

Impact of Learning Organization on Organizational Performance in Consulting Industry

Rajnish Ratna*, Kriti KhannaNupur Jogishwar**Ridhima Khattar**Ritika Agarwal****

*Assistant Professor (HR & OB), Amity Business School, Amity University, Uttar Pradesh

**Student MBA-HR, Amity Business School, Amity University Uttar Pradesh

Abstract

Today's organizations operate in an environment of rapid and accelerating change. Learning organizations create a dynamic culture in every organization. Learning organizations due to its relevance and effectiveness, teaches organizations to adapt to changes as quickly as their environment changes. . Organizational performance seeks to understand and improve performance, each adopting specific discipline measures such as customer satisfaction, productivity and employee satisfaction. The objective of this study is to analyze learning organization, organizational performance and study the relationship between the two. Companies that invest more efforts in achieving higher level organizational performance gain both in financial and non-financial terms. It is widely recognized that the development of a learning organization is a fundamental factor for the achievement of a durable competitive advantage. But the relevance of the learning organization for the improvement of the organizational performance, and thus competence, has been insufficiently developed. The research design is descriptive in nature. A convenient sampling has been used to collect the data. The participants in the survey are 50 employees of leading consulting firms working on different positions of management cadre. The tool used for learning organization is a "designed questionnaire for data collection". After the analysis, it was observed that there is a positive correlation between Learning organization and Organizational Performance with respect to their parameters. The objective of the study was achieved to a certain extent since organizational performance is affected by Learning Organization but to a very limited extent. It could be suggested that the organizations need to be proactive in nature and be more connected to the environment to be able to scan it and further adapt to changes. The study should be used and extended for more accurate results for the consultancy groups as there can be human errors and personal biasness.

Key words – Learning organization, organizational performance, holistic frame, strategic thrust, shared vision, synergy, internality, information flow.

1. Introduction

Today's organizations operate in an environment of rapid and accelerating change. In the private sector, this environment includes new customer demands and intense competition. In the public sector, it includes growing public expectations, increasing demands for individualized service, expanding workloads and continued resource constraints. In both sectors, technological breakthroughs create additional pressures. In a relatively stable environment, once an organization has learned how to operate well, the need for further learning is diminished. However, the swift pace of today's world demands that an organization develops a dynamic learning culture. To stay relevant and effective, organizations must learn at least as fast as their environment changes. To be innovative, they must learn even faster than their competitors and must anticipate the future.

The term 'organizational performance' comprises the actual output or results of an organization as measured against its intended objectives. It helps in survival of the employees. Organizational performance seeks to understand and improve performance, each adopting specific discipline measures such as customer satisfaction, productivity and employee satisfaction. According to Richard, Devinney, Yip and Johnson (2009), organizational performance encompasses three specific areas of firm's outcomes: Financial performance (profits, return on investments etc.), Product market performance (sales, market share etc.) and Shareholder return.

Learning Organizations

Senge (1994) defined a 'learning organization' as a dynamical system that is in a state of continuous adaptation and improvement. Learning organizations build feedback loops designed to maximize the effectiveness of their learning processes.

Mechanism of Building Learning Organization:

Any organization who wants to become a learning organization needs to take care of the following mechanism:

- Create and communicate a shared vision for the organization.
- Make information in the organization accessible to all.
- Help employees manage change by anticipating change and creating the types of change desired by the organization.
- Empower employees to act.
- Acknowledge and support the need to take risks.
- Learn to manage the organization's knowledge by:
 - ✓ Keeping information current
 - ✓ Maintaining historical knowledge
 - ✓ Addressing increasing volumes of information
- Establish and use individual and organizational learning strategies

Measurement of learning organization:

Following are used to measure learning organization:

Holistic frame: - This includes systems thinking, mainly perceiving interconnections and patterns amongst key variables and systematic problem-solving.

Strategic thrust: - This includes organizing things to be done, understanding their

consequences, prioritizing the work and sharing strategy at all levels.

