

# THE LEARNING ORGANIZATION UNDERSTANDING IN DISRUPTIVE TIMES AND ITS IMPACT ON ORGANIZATIONAL PERFORMANCE: THE APPAREL INDUSTRY CASE

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**Abstract:** *Globalization or the rapidly changing economic environment is characterized by continual disruption and is shaped by the ever-changing conditions of the economy. Making use of the learning and knowledge concepts is among the most important conditions that provide enterprises the capability to become agile and quickly respond to change, thus earning a competitive advantage towards competitors. The Learning Organization concept has received increasing attention in organizational studies especially in the last two decades. It has emerged from the idea of “organizational learning”, but it differs as in addition to learning of the organization it includes learning within the organization too.*

*It is clear now that knowledge acquisition and the transfer of this knowledge to the organizations used to shape their own future is of vital importance for enterprise survival, and this acquired knowledge is one of the important factors that reduces the risks of profit losses by increasing the management capabilities of enterprises. On the other hand, organizational performance measurements play a crucial role for managers to be able to carry out their managerial functions and activities. Organizational performance measurements give a good grasp of both quantitative and qualitative elements that affect the overall enterprise performance. In this way, possible problems of low performing units are revealed and tackled.*

*The main purpose of this descriptive research is to measure the effect of learning organization understanding and framework on the organizational performance with special focus on the apparel industry. In this context, a questionnaire has been conducted to the personnel of the headquarters in some major companies operating in the apparel industry as a methodology used in this study to support our work. This study aims to shed light on the concept of learning organization and its applicability in the apparel industry as well as hoping that such a pilot study will contribute to the literature of Learning Organization and Organization Performance.*

*In line with previous research in other sectors it results that there exists a positive correlation between learning and transferring the accumulated knowledge to various units of the enterprise and the increase in overall organizational performance of enterprises.*

**Keywords:** *Learning Organization, Organizational Performance, Apparel Industry, Emerging Countries.*

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## 1. INTRODUCTION

Globalization or the rapidly changing economic environment is characterized by continual disruption and is shaped by the ever-changing conditions of the economy. Making use of the learning and knowledge concepts is among the most important conditions that provide enterprises the capability to become agile and quickly respond to change, thus earning a competitive advantage towards competitors.

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It is clear now that knowledge acquisition and the transfer of this knowledge to the organizations used to shape their own future is of vital importance for enterprise survival, and this acquired knowledge is one of the important factors that reduces the risks of profit losses by increasing the management capabilities of enterprises.

In an environment of increasing environmental turmoil and uncertainty, the survival of an organization is possible by the transition from the traditional structure adopting the 'command and control' approach to the Learning Organization which adopts 'communication and questioning-constructive criticism' approach.

Measuring the organizational performance of companies is very important for managers to carry out their planning functions for future activities. In addition, another benefit of conducting performance measurements for management is the possibility to examine both quantitative and qualitative elements. In this way, it will help to reveal possible problems of the units with low performance and ensure the continuity of the company.

Generally speaking, research studies may be categorized as exploratory, descriptive or explanatory research depending on the various purposes of research. In this research, descriptive and explanatory research will be used as the research type. In descriptive research people are interested in accurately depicting the status of events and situations. Meanwhile explanatory research deals with the establishment of causal relationships between variables. In line with the above, it is aimed that the findings of this study give us experimental information.

The core objective of this research is to analyze and measure the impact of the learning organization understanding on organizational performance. In this context, a questionnaire was prepared and implemented to the personnel working at the headquarters in two major companies operating in the textile sector in order to support this research. It is hoped that such a pilot study will contribute to the literature of Learning Organization and Organization Performance. In addition, this study aims to shed light on the concept of learning organization and its applicability in the textile sector. We hope that this study will be a guiding work for the future research of the learning organization understanding in other sectors or contexts too.

## 2. LITERATURE REVIEW

In this section a detailed literature review on the concepts that make up the basis for the research is shown referring to the relevant literature on learning organization and organizational performance.

