

Research on the Correlation between Organizational Learning and Business Performance

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Abstract: In highly competitive environment, enhancement of business performance by learning organization and proper leadership is the key of business operation at present. According to findings of this study, higher level of transformational leadership significantly and positively influences organizational learning. In addition, higher level of organizational learning significantly and positively influences business performance. Thus, this study suggests that in order to upgrade business performance, it must adopt transformational leadership and enhance level of organizational learning. This study can serve as the reference for the strategy of the company to reinforce business performance.

Keywords: organizational learning, transformational leadership, business performance

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I. Background And Purpose

In highly competitive environment, application of proper leadership and Organizational Learning to enhance Business Performance has been the emphasis of operational strategies in many enterprises. Only few studies have discussed the effect of organizational learning and leadership on business performance. Through literature review, this study explores the effect of transformational leadership and organizational learning on business performance. The research purposes are: (1) to explore the effect of organizational learning on business performance; (2) to explore the effect of transformational leadership on organizational learning; (3) to propose the suggestions for the company to enhance business performance.

II. Literature Review

2.1 Transformational Leadership

Yukl (2010) argued that transformational leadership means to influence organizational members who change the attitude and construct the commitment to organizational mission and goals. Bass and Avolio (1994) introduced four dimensions of transformational leadership, including charisma, inspirational motivation, intellectual stimulation and individualized consideration. Since then, the scholars mostly adopted these dimensions of transformational leadership. This study classifies transformational leadership by four dimensions proposed by Bass and Avolio (1994).

2.2 Organizational learning

Pace (2002) suggested that organizational learning is the adjustment process in the organization to respond to the environment in order to accomplish specific goals. Tippins and Sohi (2003) classified organizational learning into information acquisition, information communication, sharing interpretation and organizational memory. Templeton et al. (2002) proposed that organizational learning includes all activities in the organization, including information access, information communication, information interpretation and organizational memory. Pace (2002) divided organizational learning into information sharing, counselling climate, learning practice and achievement orientation. This study adopts four dimensions proposed by Tippins and Sohi (2003) as the ones of organizational learning.

2.3 Business Performance

Kirca et al. (2005) measured performance by overall business performance, profitability ratio, sales volume and market share. Croteau and Bergeron (2001) measured performance by profitability ratio and growth of sales. Tippins and Sohi (2003) measured organizational performance by profitability ratio, return on investment, customer retention rate and sales growth. Shrader (2001) measured operational performance by

profitability ratio and sales increase. Based on literature review, this study measures business performance by achieved rate of operational goals, growth of sales, increase of customers, enhancement of business efficiency and increase of competitiveness.

III. Research Method

This study explores correlation among transformational leadership, organizational learning and business performance by literature review. According to literature review, it develops the hypotheses as follows:

H1: Higher level of transformational leadership significantly and positively influences organizational learning.

H2: Higher level of organizational learning significantly and positively influences business performance.

3.1 Transformational leadership and organizational learning

Lam (2002) argued that transformational leadership enhances organizational learning. According to Rijal (2010), transformational leadership reinforces organizational learning. Hsiao and Chang (2011) suggested the positive correlation between transformational leadership and organizational learning. According to literature review, this study proposes H1: Higher level of transformational leadership significantly and positively influences organizational learning.

3.2 Organizational learning and business performance

Pham and Hoang (2019) suggested that organizational learning has a positive impact on business performance. Garcia-Morales and Llorens-Montes (2006) demonstrated that organizational learning is positively related to organizational performance. Pham (2016) found the positive relationship between organizational learning and business performance. This study proposes H2: higher level of organizational learning significantly and positively influences business performance.

IV. Conclusion And Suggestions

In highly competitive environment, enhancement of business performance by learning organization and proper leadership is the key of business operation at present. According to findings of this study, higher level of transformational leadership significantly and positively influences organizational learning. In addition, higher level of organizational learning significantly and positively influences business performance. Thus, this study suggests that in order to upgrade business performance, it must adopt transformational leadership and enhance level of organizational learning. This study can serve as the reference for the strategy of the company to reinforce business performance.

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