakes in the past and the market. These views aid in locating gaps and chances in the business model. A fundamental pillar is provided by organizational learning capabilities, which include the ability to gather, analyze, and share knowledge. The ability of an organization to detect changes in its environment and learn from them depends on these qualities. The ability of the company to transform this learning into strategy renewal is provided by dynamic capabilities, which are the higher-order capacities to integrate, adapt, and reconfigure internal and external skills. The interaction between these two factors is then mediated by business model innovation, an important indicator of dynamic capacities, which makes it possible to translate newly learned information and updated plans into concrete operational models that support long-term

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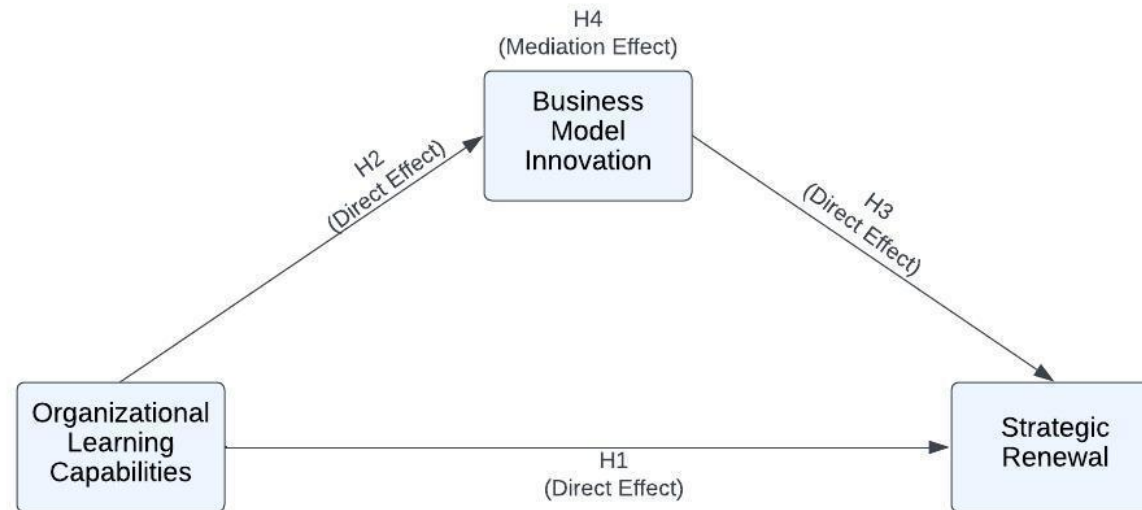
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competitive advantage and growth (Teece, 2007).

Hence, it is hypothesized that:

H4: Business model innovation mediates the relationship between “Organizational learning capabilities” (OLC) and Strategic renewal.

Research Framework



Methodology

An in-depth description of the technique that was used to carry out this study can be found in this section. The study design, the target audience, the sample size, the sampling methodologies, as well as the procedures and data collection are all covered in this section.

Data was gathered by a structured questionnaire using the key informant approach as part of a survey method. The research's objective was achieved by collecting data from the proprietors, administrators, and high-ranking officials of small and medium-sized enterprises (SMEs) specializing in information and communication technology components. These small and medium-sized enterprises

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(SMEs) frequently modify their organizational structures, operational systems, and business practices to maintain competitiveness, ensure long-term survival, and enhance profitability. For the purpose of establishing the sample frame, the research will collect information on staff from all small and medium-sized enterprises (SMEs) that are related to information and communication technology and are registered with the Small and Medium Enterprise Development Authority (SMEDA) (Hair et al., 2021).

Sampling Size and Technique

The SME owners, managers, chief executive officers, and policymakers are the respondents included in the sample frame. A method of systematic sampling will be utilized in order to select 275 respondents from the small and medium-sized enterprises (SMEs) operating within the information and communications technology (ICT) sector. A Likert scale with five points, ranging from 'strongly disagree' to 'strongly agree,' will be utilized in order to evaluate the things of interest (Hair et al., 2021).

The data coding will be carried out with the assistance of SPSS 23. Second, in order to address the issue of inaccuracies and data that is missing, frequencies will be utilized. It is planned to carry out additional reliability analysis, descriptive statistics, correlations, and regression analyses in order to rectify the results. The MACRO PROCESS will be utilized by Hayes in order to experiment with the moderation and mediation hypothesis.

Scales and Measures

A 15-item scale that was established by (Khan et al., 2021) was adapted for use in this study in order to test the skills of **organizational learning capabilities**. The study utilized a 33-item scale established by (Clauss et al., 2017) to assess **Business Model Innovation**. The study adapted a 4-item scale (Sáez-Martínez, 2011) to assess **strategic renewal**.