### *Learning Organizations*

Especially after the 90s, the *Learning Organization* understanding has gained increasing attention and importance. The concept of learning organization has been developed from the concept of "organizational learning", but the difference remains in that learning organizations include learning within the organization as well as the learning of the organization [21]. [4] define organizational learning as the process of defining and implementing the change required by the increase in the learning process and knowledge accumulation. However, this study is more concerned with the form of learning organizations rather than the organizational learning process.

In fact, John T. Dorsey in his study published in the beginnings of 1957, mentions about organizations as “learning networks”, which may lead us thinking that the emergence of the learning organization concept dates back to the beginning of the second half of the 20th century [9]. However, after the 90s, the concept of learning organization started to be discussed in more details. Peter Senge first discussed this concept in his book titled “Fifth Discipline”. In his opinion, Senge defines the concept of learning organization as a group of people who continuously enhance their creativity capacities with the desire to reveal or produce new things.

According to Senge, the learning organizations are the type of organizational structures in which people constantly develop their skills to reach the desired results, or to develop new ideas and through promoting a collective discipline rather than a bureaucratic discipline to help people learn how to learn altogether [17]. [17] sees ‘System Thinking’ as the ultimate goal of the Learning Organization or ‘the fifth discipline’ which is the result of the other four dimensions, respectively ‘personal mastery’, ‘shared vision’, ‘mental models’, and ‘team learning’. Personal mastery stands for ‘continually clarifying and deepening personal vision, focusing energies, developing patience, and seeing reality objectively’; shared vision stands for ‘the ability to unearth shared “pictures of the future” that foster genuine commitment and enrollment rather than compliance’; mental models are deeply held internal images of how the world works; team learning puts emphasis on the learning activities of the group rather than on the development of team process; and eventually system thinking is defined as the ability to see interrelationships rather than linear cause-effect chains [25].

Difference Area	Traditional Organization	Learning Organization
<i>Attitude and Expression Style</i>	Obedience, Drawbacks in expressing hesitations	Critical, Questioning. Comfort in expression
<i>Learning Right</i>	Owners, managers and employees	Owners, managers and employees as well as the elements of the external environment (customer, environment, public institutions, etc.)
<i>Motivation</i>	Food, housing, belongingness	Respect in addition to basic needs. Vision and achievement.
<i>Thought</i>	Thinking and Doing Groups	Participation of everyone in thinking process
<i>Change</i>	Reactive, Indexed to competitors and external environment	Activist and progressive. Conscious to take into account the whole of internal and external factors.

Table 1.0: Comparison of Traditional Organizations and Learning Organizations  
Source: Coskun (2000:109-116)

[12] states that a Learning Organization can create, acquire, transfer knowledge and modify its behavior as a form of new knowledge and insights. Very similarly [14] address it as an organization that facilitates the learning of all members and continuously transforms itself to cope with its strategic goals”. [22]- [23] as well defined the Learning Organization as “one that learns continuously and transforms itself... Learning is a continuous, strategically used process - integrated with and running parallel to work”. In a Learning Organization, learning and work are integrated in an on-going and systematic fashion - aiming to support continuous improvement at the individual, group and organizational levels [23].

[22] introduced a more integrative model of the Learning Organization which integrates two main organizational constituents: people and structure and viewed these two constituents as interactive components of organizational change and development. Learning organizations create intentional processes that accelerate the creation and utilization of knowledge across the system [24].

## Organizational Performance

Organizational performance can be defined as the actual results/outputs of an organization compared to the intended results/outputs/objectives. Various scholars define performance in various ways. According to [16], performance is considered to be the effort employees show to be received as payment.

[13] claims that performance may have different meanings depending on the operator's point of view, however it is primarily a matter of interest to decision-makers; it is a process for the proper management of all elements involved, ensuring that the objectives set in a firm are fully achieved. [15] views performance in a broader perspective when in addition to effectiveness and efficiency includes also quality, productivity, quality of work life, innovation and profitability as indicators of performance. Organizational performance can be defined as the ability of organizations to reach their intended goals through an effective and efficient use of their resources [1]. Organizational performance is a continuous and flexible process that provides a framework for managers about how to best achieve the necessary results altogether [5].