Shared vision: - This includes developing a vision which links with personal goals, communicating the vision and developing and using transformational leadership.

Empowerment: - This includes decentralization, delegation, providing proper direction, trust, providing support when needed and rewarding initiative and decisions.

Information flow: - This includes free flow of information at all levels, minimum role of rumors and encouraging internal exchange of ideas.

Internality: - This includes essence of control over most part of our destiny, optimism, self-discipline, commitment and moderate risk taking.

Learning: - This includes several mechanism and sources which are valuing and encouraging self-development, creating conducive climate for learning and encouraging and using dialogue and discussions.

Synergy: - This includes collaboration and team work, empathy, thinking together, debates, coordinated actions and using cross-functional teams.

Organizational Performance

Mahapatro (2010) defined organizational performance as the ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results. Effective nonprofits are mission-driven, adaptable, customer-focused, entrepreneurial, outcome oriented and sustainable.

Organizational performance is used to measure the effectiveness and efficiency of the organization. It understands the time series properties relating to the organization. Organizational performance involves the recurring activities to establish organizational goals, monitor progress toward the goals, and

make adjustments to achieve those goals more effectively and efficiently.

Characteristics:-

- It focuses on team, processes and programs of the organization.
- Creates and sustain a healthy and effective results-oriented culture.
- Performs systemic and periodic rewards.
- To obtain feedback to learn and improve strategy.

Measurement of organizational performance:

The various parameters used in our study are :

- a) Supply
- b) Customer
- c) Employee
- d) Commitment

Process of Improving Organizational Performance:

- Identify the process flow

This is the first and perhaps most important step. If the employees cannot agree on their process (es), how can they effectively measure them or utilize the output of what they have measured?
- Identify the critical activity to be measured

The critical activity is that culminating activity where it makes the most sense to locate a sensor and define an individual performance measure within a process.
- Establish performance goal(s) or standards

All performance measures should be tied to a predefined goal or standard, even if the goal is at first somewhat subjective. Having goals and standards is the only way to meaningfully interpret the results of your measurements and gauge the success of your management systems.

- Establish performance measurement(s)

In this step, continue to build the performance measurement system by identifying individual measures.

- Identify responsible party(s)

A specific entity (as in a team or an individual) needs to be assigned the responsibilities for each of the steps in the performance measurement process.

- Collect data

In addition to writing down the numbers, the data need to be pre-analyzed in a timely fashion to observe any early trends and confirm the adequacy of your data collection system.

- Analyze/report actual performance

In this step, the raw data are formally converted into performance measures, displayed in an understandable form, and disseminated in the form of a report.

- Compare actual performance to goal(s)

In this step, compare performance, as presented in the report, to predetermined goals or standards and determine the variation (if any).

- Are corrective actions necessary?

Depending on the magnitude of the variation between measurements and goals, some form of corrective action may be required.

- Make changes to bring back in line with goal

This step only occurs if corrective action is expected to be necessary. The actual determination of the corrective action is part of the quality improvement process, not the performance measurement process. This step is primarily concerned with improvement of the management system.

- Are new goals needed?

Even in successful systems, changes may need to be revised in order to establish ones that challenge an organization's resources, but do not overtax them. Goals and standards need periodic evaluation to keep up with the latest organizational processes.

2. Review of Literature

Kontoghioehes, Awbrey and Feurig (2005) examined the relationship between certain learning organization dimensions and change adaptation, innovation as well as bottom-line organizational performance. Open communication and information sharing, risk taking and new idea promotion, and information, facts, time, and resource availability to perform one's job in a professional manner are the learning organization dimensions that were found to be the strongest predictors of rapid change adaptation, quick product or service introduction, and bottom-line organizational performance. Seyyedi, Rahimi and Damirchi (2011) explored a relationship between the learning organization and transfer of training strategies for learning and managing knowledge to make performance improvements gain or maintain a competitive advantage. It was found that a positive relationship suggesting that learning organization is more likely to practice transfer of training. Any relationship between the learning organization and transfer of training could lead to performance improvements and maximize the benefits gained and enable organizations to remain competitive in the face of global competition, a constantly changing environment, and unstable economic conditions. Dirani (2006) proposed a model that links the learning organization theory as a process with job satisfaction as a performance

