

## **Mediation Role of Innovation and Knowledge Transfer in the Relationship between Learning organization and Organizational Performance**

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### **Abstract**

*This paper theoretically explores the nature of learning organization and how it can be linked to organizational performance? Based on the literature, the researchers have proposed a model linking learning organization to organizational performance. In the proposed model, innovation and transfer of knowledge play a mediation role on this relationship. This study helps researchers, practitioners and managers to have better understanding on the relationship between learning organization and organizational performance.*

**Key words:** learning organization, organizational performance, innovation, transfer of knowledge

### **1. Introduction and problem statement**

The most important goal for all organizations is to achieve the highest possible output and performance (Alipour, Idris, Ismail, Anak Uli, & Karimi, 2011). Performance can be defined as the output of goods and services over which the organization exercises considerable control (Scott, 2003). To develop a competitive advantage and organizational performance improvement, organizations should seek new ways and strategies. A strategy for improving employees' productivity to drive higher worth and performance has become significant for today's organizations (Marimuthu, Arokiasamy, & Ismail, 2009). Intangibles capitals such as learning, knowledge and competence have emerged as the key drivers of competitive advantage and organizational performance. By using a high-quality structure like learning organization, organizations will have reasonable structure that have the capacity to support the intellectual capital in organizations and market. Consequently, today's organizations should try to use this paradigm to be competitive in the work market (Vargas-Hernández, Administrativas, Norte, Edificio, & Noruzi, 2010). Although creation of learning organizations has been reported to be one of the most important strategies to gain competitive advantage and organizational performance (Demers, 2009; Marsick & Watkins, 2003), related literature lacks conclusive to support the effect of learning organization on organizational performance (Moilanen, 2005; Weldy, 2009). In addition, so far little attention has been paid to investigate the mediating role of innovation and knowledge transfer in the relationship between learning organization and organizational performance.

### **2. Concept of learning organization**

Globalization calls for organizations to adapt to their changing environments and to gain and keep competitive advantage so that they could recognize whether their products or services meet market demands. To attain and sustain competitive advantage organizations must enhance their learning capacity and must be able to learn better and faster from their successes and failures, from within and from outside (M. Marquardt, 1996). One organizational model that arose in order to help organizations keep up with the new market demands is the concept of the learning organization. Learning organizations constantly encourage, support, accelerate, and reward individual learning through an organizational system that promotes continuous self-development and employability (M. J. Marquardt, 2002). Building learning organizations calls for a basic shift in how we think and interact (Gonzalez, 2010). Learning organizations are living organisms, not machines. Much like human beings, they need a collective sense of identity and a fundamental purpose (M. J. Marquardt, 2002). The learning organization can be considered as a system (Bui & Baruch, 2010) that offers concepts serving to create an organizational culture which is capable of adapting itself to change and continually learning on multiple levels in order to promote their organization by creating their desired prospects (Senge, 1990; Watkins & Marsick, 1993, 1996).

It is an organization that helps facilitate the learning of all its members and consciously modifies itself and affects its context (Pedler, Burgoyne, & Boydell, 1996). Indeed, organizations cannot survive and improve themselves with their previous knowledge and need to learn in order to strive hard to overcome the chaotic and changing conditions (Hannah & Lester, 2009). According to Watkins and Marsick (1993), changes in organizations, the changing nature of work, changes in the workforce and changes in how people learn, are forces compelling organizations to shift learning organization.

### ***3. Relationship between Learning organization and Organizational Performance***

The learning organization is an important means of facilitating learning and knowledge creation and management, and has been viewed as an important strategy for making improvements in organizational performance in order for the organization to remain competitive (Davis & Daley, 2008). It puts an emphasis on the need to take action and make changes based on learning that has already occurred in order to improve performance (Weldy, 2009). According to Armstrong & Foley (2003, p. 75), a learning organization is an organization which has “appropriate cultural facets (visions, values, assumptions and behaviors) that support a learning environment; processes that foster people’s learning and development by identifying their learning needs and facilitating learning; and “structural facets” that enable learning activities to be supported and implemented in the workplace”. The following advantages are common reasons for building a learning organization to improve organizational performance:

1. **Increased adaptability:** Learning organizations promise to increasingly adapt themselves when dealing with environmental changes and increase their levels of innovation related to work processes, products, and technological applications and development (M. J. Marquardt, 2002; Senge, 1990; Watkins & Marsick, 1993).
2. **Increasing employees commitment:** Organizational commitment by which employees adopt aims, goals and values of the organization and thereby hold high faith in these (Atak & Ertugut, 2010) can be considered as a result of learning organization.
3. **Company's competitiveness:** The situations such as “continuous-changing environment, uncertain business conditions, and competitors exist everywhere in today's business world, make organizations change and adapt themselves rather than continue to use a stable or a single way to cope with new business environment” (Hor, Huang, Shih, Lee, & Stanley Lee, 2010, p. 531). A learning organization can furnish its employees with relevant and efficient knowledge to cope with the new situations to remain competitive in the business world.
4. **Increasing organizational knowledge:** Learning organizations help to gain, analyze, store, and disseminate growing amounts of knowledge within the organization and provide quick access to employees who are facing with more urgent and complicated problems (Garvin, 2000; M. J. Marquardt, 2002).
5. **Customer retention:** Learning organizations can keep their customers by providing skills, competencies, and climates which meet existing customer requirements and help to attract new customers and markets (DiBella & Nevis, 1998; Nevis, DiBella, & Gould, 2000).
6. **Professional growth:** Learning organizations try hard to provide opportunities and resources to keep a balance between the employees’ personal and professional growth needs and encourage them to use new skills in innovative ways (M. J. Marquardt, 2002; Senge, 1990; Van Deusen & Mueller, 1999).
7. **Increasing profitability :** A learning organization can improve the bottom- line performance of organizations (Ellinger, Ellinger, Yang, & Howton, 2002) by Improving quality of outputs at all levels (Vargas-Hernández, et al., 2010).

