

# Linking Organizational Learning with Organizational Performance through Mediating Effect of Organizational Innovation

Dr. Muhammad Mudasar Ghafoor<sup>1</sup> Dr. Yasin Munir<sup>2</sup> Shehzad<sup>3</sup> Sajjad Ahmad<sup>4</sup>

1. Head and Assistant Professor, Department of Commerce, University of the Punjab Gujranwala Campus

2. Assistant Professor, Department of Commerce, University of the Punjab Gujranwala Campus

3. Research Scholar, Department of Commerce, University of the Punjab Gujranwala Campus

4. Visiting Lecturer, Department of Commerce, University of the Punjab Gujranwala Campus

## Abstract

This study aimed to investigate the impact of organizational learning on organizational performance by considering the mediating role of organizational innovation. The primary data was collected from employees of small and medium enterprises (SMEs) located at Gujranwala. Valid and pretested scales from prior studies were adopted to collect data from participants by using simple random sampling. Self-administrated questionnaire was designed for data collection. AMOS 21.0 and SPSS 21.0 were used for data analysis. Structural Equation Modeling technique was used to achieve the objectives. The results indicated that organizational learning positively and significantly associated with organizational performance. The findings also demonstrated that organizational innovation didn't mediate the relationship between organizational learning and organizational performance. The implication for managers and practitioners were described at the end.

**Keywords:** Organizational Learning, Organizational Innovation, Organizational Performance, Small and Medium Enterprises.

## 1. INTRODUCTION

Small and medium enterprises (SMEs) explain extremely considerable and diverse team of enterprises with some economic, technical and social character. SMEs are considered as monetary performance, producer and immense provider to the national budget. SMEs are also considered as sources that increase the source of revenue of population (Richman - Hirsch, 2001). The commencement of organizational learning is no newest (Argyris, 1977; Senge 1990). Leadership is put together situate of people to conquer frequent organizational target. Organizational learning are the organizations that will strictly outclass in the expectations will be the firms that determine prepare to spout the people's binder and faculty to learn at all rank in the organizations (Murrell and Walsh 1993). From the most recent two decades add up to researchers carried out studies investigation on learning organizations. Now a day, learning organization is an essential area because the organization countenances the adaptive transforming environment tuff competition. So that only those organizations that are adaptive to changing environment and are agile in nature can succeed in such a cut throat competition. The today's organizations are more focusing on learning within organization. Organizations to assure their long term success and survival (Atiq, 2013).

Prior research demonstrated that organizational learning forever seek out system to confine learned concepts to gathering incessantly (Alipour, Idris, & Karimi, 2011). The theory of organizational learning has been associated to innovation and performance in organizations (Watkins& Marsick, 1993; Power & Waddell, 2004). The power for transforming and unremitting perfection to congregate the dispute in the atmosphere in which organizations managing activates and has been related with the abilities of these organizations to learn (Senge, 1990; Armstrong & Foley, 2003). Therefore, organizations that learn will be proficient to maintain alongside each other with expansion and perfection in the business environment to run productively. Researchers argued that learning organizations are somewhere effort and knowledge are incorporated in an enduring, efficient comportment in sequence to maintain unremitting human being, team and organizational enhancements. Organizational innovation is identify as organization's potential to grip an organization-wide ambiance that is eager to recognize miscellaneous thoughts and is release to freshness, and that persuade its associated entity to suppose in narrative approach (Lin, 2006). The perspective in which organizational innovation is exercised in this research is described as organization's keenness to maintain and persuade employees' innovation whereby the progress of latest awareness and impending are endorse (Hurley& Hult, 1998; Hult, Hurley & Knight, 2004). Investigation as well designated that the achieving of organizational learning on organizational performance is to be expected to be together direct and indirect as the conception of innovative learning during knowledge agree to firm to accomplish a superior aggressive pose and above-average performance (Huber, 1991; Baker & Sinkula, 1999; Bates & Khasawneh, 2005). Assessment of obtainable literature signified that there stays alive numerous accent on convinced region of researches. At the outset, for the most part of researches in the vicinity of organizational learning, organizational performance and organizational innovation hub on private

organizations excluding underline on different nature of firms for example manufacturing, service and SMEs.