theory outcome. The literature reviewed considered three process levels of learning within the learning organization and three outcome levels of job satisfaction: individual, group and organizational levels. It is suggested that this model is rather one of plausible answers to measure learning and performance quantitatively. Holton and Baldwin (2000) suggested that the learning organization and transfer of training are both critical tools for learning and managing knowledge in organizations. Furthermore, the learning organization and transfer of training are considered to be important competencies for organizations to develop in order to succeed in today's turbulent marketplace. The learning organization is a valuable tool for facilitating learning and knowledge management, and has been described as an important strategy for making improvements in organizational performance and maintaining a competitive advantage. Therin (2003) explored the influence of processes of learning in organization on innovation performance in high-tech small firms. After reviewing the literature on learning and innovation, the author defines the concepts of knowledge management, organizational learning and learning organization and how they are interlinked. The results show that the presence of learning organization orientation and learning organization processes is related to innovativeness.

Som, Nam, Wahab, Nordin and Mashkuri (2012) investigated how learning organization elements (LOE) were implemented amongst non-profit organizations (NPO's) in Singapore. Findings suggested that elements such as clarity of mission and vision, experimentation and intrinsic motivation, leadership commitment and empowerment, and organizational learning practices were deemed to be essential for NPOs to be transformed into a learning organization. Other elements such as individual learning and team-problem solving as well as organizational learning practices were also mentioned by respondents as important elements toward NPOs performance.

Sudhratna and Li (2004) verified the relationship between Learning Organizations (LO) characteristics and an organization's

readiness-to-change. Learning organizations, based on the review of the literature, seemed to have the competitive advantage of high readiness-to-change in today's economic business environment. The results showed a substantial relationship between readiness-to-change and the LO characteristics of cultural values, leadership commitment and empowerment, communication, knowledge transfer, employee characteristics, and performance upgrading. The study confirmed that LO characteristics are correlated to an organization's readiness-to-change, suggesting that it is essential for organizations to develop into LOs in order to survive and/or prosper in a competitive and ever changing in business environment.

Idris, Alipour and Karimi (2011) described how knowledge is created and transferred in learning organizations. It also discussed conditions required in promoting knowledge creation, the techniques used to capture knowledge in organizations, the nature of learning organizations and how it can influence knowledge creation and transfer. The paper also presents an integrated view of how learning organizations affect knowledge creation and transfer.

Noubar, Rose, Kumar and Salleh (2011) explored the relationships between learning organization dimensions, and change in financial and knowledge performances among Malaysian companies. Findings of research provide empirical evidence, which supports the concept of learning organization and their positive influence on the knowledge and financial performance. The findings demonstrated that organizations with conducive learning culture have charismatic and dedicated leaders and are able to grow in their knowledge and financial performance.

Lien, Hung, Yang and Li (2006) investigated the psychometric characteristics of a Chinese version of the dimensions of learning organization questionnaire. Results revealed that the seven dimensions of a learning organization can classify different organization types successfully and demonstrate a statistically significant correlation between organization type

and perceptual measure of organizational performance.

Al-Nsour and Al-Weshah (2011) investigated empirically the relation between the learning organization and intellectual capital in Jordanian banking industry. The intellectual capital was measured by three dimensions, namely, human capital, structure capital, and customer capital. The results supported the hypothesis that learning organization has a positive impact on banks intellectual capital. The results extended the understanding of the role of organizational learning in creating intellectual capital and building sustainable advantages for banks in emerging economies.

