

# The Study of Relationship between Organizational Learning and Organizational Performance

Bisotoon Azizi<sup>1</sup>

## Abstract

The aim of this study was to investigate the relationship between organizational learning and organizational performance among companies operating in the insurance industry of Tehran in Iran. The present study is a descriptive one in terms of the purpose and the method of data collection. The statistical population of the study was all insurance companies in the city of Tehran and 120 insurance companies were selected due to the lack of detailed statistical reference to their number. For this purpose, people were asked some questions who it was authorized to represent the name. The questionnaire is a tool for collecting data. The Gomez questionnaire et al. (2005) was used to measure organizational learning which includes four factors: management commitment, system perspective, openness and experimentation, transfer and integration of knowledge. To measure the organizational performance, the Yang et al. questionnaire (2004) is used. To determine the validity of data collection, the questionnaire was presented to six professors of management at various universities. The validity of questionnaire through the coordination of jury was about %100. The reliability of the questionnaire was conducted on thirty subjects, Cronbach alpha coefficient was calculated 0.91 and 0.85 for organizational learning and organizational performance, respectively. For data analysis, Pearson correlation coefficient and multiple regressions were used. The results showed that there is a positive relationship between organizational learning and its four dimensions (management commitment, vision systems, open space, and experimentation, transfer and integration of knowledge) and organizational performance of Tehran insurance companies.

**Keywords:** Organizational Learning; Organizational Performance; Insurance; Tehran.

<sup>1</sup> bisonazizi@gmail.com, Iran. Young Researchers and Elite Club, Sardasht Branch (Urmia), Islamic Azad University, Sardasht (Urmia), Iran.

Recebido em 05.08.2016  
Aprovado em 28.11.2016

## Introduction

In today's dynamic and rapidly changing workplace and globalized economy, development of organizational performance is associated with the development personal performance, skills, knowledge and experience. However, the ability to achieve and maintain high performance and productivity in organizations is a key challenge facing management today (Mohammed & Al-Khoury, 2010).

Many believe that organizations can operate in competitive world and survive that has an optimal organizational performance superior to their rivals and use proper opportunities and win benefit from threats. Factors affecting the performance of organizations are divided into external factors and internal factors. External factors include economic, social, political, cultural, legal and organizational factors include categories such as social capital, intellectual capital and organizational culture, structure, technology, strategies and organizational learning process and the role of these factors are clear in the organization more than ever (Ghorbanizadeh et al., 2013).

Studies on learning organization (LO) have received a great deal of interest from researchers, academics and practitioners. These include concept and transformation of organizations into a LO and the benefits it brings about in enhancing competitive advantages and organizational performance (Hoe and McShane, 2010; Jyothibabu et al., 2010; Hishamudin et al., 2010).

Jimenez and Vela (2011) in a study titled "innovation, organizational learning and performance" that had been carried out on Spanish companies, found that organizational learning has a positive impact on organizational performance and as well as organizational learning affects innovation. Hajipour and the Kord (2011) in a study entitled "effects of Strategic alliances on the relationship between organizational learning, innovation and financial performance" indicated that organizational learning and innovation affect directly the financial performance of the company. Lopez et al (2005) in a study titled "Organizational learning as a determining factor in organizational performance" stated there is a positive relationship between organizational learning and organizational performance. The results of Mazlumi et al. (2014) showed that there is a significant relationship between organizational learning, organizational trust, continuous improvement, and organizational performance.

Organizational learning is about firm's training, increasing skills, work experience, and formal education. Learning organization should encourage all employees to conduct in the learning process through experimentation, dialogue and learning from each other (Hodgkinson, 2000). Although researchers once debated whether organizational learning should be defined as a change in cognitions or in behavior, that debate has declined (Easterby et al., 2000). Most researchers agree with defining organizational learning as a change in the organization's knowledge that occurs as a function of experience (e.g., Fiol & Lyles, 1985). Knowledge includes both declarative knowledge or facts and procedural knowledge or skills and routines. Learning organizations are a central element of knowledge management (Svetlik & Stavrou-Costea, 2007).

Insurance industry is one of the most basic industry for most industrialized nations because through this industry they can guarantee exporting goods and services to other countries. In our country up to the 2014, 55 insurance companies were active of which "Iran" is the only public insurance company and 13 insurance companies are run privately and 5 insurance companies and reinsurance are for free zones. Insurance companies is one of the most dynamic organizations in Iran. They are very important for the country according to the features and benefits Insurance companies create social peace and prosperity by transferring risk from their community to themselves. Also by premium getting from people, investment them in companies or stock and cause economic growth in the country. Thus, by turning to e-learning they seek to develop their knowledge-based organizations to take effective decisions for customer satisfaction and profitability and thereby gain competitive advantage and improve organizational performance and effectiveness. Whether or not the e-learning affects organizational performance organizations is controversial among management experts and scholars. So the main purpose of this study was to investigate the relationship between organizational learning and organizational performance companies in the insurance industry in the city of Tehran.