### ***4. A proposed model***

In this part, the researchers have proposed a model linking learning organization and organizational performance. Based on the model, learning organizations at individual, team and organizational levels (Watkins & Marsick, 1993) can promote innovation (Calantone, Cavusgil, & Zhao, 2002; Ramus & Steger, 2000) and knowledge transfer within organizations (Jiang & Li, 2008), which in turn helps to improve organizational performance. Learning organization dimensions try to capture, share and transfer of knowledge so that the organizations will sustain competitive advantage and develop financial and non financial performance. In this model knowledge transfer has been identified as an important core factor of a firm’s performance as advancing in core competence is facilitated with what the firm knows (Eliufoo, 2005). As learning organizations promote processes and structures such as double -loop learning and on-going team communication processes they should facilitate more knowledge transfer. Studies also show that learning organization culture has a strong positive direct effect on innovation (Shu & Chi, 2010; Skerlavaj, Song, & Lee, 2010).

Furthermore, learning organizations comprise embedded systems to capture and share knowledge so that the organization may continue to progress and develop competitively (Gonzalez, 2010).

#### Insert Figure (1) about here

Many studies emphasize the significance of such an orientation to enhancing innovation capability. Maintaining levels of innovation and remaining competitive is one of the important benefits of learning organization (Vargas-Hernández, et al., 2010). According to Bates & Khasawneh (2005), learning organization has important role on innovation because it enables an organization to anticipate and adapt to the dynamics of a changing environment. In fact, a learning organization has been characterized as one in which all organizational members' value learning and strives for high performance through the application of learning to progressive, innovative work. This particular type of organization can be considered as a key developer and facilitator of creativity and innovation because it can supports inquiry, risk-taking, and experimentation within organization (Bates & Khasawneh, 2005). According to Calantone, et al (2002), a learning organization can enhance its innovation capability in three ways, that is by using modern technology in innovations, keeping the opportunities created by emerging market demands, and having greater innovation capability than competitors.

#### 5. Conclusion

Indeed, organizations cannot survive and improve themselves with their previous knowledge and need to learn new knowledge in order to strive hard to overcome the chaotic and changing conditions. Learning organization can be considered as a key aspect of organizational performance (Alipour, et al., 2011; Watkins & Marsick, 1993). In order for organizations to improve their performance, they need to focus on continuous learning and use of knowledge, which can serve as a critical key to success for facilitating individual, team, and organizational learning. In this paper the researchers have provided another model for studying the relationship between learning organization and organizational performance. Based on proposed model Learning organizations facilitate knowledge creation and transfer as well as innovation which in turn improve organizational performance. This study contributes to improve human resource development research and to improve HRD practice. From HRD perspective it is essential that organizations understand the importance of role of learning organization on organizational performance. By applying this model HRD practitioners might develop better implementation of mentoring, in particular with diversified workforce. Also, they can improve employees' job performance and organizations' effectiveness and efficiency. In addition, our model also points to the need for empirical study to investigate how innovation and knowledge transfer can mediate relationship between learning organization dimensions and organizational performance.

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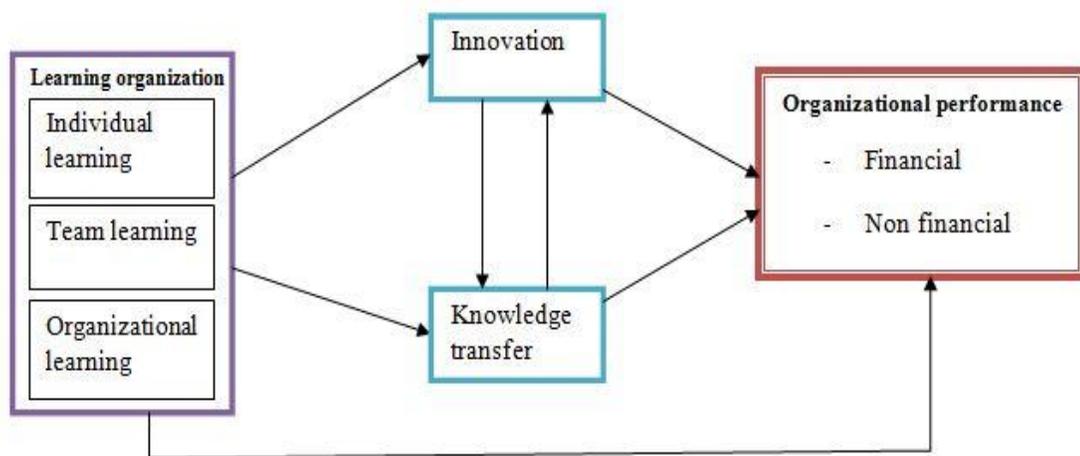


Figure1. The proposed model