Yaghoubi, Raeisi, Afshar, Yarmohammadian, Hasanzadeh, Javadi and Ansary (2010) studied the relationship between learning organization and organizational commitment among nursing managers. The results showed that there was a significant relationship between Learning organization and organizational commitment, and also between learning organization and job experience. Only organizations with active adaptation can survive and remain capable of growth. This aim can be fulfilled just in learning organizations.

Significance of the study

The purpose of this study is to examine the relationship between the learning organization and organizational performance. Companies that invest more efforts in achieving higher level organizational performance gain both in financial and non-financial terms. It is widely recognized that the development of a learning organization is a fundamental factor for the achievement of a durable competitive advantage. But the relevance of the learning organization for the improvement of the organizational performance, and thus competence, has been insufficiently developed. The research design is descriptive in nature. A convenient sampling has been used to collect the data. The participants in the survey are 50 employees of leading consulting firms working on different positions of management cadre. The tool used for learning organization is a structured questionnaire by Udai Pareek and a self-formulated questionnaire has been used for

organization performance. After the analysis, we conclude that Organizational Performance is affected by Learning Organization but to a very limited extent. The study should be used and extended for more accurate results for the consultancy groups as there can be human errors and personal biasness.

Objectives of the study

- To analyze the level of learning organization in consulting firms
- To analyze organizational performance
- To study the impact of learning organization on organizational performance

Hypothesis of the study

H0: There is no significant relationship between learning organization and organizational performance.

H1: There is significant relationship between learning organization and organizational performance.

3. Research Methodology

Research Design: The research is descriptive in nature.

Participants: The participants in the survey were 50 first line managers from leading consulting firms.

Sampling Technique: Convenience sampling is used.

Data Collection

Primary data collected from 50 employees of consulting firms using questionnaires.

Secondary data collected from journals, research papers, books and websites.

Instrument Used

To study about the learning organization, a structured questionnaire by

UDAI PARIK (2nd edition) was used. It has 8 parameters having 6 items each. Parameters for measuring learning organization: Holistic frame, Strategic thrust, Shared vision, Empowerment, Information flow, Internality, Learning, and Synergy.

A self-formulated questionnaire on organizational performance was used. It has 5 parameters: Financial- 2 items, Supply- 3 items, Employee- 4 items, Commitment- 7 items, and Customer- 4 items.

scale

In organizational performance questionnaire the following scale is used:

(1- Significantly below average, 2- Slightly below average, 3- Average, 4-Slightly above average, 5- Significantly above average).The learning organization questionnaire has the following scale: (1- If it is not true at all about your organization, 2- If it is somewhat true about your organization, 3- If it is difficult to describe whether it is true or not, 4- If it describes the organization fairly well and 5- If it is fully true about your organization)

Results and Discussions

The research deals with studying the impact of learning organization on organizational performance. It also deals with studying the impact of various parameters of learning organization with that of organizational performance. The reliability of learning organization and organizational performance was also calculated. Also, mean and standard deviation of all the parameters was calculated and correlation has been applied. Finally, the correlation and regression of learning organization and organizational performance is calculated through SPSS and the results of it are as below:

Reliability score of Learning Organization scale with 9 items was and the cron bach value was 0.820. The reliability of Organizational performance scale with 6 items was found as 0.890.

Table 1. Correlation between Learning Organization and its influencing factors

	learning organization
Holistic Frame	r-0.500
strategic thrust	r-0.530
shared vision	r-0.665
empowerment	r-0.657
information flow	r-0.581
Internality	r-0.633
Learning	r-0.702
Synergy	r-0.713

Table 2. Correlation between Organizational performance and its influencing factors

	Organizational performance
Financial performance	r-0.842
Supply	r-0.763
Employee	r-0.780
Commitment	r-0.853
Customer	r-0.708

Table 3. Correlation between Learning organization and Organizational performance:

		LO	OP
LO	Pearson Correlation	1	.151
	Sig. (2-tailed)		.291
	N	51	51
OP	Pearson Correlation	.151	1
	Sig. (2-tailed)	.291	
	N	51	51