### **1.1. Problem Statement**

The prior part has acknowledged three spaces study which are examine in this investigate. A large number of studies into the individually associate between organizational learning and organizational innovation, and organizational performance has been approved (Steiber, 2012;Zaied, Louati,&Affes, 2015). On the other hand, no study into organizational learning that at the same time capture into description the inter-relationships linking organizational learning, and their impact on organizational performance, has been recognized. Organizational learning is distinctive in that organizational learning procedures are embedded in background. while large number of investigations have been passed out in foreign or western countries for example in Europe (Chaston, Badger, &Sadler - Smit, 2001;García-Morales et al., 2011) and additional to investigate the relationships of this study in a Asian developing world intellectual situation, such as Pakistan, is mandatory. Thus, the generally study problem has been put together as: How does organizational learning and its dimension influence the performance of small and medium size Pakistan (Gujranwala) enterprises (SMEs).

## **2. LITERATURE REVIEW**

### **2.1. Organizational Learning**

Organizational learning is the capability “within an organization to maintain or improve performance based on experience. This activity involves knowledge acquisition (the development or creation of skills, insights, and relationships), knowledge sharing (the dissemination to others of what has been acquired by some), and knowledge utilization (integration of learning so that it is assimilated and broadly available and can be generalized to new situations). Organizational learning is the development by which the organization boost the information produced by individuals in a prearranged way and converts this information into element of the organization's knowledge classification. The procedure occurs in a society of interface in which the forms generates understanding, which develops in a invariable self-motivated among the explicit and the tacit (Nonaka &Takeuchi, 1995). The progress of new talent and awareness and enlarge in the organization's competence allow organizational learning. Organizational learning engages behavioral and cognitive revolutionize. In excess of ever, organizational learning has happened to require before an alternative. Failure to find out is the motivation most firms evaporate ahead of forty years have passed (Argyris, 1977).Investigation focal point on organizational learning can be assembly into three main themes: how self-protective practices avoid knowledge(e.g. Argyris, 1977;Akgün, Lynn, & Yılmaz, 2006) how modifying in an organization's regular concern prospect performance (e.g.Argote & Miron-Spektor, 2011) and how properties of performance have transformed as a gathering of skill(Argote & Miron-Spektor, 2011). From the three most important argument of organizational learning, materialize six intellectual perceptions which have complete considerable assistance to understanding organizational learning: production management, strategy, management science, psychology, cultural anthropology and sociology. Every standpoint struggles to clarify happening that are measured the central part of organizational learning. The management science standpoint distress the congregation and giving out of information in, and about, the organization – how latent information are obtain, dispersed, infer and accumulate (Cyert & March, 1963;Huber, 1991).

### **2.2. Organizational Innovations**

Organizational innovativeness is considered in numerous regulations for instance marketing, management/strategy and entrepreneurship. Literature presents two point of view of looking at organizational innovation. The first is that innovation is a type of learning (Ries & Trout, 1981) or impressively innovative (Gopalakrishnan & Damanpour, 1997). The researcher proposed that innovation is a way during which organizations take action to a diversity of environmental vary while the other researchers argue that innovation submit to a product, fresh proposal, service or method accepted in organizations (Tushman & Nadler, 1986). An additional brook of investigators recognizes innovation as a multi-dimensional organizational attribute (Salim &Sulaiman, 2011).The organizational innovation is the preface of latest organizations scheme in the place of work or the links between a corporation and outside manager. The organizational innovations are powerfully related with all organizational pains to repair directorial practice, structure, course of action, instrument etc. and in organize to make good joint effort, group effort, management, distribution of information in sequence, learning and innovation. The organizational innovation is regard as a foundation of sustainable accomplishing the competitive advantage. Also, the organizational innovations are impressively linked with all managerial exertion to repair organizational arrangement, method, measures, practice, etc. and in sequence to maintain joint effort, coordination, teamwork, learning or knowledge allocation, innovation and learning. As observed by a upward deceased of examiners modernization is a medium of intensification in business and economy. The examiner submits to advance as ‘the introduction of an innovative fixation or process (Luecke & Katz, 2003). Innovativeness passes on to ‘a firm’s competencies to fit into place in new activity that is, foreword of fresh