## Material and Methods

The present study is a descriptive one in terms of the purpose and the method of data collection. The statistical population of the study was all insurance companies in the

city of Tehran and 120 insurance companies were selected due to the lack of detailed statistical reference to their number. For this purpose, people were asked some questions who it was authorized to represent the name. The questionnaire is a tool for collecting data. The Gomez questionnaire et al. (2005) was used to measure organizational learning which includes four factors: management commitment, system perspective, openness and experimentation, transfer and integration of knowledge. To measure the organizational performance, the Yang et al. questionnaire (2004) is used. To determine the validity of data collection, the questionnaire was presented to six professors of management at various universities. The validity of questionnaire through the coordination of jury was about %100. The reliability of the questionnaire was conducted on thirty subjects, Cronbach alpha coefficient was calculated 0.91 and 0.85 for organizational learning and organizational performance, respectively. For data analysis, Pearson correlation coefficient and multiple regression were used.

**Results**

To evaluate the hypotheses, Pearson’s correlation coefficient was used.

**Table 1:** Results of Pearson’s correlation

Components	Organizational Performance	
	Pearson’s correlation coefficient	Sig.
Management commitment	0.42	0.0001
Transfer and integration of knowledge	0.44	0.0001
Outdoor and experimentation	0.18	0.01
Vision system	0.2	0.0005
Organizational learning	0.41	0.0001

According to the table above and significant levels (all levels is lower than the 0.05) it can be found that correlation coefficients is significant. So there is a significant relationship with job performance and Empowerment. So the first hypothesis is confirmed.

The multiple regressions is used to predict the criterion variable by the independent variables. Predictor variables included variable components of organizational learning and organizational performance.

**Table 2:** Analysis of variance and regression statistical characteristics between the components of empowerment and job performance

Multiple correlation coefficient significance level	coefficient of determination	F	Sig.
0.54	0.29	20.9	0.0001

As you can see, F value is equal to (20.9) in the 0.0001 Significance level and as it is significantly less than 0.05, Thus, we conclude that the predictor variables (organizational learning initiatives) can predict the criterion variable (performance). The coefficient of determination is 0.29, meaning that predictor variables can predict 20% of job performance. Now, in order to determine the extent to which each variable can predict the criterion variable, beta coefficient is used (Table 3):

**Table 3:** Beta coefficients between the components of organizational learning and organizational performance

Predictor variables	B	Beta	T	Sig.
management commitment	0.88	0.31	4.8	0.0001
Transfer and integration of knowledge	1.15	0.35	5.6	0.0001
Outdoor and experimentation	-0.11	-0.04	-0.65	0.05
Vision system	0.07	0.03	-0.45	0.6

According to the table above and significant levels, it can be realized that the components of management commitment and the transfer and integration of knowledge can predict organizational performance (since acceptable levels is significantly less than 0.05). So regression equation can be written as follows based on the beta.

$$\begin{aligned}
 X_1 &= \text{management commitment} \\
 X_2 &= \text{transfer and integration of knowledge} \\
 Y &= (11.3) + (0.31) X_1 + (0.35) X_2
 \end{aligned}$$

**Discussion and Conclusion**

In recent decade knowledge has become one the most important intangible assets for organizations because it enabling organizations to produce products. Services which are difficult to imitate (Garcia et al., 2007). Scholars also argued that the new knowledge

and skills obtained through learning improve firm's innovative capabilities thus enhancing the level of organizations' competitiveness and performance (Baker & Sinkula, 1999; Kieser & Koch, 2008).

The aim of this study was to investigate the relationship between organizational learning and organizational performance among companies operating in the insurance industry of Iran in Tehran. The results showed that there is a positive relationship between organizational learning and organizational Performance of companies representing insurance services. This is consistent with the findings of other researchers (Hoe and McShane, 2010; Jyothibabu et al., 2010; Hishamudin et al., 2010; Mazlumi et al., 2014; Jimenez and Vela, 2011, Hajipour & Kord 2011; Lopez et al., 2005; Allameh and Moghaddam, 2009). So managers and officials should give special attention to organizational learning so that companies raise their performance. The results of the data analysis showed that here is a positive relationship between the commitment of management and organizational performance of companies operating in the insurance industry in Tehran. So managers should be actively involved in the development of behaviors leading to learning organization among the various levels of management so that they can raise the performance of their companies.

Also, the results of the data analysis showed that there is a positive relationship between the transfer and integration of knowledge and organizational performance of companies operating in the insurance industry in Tehran. So managers and officials should show special attention to the transfer and integration of knowledge so that companies raise their performance. As a higher level of integration of knowledge can be transferred and creative thinking and innovative encourage which may eventually lead to better stimulate innovative performance. The results of data analysis showed that there is a positive relationship between outdoor and experimentation and organizational performance of companies operating in the insurance industry in Tehran. So if your managers of insurance companies provide open space for new ideas and empowered employees, they encourage the situation where organizational learning and organizational performance can be improved.