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Table 3.1 Variable Definitions and Items

Sr. No	Variable	Operational Definition	Reference	Measurement items/ Scale
1	“Organizational Learning capabilities” (OLC)	The ability to create, acquire, transfer, and integrate information is what is meant by the term "knowledge management." Additionally, it refers to the organizational capacity to replicate unique cognitive conditions with the intention of improving the capabilities of organizations.	(Jimenez et al., 2011),	15-items Khan, S. H., (2021).
2	“Business model innovation”	Within the framework of an established corporation, business model innovation (BMI) can be precisely described as the identification of a fundamentally distinct business model. Alternatively, it refers to the implementation of a unique business model, whether in terms of its content, structure, or governance, inside the specific market sector where the venture operates.	Faloye, O. D., & Owoeye, I. (2023).	33-items Clauss, T. (2017),
3	Strategic renewal (SR)	The renewal of the fundamental concepts upon which organizations are constructed is what is meant by the term	(Zahra, 1996)	4-items Adapted from Sáez-Martínez, F. J. (2011)

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"organizational transformation."

Results and Analysis

The main aim of this research is to find out the influence of Organizational Learning capabilities on Strategic Renewal: Mediating Role of Business Model Innovation. A quantitative analysis of the dataset that contains the demographic variables is offered in the first section of the report. For the purpose of conducting an investigation into the hypotheses, we made use of the partial least squares structural equation modeling (PLS-SEM) approach, which was carried out with the support of the Smart-PLS software. The PLS-SEM technique is valued by a substantial number of academics because it enables them to estimate complex models with several constructs, indicator variables, and structural routes without making distributional assumptions about the data. This is one of the reasons why the technique is so popular. It is referred to as PLS-SEM, and it is a causal-predictive method of structural equation modeling (SEM) that lays a focus on prediction in statistical model estimation (Hair et al., 2021). We carried out a two-stage PLS-SEM analysis for the current inquiry. The models that were concerned with measurement and structural evaluation were the ones that were examined (Hair et al., 2019).

Measurement model assessment (MMA)

The measurement model assessment (MMA) was conducted to evaluate internal consistency, convergent validity, and item loadings. Internal consistency was assessed using Cronbach's alpha, with all variables demonstrating values greater than 0.70, indicating satisfactory reliability. Convergent validity was confirmed through the composite reliability (CR) and average variance extracted (AVE). The CR values ranged from 0.91 to 0.94, exceeding the acceptable threshold of 0.70 (Graciola et al., 2020), while the AVE values ranged from 0.59 to 0.80, surpassing the recommended minimum of 0.50 (Hair Jr. et al., 2021). These results, along with item loadings presented in Appendix A, collectively support the validity and reliability of the measurement model. Table 4.1 provides a summary of these findings.

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Table 1: Illustrates the Demographic Statistics w.r.t Gender, Age, Education for the Current Study

Table 1: Demographic Statistics					
Sr #	Demographic	Categories	Percentage	Mean	SD
1	Gender	Male	49.2%	1.508	0.5
		Female	50.8%		
2	Age	20-26	33.2%	30.10	6.72
		27-32	38.3%		
		33-38	15.3%		
		39-44	8.8%		
		45-50	2.8%		
3	Education	51-56	1.6%	2.26	0.79
		F.Sc	18.4%		
		Bachelors	40.0%		
		Master	38.4%		
		Ph.D.	3.2%		

Correlation

To examine the association between the variables, correlation analysis is conducted. As shown in table 2: correlation value organizational learning capabilities (OLC) is significantly correlated with Strategic Agility (SA) ($r=0.509^{**}$) and OLC is significantly associated to Business Model Innovation ($r=0.520^{**}$) and strategic renewal ($r= 0.590^{**}$).

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Table 2: Means, Standard Deviations, Correlations, and Reliabilities for Key Variables in the Study

Variable	1	2	3	4
Organizational Learning capabilities	(0.86)			
Business Model Innovation	0.520**	(0.87)		
Strategic Renewal	0.590**	0.446**	(0.90)	

Note n=275, Cronbach's alpha reliabilities are presented in parentheses.

*p<.05, **p<.01, ***p<.001.

Process Regression Analysis

The below-given table 3 depicts that OLC was found to have a positive influence on SR (B= .038, t=8.50, ***p<.001). BMI mediates the relationship between OLC and SR with beta value (B= 0.10, t=3.67, ***p<.001). Hence proving hypotheses 1 and 2.