From table 3 Correlation between Learning organization and Organizational performance The Pearson correlation is 15.1%

Regression analysis:

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.151 ^a	.023	.003	.31617

a. Predictors: (Constant), OP

Table 4 Regression analysis

ANOVA:

Anova

Model		Sum of Squares	do	Mean Square	F	Sig.
1	Regression	.114	1	.114	1.138	.291 ^a
	Residual	4.898	49	.100		
	Total	5.012	50			

a. Predictors: (Constant), OP

b. Dependent Variable: LO

Table 5 ANOVA

The dependency of the dependent variable on the independent variable is very less almost negligible i.e. 11.4 %.

Conclusion:

From the conducted study it can be concluded that Correlation between learning organization and its various parameters is positive and at a higher side. Correlation between organizational performance and its parameters are on a much higher side as compared to that of learning organization and their parameters. Correlation between learning organization and organizational performance exists but in a very less percent showing very less impact i.e. only 15.1%. The regression between the dependent and the independent variable is 11.4% depicting that the dependency of organizational performance on learning organization is prevalent but it is affected by a very little percentage.

After the analysis, we conclude that organizational performance is affected by learning organization but to a very limited extent. Also, learning organization and its 8 parameters show a positive correlation, which means there is no negative impact on the organization. Organizational performance and its respective parameters also exhibit a strong positive correlation, much higher than that of learning organization. The research was confined to 50 participants of a region of four consultancy firms and does not necessarily show a pattern that is applicable to all other organizations. Personal biasness of respondents cannot be ignored. There may be slight variations in the accuracy of the results. Human errors are possible. This study can be used and further extended to more number of participants of different consultancy firms for further study.

References

- Al-Nsour, M.M., & Al-Weshah, G.A. (2011). Learning Organization and Intellectual Capital: An Empirical Study of Jordanian Banks. *European Journal of Business and Management*, 3(8). (Retrieved from: www.iiste.org/Journals/index.php/EJBM/article/download/597/487)
- Ang, S., & Joseph, D. (1996). *Organizational Learning and Learning Organizations: Trigger Events, Processes and Structures*. (Retrieved from: <http://www.ntu.edu.sg/home/adjoseph/Webpages/Publications/aom10.pdf>).
- Argyris, C. & Schon, D.A. (1978). *Organizational Learning: A theory of action perspective*. MA Reading: Addison Wesley.
- Bates, R., & Khaswneh, S. (2005). *Organizational Learning culture, Learning Transfer climate and perceived innovation in Jordanian Organizations*. *International Journal of Training and Development*.(Retrieved from: http://itsglobal.com/cms_img/org_learning_culture_and_transfer_climate_in_jordan.pdf)
- DeSimone, R.L., Werner, J.M. & Harris, D.M. (2002). *Human Resource Development* (3rd edition).
- Dirani, K. M. (2006). *A Model Linking the Learning Organization and Performance Job Satisfaction*.
- Edmondson, A.C. (1996). Three faces of Eden: The persistence of competing theories and multiple diagnosis in organizational intervention research. *Human Relations*, 49(5), 571-582.
- Garvin, David A. (1993). "Building a learning organization." *Harvard Business Review*, Vol.71, Nr.4: 78-91
- Holton, E., & Baldwin, T.T. (2000). Making transfer happen: An action perspective on learning transfer systems. *Advances in Developing Human Resources*, 2(4), 1-6.
- Idris, K., Alipour, F., & Karimi, R. (2011). *Knowledge Creation and Transfer: Role of Learning Organization*.*International Journal of Business Administration*, 2(3).