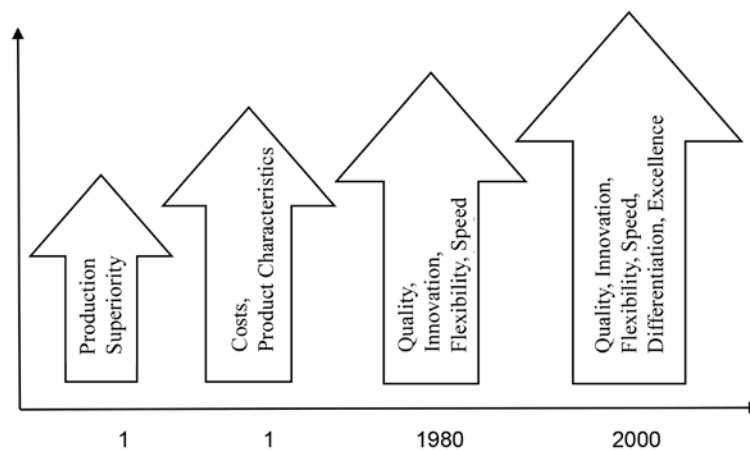


Fig.1.0 The development of competition in the last half century [8]

As seen in figure 1.0 above, the concept of competition has changed a lot in the past 50 years and in accordance to these developments performance expectations and performance dimensions have been shaped too. Throughout this time, there has been an increasing intense battle to ensure a competitive advantage among firms and in order to ensure this competitive advantage, some global trends have changed the dimensions of how performance is measured. Some of these trends are; globalization, customer focus, process focus and high efficiency. Nowadays, while evaluating their performance, business firms make their evaluations by prioritizing such concepts.

In organizations which operate as organizational systems, proper defining the dimensions of performance in order to measure it is very important in terms of determining what needs to be measured and with what kind of indicators it can be done. As discussed above the understanding of performance in organizations has gone through continuous change and development over time. With such developments, some dimensions have lost their importance and some others have gained importance, thus relevant performance indicators that reflect these situations are highlighted.

In this context, during the industrial revolution these dimensions were exhibited in the form of profit and cost; later on they turned into the profit, cost and efficiency triangle; then customer satisfaction and quality were eventually added; and most recently, several dimensions related to marketing activities such as employee behavior, market situation, product leadership and social responsibility have been added to this classification [1].

[18] have conducted one of the basic studies that discusses the dimensions of organizational performance in the classical approach; they discuss the dimensions of organizational performance through performance criteria such as efficiency and effectiveness, quality, productivity, quality of working life, innovation and profitability and compliance with the budget. [2]-[3] and many other authors emphasize that the dimensions of organizational performance are basically divided into 'economic' and 'organizational' dimensions and that other approaches are derived from them within the framework of organizational strategy. The economic dimension emphasizes the external market factors such as the firm's competitive position; meanwhile the organizational dimension emphasizes behavioral and social aspects and their harmony with the environment.

### 3. CONCEPTUAL FRAMEWORK

[6] describes theory as an expression of the empirical inter-unit relations observed or perceived in the world. The learning organization model used in this study was adapted from the model developed by [22]-[23]. This model integrates two basic components; the individual and the structure. [22]-[23] describe the seven dimensions of the learning organization organized into three levels; the individual, team and organizational levels. This model implies that members of an organization learn first at the individual level; then, as they join together to work within the organization, they learn in teams, and finally larger units or organization. From this model [24] constructed and validated a scale that measures the learning organization framework at organizations, the Dimensions of the Learning Organization Questionnaire (DLOQ), which is the scale used in this study as well.

In the relevant literature, several authors have concluded that organizational learning as a process positively affects organizational performance. [11] revealed that there is a positive relationship between the concept of learning organization and the financial performance of a firm. According to [20], learning organizations are capable of identifying and developing strategies for customers and competitors, eventually increasing profitability. A relationship between the profit-sales margin and learning organizations can be demonstrated; if a company is capable of learning what its customers want and what they want, this company can achieve high customer satisfaction, and this should increase its profit-sales margin [19]. [7] too, argued that the relationship between learning organizations and organizational performance could be addressed in terms of employee satisfaction and organizational commitment.