method, goods, or thoughts in the organization' (Hult et al., 2004). This aptitude to innovate is amongst the leading feature which persuade the business performance and as such, innovativeness is along with the inimitable background which entrench in the indefinable and substantial possessions foremost a firm to victorious business performance. The up to date circumstances of the atmosphere (e.g. high possibility, insecurity and instability) absorb that organization have need to amplify modernization in sequence to keep up or boost their aggressiveness. The abilities to innovate are in the midst of the salient part that shock business performance (Hurley & Hult, 1998). Innovativeness granted elasticity for corporation to prefer poles apart selections to gratify their consumers on a sustainable source so that this will present a root for the continued existence (Banbury & Mitchell, 1995).

### 2.3. Organizational Performance

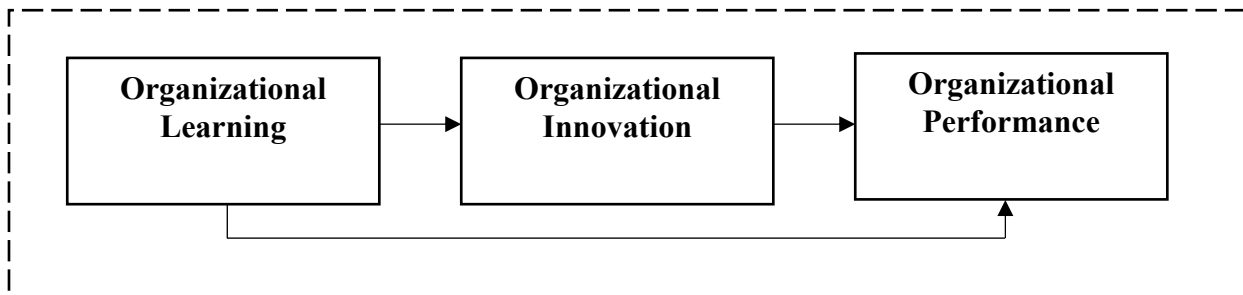
Professionals in numerous fields judge organizational performance as concerning tactical finance, operations, legal, planners and' organizational development. Organizational performance is a meter which procedures how fit an enterprise accomplished their purposes. An organization can review organizational performance according to the effectiveness and efficiency of target accomplishment. Buckley and Andersen (2006) circumstances that the theory of efficacy is a ratio, involving those two things are mandatory when determining and defining efficiency (e.g. return on assets). Andersen also regards effectiveness as the measure of target accomplishment (i.e. the attainment of productivity). Additionally, organizational performance contains the authentic productivity or consequences of an organization as deliberate against the planned productivity. Strijbos et al. (2004) identify that efficiency refers to the size and worth of individual or group effort accomplishing the targets. Currently, organizational performance, efficiency and effectiveness, are opposite words which are similar. Organizational performance, commonly identified as a spike of how able-bodied a corporations' responsibility according to several place of standard has for eternity been a fundamental apprehension for both scholars and management. judgment of managerial performance are carried out sequentially to comprehend the scope to which organizations reach their common tactical purpose in addition to their ambition interrelated to development and productivity in market share and sales (Hurley & Hult, 1998). Organizational performance has been recognized quite recently like a multidimensional and multifaceted thought (Prieto & Revilla, 2006) and to be incorporated both subjective and quantitative sections. As has been converses in the past fragment, every one stakeholder think about particular decisive factor when assessed organizational performance (Espinosa & Porter, 2011). For examiners, organizational performance implies huge yields on capital, high benefit levels and a high trust in the limits of the organization bunch. For customers, organizational performance suggests high thing and organizations quality, sensible expenses and brisk transport. For staff member, organizational performance implies respect and sensible treatment, reinforce and awesome pay groups. For suppliers, organizational performance means execution, increases in arrangements and go over business. For controllers, performance infers consistence with standards, while for gatherings, frankness and reliability, various organizational performance may represent neighborhood service, obligation and flourishing for the people from the gathering.