The results of the data analysis showed that there is a positive relationship between the vision system and organizational performance of companies operating in the insurance

industry in Tehran. So managers should be concerned with vision system to look for issues since there are rapid changes in the government and the intense global competition, so it causes the managers realize the importance of organizational learning and this is laying the groundwork for improving organizational performance. Today's organizations continuously strive to differentiate themselves from their competitors. Competition in the global business environment requires organizations to have a favorable response to ongoing changes or eliminated. A company to transcend than other companies should Today's organizations continuously strive to differentiate themselves from their competitors. Competition in the global business environment requires organizations to have a favorable response to ongoing changes or eliminated. A company to transcend the information and knowledge available from other companies must increase

The available information and knowledge. Therefore, the biggest competitive advantage in the business world are learning. Organizational learning is the empowerment of human resources in the organization. Today, all industries are experiencing rapid changes. The root of this change can be changed customer needs, competitors, suppliers or technology changes. These changes put pressure on organizations to be flexible in the face of these changes to create added value for their customers and differentiate themselves than competitors because no organization will not have a sustainable competitive advantage. The ability to learn faster than the competition creates a sustainable competitive advantage for companies. Due to the obtained results, it can be stated in the learning process and the development of four aspects of it (i.e., management commitment, vision systems, open space and experimentation, transfer and integration of knowledge) and the move towards a learning organization can largely affect improving organizational performance. The organization should try to improve financial performance and their knowledge and achieve superior organizational performance needs to strengthen organizational learning and dimensions and provide the necessary infrastructure for the realization of the organizational learning process.



PUC-SP

## References

- Baker, W., & Sinkula, J. (1999). Learning Orientation, Market Orientation, and Innovation: Integrating and Extending Models of Organizational Performance. *Journal of the Academy of Marketing Science*, 27(4), 411-427.
- Chang, S. C., & Lee, M. S. (2007). A study on relationship among leadership, organizational culture, the operation of learning organization and employee, job satisfaction. *The Learning Organization*, 14(2), 155-185.
- Easterby-Smith, M., Crossan, M., & Nicolini, D. (2000). Organizational learning: Debates past, present and future. *Journal of Management Studies*, 37(6), 783-796.
- Fiol, C. M., & Lyles, M. A. (1985). Organizational learning. *Academy of Management Review*, 10, 803-813.
- Garcia, V. J., Ruiz, A., & Lloréns, F. J. (2007). Effects of technology absorptive capacity and technology proactivity on organizational learning, innovation and performance: an empirical examination. *Technology Analysis & Strategic Management*, 19(4), 521-558.
- Ghorbanizadeh, VajhoAllah; Habibi Badrabady, H., Ebrahimzadeh., H. (2012) The role of moderating the learning process in the relationship between intellectual capital and organizational performance, *General Management Studies*, issue XVI, pp. 161-135.
- Hajipour, Bahman, Kord M. (2011) The effects of strategic alliances on relationships between organizational learning, innovation and financial performance. *Improvement And Change Management Studies*, 21 annual, No. 64, pp. 166-142.
- Hishamudin, Md. Som; Saludin, Mohamad Nasir, Shukri Shuib, Md., Mohamad Faisal Keling, Ajis, Mohd Na'eim; Theng Nam, Roland Yeow (2010) Learning organization elements as determinants of organizational performance of non-profit organizations (NPOs) in Singapore, *International NGO Journal* Vol. 5(5): 117-128.
- Hodgkinson, M. (2000). Managerial perceptions of barriers to becoming a learning organization. *The Learning Organization*, 7(3), 156-166.
- Hoe SL, McShane S (2010). Structural and informal knowledge acquisition and dissemination in organizational learning: An exploratory analysis. *Learn. Organ.* 17(4):364-386.
- Jiménez, D. J. Valle, R.S. (2011). "Innovation, organizational learning, and performance" *Journal of Business Research*, 64,408-417.
- Jyothibabu C, Farooq A, Pradhan BB (2010). An integrated scale for measuring an organizational learning system. *Learn. Organ.* 17(4):303-327.
- Kieser, A., & Koch, I. (2008). Bounded rationality and organizational learning based on rule changes. *Management Learning*, 39(3), 329-347.
- Lopez, S. P., J. M. Peon and C. M. Ordas (2005) "Organizational Learning as a Determining Factor in Business Performance" *The Learning Organization*, Vol. 12, No. 3, pp. 227-45.
- Mazlumi, Nader, Zamani Mahmoud, Syed Naqvi, Mir Ali, Rabbani, Arefeh (2014) The relationship between organizational learning, continuous improvement and organizational trust and





PUC-SP

organizational performance (companies representing insurance services), *Insurance Research*, the twenty- ninth, No. 2, pp. 182-163.

Mohammed, Ali; Al-Khour, S.M. (2010) Improving Organisational Performance, *Eighteenth Annual International Conference*, University of San Francisco, San Francisco.

Svetlik, I., & Stavrou-Costea, E. (2007). Connecting human resources management and knowledge management. *International Journal of Manpower*, 28(3.4), 197-206.