By taking into consideration the two variables discussed above, the research model proposed for this study is as follows in figure 2.0.

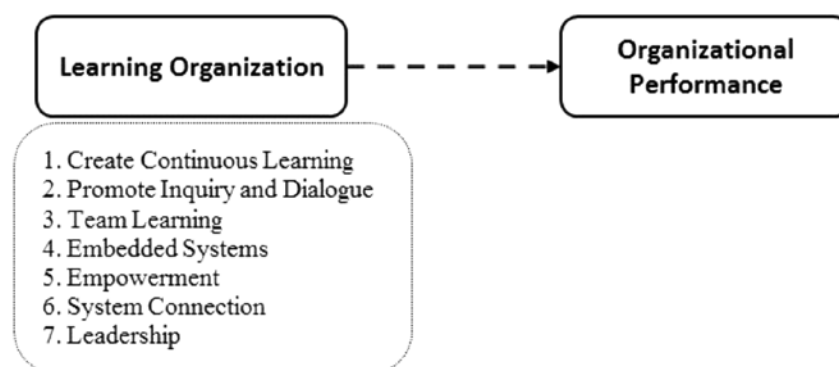


Fig.2.0. The proposed model for this study



In this study, organizational performance is considered as the dependent variable, and the seven dimensions of the learning organization framework make up the independent variable. Within the framework of this study, we tried to ensure that the following research questions were answered:

- *What impact does learning organization understanding have on organizational performance?*
- *Which learning organization dimension explains the perceived organizational performance the most?*
- *Is there any difference based on the various categories of participants regarding the perception of the learning organization understanding?*

To analyze the relationship which makes up the research question of this study, we have established the following hypothesis:

**H1:** The Learning Organization understanding has a positive impact on Organizational Performance.

#### 4. METHODOLOGY

This study can be classified as experimental quantitative case study. Case study is a research strategy and focuses on perceiving existing dynamics in a certain order [10]. The survey method was used in this study as the basic data collection tool; and this survey named as Learning Organization Questionnaire was introduced by [22]-[23]-[24]-[25]. The learning organization is discussed at the individual, team and organizational level. The questionnaire adapted to this study consisted of 21 Likert scale questions about the learning organization ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Meanwhile, 10 Likert scale questions in the questionnaire were used to measure organizational performance. In addition, 5 questions tried to gather demographic factors.

The research sample of this study consisted of the headquarters' personnel of various authority levels of two major textile companies in a metropolitan city considered as the commercial center of an emerging country. The survey was conducted on-hand and online for practicality of data collection. Due to ethical requirements, participants were informed about what the questionnaire was about. Non-random sampling technique was used to generalize the findings.

Results were analyzed and interpreted in accordance with the research questions. Among the analyzes, there is descriptive analysis used to observe the average responses of the participants. Cronbach alpha reliability test was conducted for each of the factors in the study. Then, averages, standard deviations, Pearson correlation test etc. was applied to each of the variables. Linear regression was used to test the research question.

#### 5. FINDINGS

In this study, out of 150 distributed surveys we were able to collect 108 surveys, which counts for 72% of feedback. After the data collection phase was completed and surveys collected, surveys were checked and generally, most of the questionnaire forms have been fully completed; only 3 surveys were removed due to improper completion. Questionnaire data was converted into an Excel file and transferred into SPSS 20.0 program to be further analyzed.

## Demographics

The Demographic distribution of the 105 participants is as follows; 74 were male and 31 were female. As it relates the age ranges of the participants it changed from 17 participants belonging to the 18-24 years range, 63 participants belonging to the 25-34 years range, 20 participants belonging to the 35-44 and 5 participants belonging to the 45-54 years range. The majority of participants has an education level of Bachelor's Degree (71 participants), 9 of them have High School diploma, 10 of them have Vocational School diploma, 12 have a Master's degree and 3 have a Doctoral Level education background. In addition, 25 of the participants have less than 1 year of experience in the current firm, 62 of them have 1 to 5 years of experience and 18 participants have more than 5 years of experience in the current firm.