Table 3: Mediated Regression Analysis Results

Paths	Hypotheses	Beta	T Statistics	P Values	Decision
OLC -> SR	H1	0.38	8.50	***	Supported
OLC -> BMI -> SR	H4	0.10	3.67	***	Supported

Discussion

In this chapter of the conclusion, we will elucidate the specifics of the hypothesis and present arguments in favor of its acceptance and against it, based on the proposed hypothesis. The chapter will elucidate the theoretical and practical implications. A significant insight into the influence of organizational learning capacities on strategic renewal is provided by the findings of the study, These figures illustrate the mediating role of business model innovation. The assessment of the measurement model provided confirmation of the constructs' reliability and validity, hence ensuring the robustness of subsequent studies.

The study tested four hypotheses related to the role of organizational learning capabilities, business model innovation, and strategic renewal.

Hypothesis 1 (H1) posited that organizational learning capabilities are positively related to strategic renewal. The findings support this, showing that stronger organizational learning capabilities have a greater positive impact on strategic renewal. High learning capacity

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enhances strategic renewal processes, confirming that organizational learning is crucial for adapting and evolving strategies (Hooi et al., 2024).

Hypothesis 2 (H2) suggested a positive relationship between organizational learning capabilities and business model innovation. The study confirms this hypothesis, showing that strong learning capabilities facilitate business model innovation by enabling organizations to adapt their structures and processes, thus improving efficiency and innovation (AlSaied & Alkhoraif, 2024).

Hypothesis 3 (H3) examined the relationship between business model innovation and strategic renewal. The results support the hypothesis, highlighting that business model innovation is a key driver of strategic renewal and enhances organizational performance, profitability, and competitive advantage (Weiss & Kanbach, 2023).

Hypothesis 4 (H4) proposed that business model innovation mediates the relationship between organizational learning capabilities and strategic renewal. This hypothesis was also supported, as the study found that business model innovation plays a significant mediating role in strengthening the link between organizational learning and strategic renewal. This reinforces the idea that organizations with strong learning capabilities are more likely to innovate and drive strategic change (YahiaMarzouk & Jin, 2023).

Conclusion

In conclusion, this study has provided a comprehensive examination of the influence of organizational learning capabilities on strategic renewal: the mediating role of business model innovation. The robust measurement and structural model assessments, along with hypothesis testing, mediation, and moderation analyses, contribute to our understanding of the complex dynamics in the context of organizational learning capabilities in strategic renewal. In conclusion, this research makes a contribution to the existing body of literature on international marketing by illuminating the various roles that the three brand associations play in the process of developing organizational learning capabilities during the process of strategy renewal. Through the demonstration of organizational performance and the enhancement of productivity through the utilization of business model innovation, the findings of this study bring about a conceptual expansion of our existing knowledge. The conceptual and empirical data that supports these proposed assumptions makes a contribution to the existing body of knowledge by drawing attention to the disparities in the degree of organizational capability correlations that exist between business model innovation and strategy renewal.

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Implications

It is important to acknowledge the impact that organizational learning skills have on strategic renewal, specifically the role that business model innovation plays as a mediator. In addition, the importance of recognizing the nuanced impact that organizational learning skills have on business model innovations highlights the necessity of developing marketing strategies that are entirely crafted by hand. It is necessary for managers to possess innovative qualities in order to innovate business models. In order to be successful, innovation that involves insights, problem-solving, business modeling, and testing requires fundamental competencies among its participants. A powerful vision, an innovation strategy, resources, leadership, processes, and a culture that is supportive are all examples of organizational learning capabilities. Within the context of a company's process of strategic renewal, the capacities of organizational learning play an extremely important role. Strategic renewal involves the reconfiguration of an organization's resources, capabilities, and strategies to adapt to changing environments and maintain competitive advantage. Organizations with strong learning capabilities can continuously improve their processes and adapt to new market conditions, technologies, and competitive landscapes. Organizational learning capabilities are critical for the strategic renewal process.

Limitations and Future Research

However, even though it offers insightful information, this study does have certain drawbacks. Further investigation into the capacities of organizational learning and the creativity of business models may be conducted in further study. Additionally, the study focused on a specific context, and generalizability to other industries or cultural contexts should be approached cautiously. Further investigations could delve into the temporal aspects of the relationships studied here and explore potential moderating factors beyond consumer innovativeness. In essence, this research contributes to the existing literature by unraveling the intricate interplay between technology use, like AI, and digital strategy use. It provides a foundation for managers to refine their strategies, catering to the diverse and dynamic preferences of organizations.

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