- Jones, A.M. & Hendry, C. (1992). *The Learning Organization: A review of literature and practice*. The HRD Partnership.
- Joo, B.K. & Park, S. (2010). Career satisfaction, organizational commitment, and turnover intention: The effects of goal orientation, organizational learning culture and developmental feedback. *Leadership and Organization Development Journal*, 482-500.
- Kontoghioehes, C., Awbrey, S., & Feurig, P. (2005). Examining the Relationship between Learning Organization Dimensions and Change Adaptation, Innovation as well as Organizational Performance. (Retrieved from (<http://www2.warwick.ac.uk/fac/soc/wbs/conf/olkc/archive/oklc3/papers/id155.pdf>).
- Lien, B. Y.H., Hung, R. Y.Y., Yang, B., & Li, M. (2006). Is the Learning Organization a valid concept in the Taiwanese context? *International Journal of Manpower*, 27(2), 189-203.
- Noubar, H. B., Rose, R. C., Kumar, N., & Salleh, L. M. (2011). Learning Culture to Organizational Breakthroughs in Malaysian Companies. *Economics and Management*, 16(1822-6515).
- Redeen, W.C. (1997). *The Learning Organization: Performance Technology and the Implications for Organizational Effectiveness*. 802.(Retrieved from: <http://www.knowledge-edia.com/7/ASSET/Learning%20Org%20paper.PDF>)
- Richard, P., Devinney, T., Yip, G., & Johnson, G. (2009), "Measuring Organizational Performance: Towards Methodological Best Practice,". *Journal of Management*, 35, 718-804.
- Mahapatro, B.B. (2010). Human Resource Development. In Mahapatro, B.B., *Human Resource Management* (pp. 272-289). New Delhi, ND: New Age International (P) Ltd., Publishers.
- Pedler, M., Burgoyne, J. and Boydell, T. (1991, 1996) *The Learning Company. A strategy for sustainable development*, london: McGraw-Hill.
- Senge, P. et. al. (1994) *The Fifth Discipline Fieldbook: Strategies and Tools for Building a Learning Organization*.
- Seyyedi, M. H., Rahimi, G., & Damirchi, Q. V. (2011). Offer Strategies for Improving Organizational Performance by Learning Organization & Transfer of Training. *International Conference on e-business, Management and Economics*, 25.
- Som, H. b.M., Nam, R. Y., Wahab, S. A., Nordin, R., & Mashkuri, A. H. (2012). The Implementation of Learning Organization Elements and Their Impact towards Organizational Performance amongst NPOs in Singapore. *International Journal of Business and Mngement*, 7(12).
- Sudhratna, Y., & Li, L. (2004). Learning Organization Characteristics contributed ti its Readiness-to-change: A study of the Thai Mobile Phone Service Industry. *managing Global Transitions*, 2(2), 163-178.
- Therin, F. (2003). Learning Organization and Innovation Performance in High-Tech Small Firms. (1).(Retrieved from: <http://ptarpp2.uitm.edu.my/silibus/leanInno2.pdf>).
- Watkins, K. and Marsick, V. (eds.) (1993) *Sculpting the Learning Organization. Lessons in the art and science of systematic change*, San Fransisco: Jossey-Bass.

Wenger, E. (1996). Communities of practice: The social fabric of a learning organization. *Healthcare Forum Journal*, 29(4), 20-26.

Yaghoubi, M., Raeisi, A. R., Afshar, M., Yarmohammadian, M. H., Hasanzadeh, A., Javadi, M., & Ansary, M. (2010). The relationship between learning organization and organizational commitment among nursing managers in educational hospitals of Isfahan University of Medical Sciences. *15(2)*, 83-89.

Websites:

<http://www.siliconfareast.com/learning-organization.htm>

<http://infed.org/mobi/the-learning-organization/>

http://en.wikipedia.org/wiki/Learning_organization#Characteristics

http://en.wikipedia.org/wiki/Organizational_performance

<http://www.studymode.com/essays/Definitions-Of-Organizational-Performance-663067.html>

<http://www.humtech.com/opm/grtl/loo/loo.cfm>

<http://www.orau.gov/pbm/handbook/1-1.pdf>

http://www.oag-bvg.gc.ca/internet/English/parl_oag_199212_05_e_8058.html