## Descriptive and Reliability Analysis

As a result of the exploratory factor analysis we performed with 31 expressions for both scales, Kaiser-Meyer-Olkin (KMO) value was found to be 0.845, which shows us that our sample size is adequate. The Barlett sphericity test result (0.000) is significant and the variables have a normal distribution. As a result, it is seen that the suitability of the variables to factor analysis is excellent. However, we grouped the variables on the basis of previous studies and 4 factors for the learning organization; individual learning, group learning, organizational learning, leadership learning, meanwhile organizational performance was grouped into 1 factor.

Cronbach's alpha is the most common tool used to measure internal consistency or reliability. Cronbach's alpha is used to measure whether a survey consisting of Likert questions is reliable or not. Reliability analysis was conducted separately for each dimension of the learning organization and organizational performance. According to the relevant literature, if the Cronbach's alpha coefficient is between 0.60 and 0.80, the scale is considered to be reliable, if it is between 0.80 and 1.00 this scale is considered to be a highly reliable scale. According to our results, as seen in table 2.0 below, Cronbach's alpha coefficient is 0.935 for the learning organization and 0.908 for organizational performance. This shows that the scale we use is very reliable.

Variables	N	Mean	Std. Deviat.	Cronbach's Alpha	N.of Items
1. Learning Organization	105	3.48	0.633	<b>0.935</b>	21
2. Organizational Performance	105	3,65	0.734	<b>0.908</b>	10

Table 2.0. Means, Standard Deviations, Cronbach's Alpha coefficients  
for Learning Organization dimensions and Organizational Performance

## Linear Regression

The main purpose of this study is to determine the impact that learning organization dimensions have on perceived organizational performance. For this purpose, we have tested our hypothesis by performing linear regression analysis. The Linear regression equation is in the form ( $Y_i = \alpha + \beta x_i + \epsilon$ ) or ( $y = a + bx + e$ ).

The model summary results show that more than 50% of the variance or change in Organizational Performance dependent variable is explained by the dimensions of the learning organ-

ization independent variable. The rest of the variance is explained by factors not part of this research including the error term. At the same time, the value of F in the ANOVA table is significant (.000), so the validity of our model is strongly supported.

The following table 3.0 shows the coefficients and t values of our model. As it can be seen, the learning organization variable in our model is significant at 5% significance level. The constant term of the model was found to be 0.778.

Model	B	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		Std. Error	Beta			
1	(Constant)	,778	,349		2,231	,029
	learning organization	,825	,099	,712	8,366	,000

a. Dependent Variable: organizational performance

Table 3.0. Coefficients

According to the coefficients found in the table above, the linear regression equation for our model is  $y = 0.778 + 0.825x$ , which means that if the Learning Organization variable is increased by one unit, there will be an increase in the organizational performance by 0.825 units. As a result, our hypothesis **H1** has been **accepted** and it has been concluded that learning organization structure will have a positive effect on organizational performance of a firm.

## 5. CONCLUSION

The findings of this study indicate that the learning organization framework or understanding has a positive impact on the overall organizational performance of firms in the textile sector. The overall findings of this research are to a great extent in conformity with previous research results that learning organizations through continuous learning and implementing of what they have learned will increase their organizational performance. Factor analysis, correlation and regression methods were used to test the hypothesis we established to achieve this result.

It can be noticed that firms, starting from the late 20th century and beginnings of the 21st century onwards, have started to give a lot of importance to information acquisition and learning processes on the path to gaining competitive advantage. Proper management and exploitation of this information lies in the use of appropriate institutional systems, and with such appropriate institutional systems business firms will be transformed into learning organizations.

As a conclusion, a great deal of responsibility fall to managers to embed the learning culture in the organization, and in order to reach out to new knowledge and properly use the existing knowledge in the path of gaining a competitive advantage in an ever changing environment, instilling the awareness of learning at the individual, team and organizational levels in the organization is one of the most important tasks of managers.



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