### 2.4. Theoretical Framework

Different researches specified that organizational learning hold strong correlation with organizational performance (Robinson et al., 1997; Dunphy & Griffiths, 1998; Khandekar & Sharma, 2006; Akhtar, Arif, Rubi, & Naveed, 2011) This was specialized to the corresponding enhancement of performance of organization and transform, after most important to enhanced organizational performance. Moreover, organization that gains knowledge of and skill progress in outcomes as the buying and selling of supportive acquaintance transpires. This is since in an organizational learning, there is a nonstop and pleasant knowledge atmosphere (Akhtar et al., 2011). On the other hand, the identical research famous that there were diverse consequences between the seven dimensions of organizational learning. particularly, a research by (Akhtar et al., 2011) distinguished that just two proportions of organizational learning had significant effect on organizational performance, namely inquiry and dialogue and systems connection. Jyothibabu et al. (2010) supported the judgment cooperatively and statement which donate absolutely to organizational performance. furthermore, classification of relationship had a alike influence on organizational performance as human resources were originate to be familiar on the inside and on the outside with their immediate surroundings and were competent to found relationship between the two (Akhtar et al., 2011). Therefore, the left over dimensions of organizational learning do not have positive outcome on organizational performance. Continuous learning has better collision on individual, before organizational performance. Whereas group learning arbitrates organizational performance, it circuitously manipulates it. In addition, Akhtar et al. (2011) intricate that the human resources in deliberate PIHEs rely on management to implement pronouncement as conflicting to individual authorized to formulate their own judgments, potentially because of the require of knowledge, skill and experience to do so. Especially, here is an extensive need in the obtainable literature in relation to the crash of organizational learning on organizational innovativeness in the perspective of Pakistan, SME's especially Gujranwala. On the other hand, in common the traditions of

organizational learning have been originated to comprise affirmative impact on organizational innovation (Tohidi et al., 2012). In position to framework except PIHEs, individual research which tinted the theoretical structure build up by Akhtar et al., 2011) distinguished that innovation outline the element of organizational performance. Researcher performed a research on the Iranian ceramic tile industry highlight on organizational learning capability and create that it does in actuality collision on organization innovation (Tohidi et al., 2012). in the same way, a Fortune 500 worldwide companies stand in Bangalore was also establish to have a high denote gain for the latent for Organizational Learning Index (POLI), involve that the corporation is faithful to its innovation, stabilization and accomplishment. The consequences of these studies are auxiliary maintain in a research by(Salim & Sulaiman, 2011) whereby organizational learning was initiate to be significant for innovation in small and medium enterprises (SMEs) working in the Malaysian ICT industry. Correspondingly, organizational learning was also established to be extensively interrelated with innovation for SMEs in Uganda, to some extent representing that geographic site may not have partial the correlation between the two variables. The research conducted in Malaysia PIHE's the relationship indicate that there is significant relationship between organizational learning, organizational innovation and organizational performance (Husseina et al., 2014).The ordinary research shows that considerable correlation among organizational innovation capability and organizational performance in the banking sector of Pakistan (Zahid & Ali, 2011). The study specify there is significant relationship between the organizational innovation and organizational performance (Sharif, Ashraf,& Khan, 2013).

## 2.5. Conceptual Framework



- H<sub>2</sub>:** There is positive relationship between the organizational innovation and organizational performance.  
**H<sub>3</sub>:** There is positive relationship between organizational learning and organizational performance.  
**H<sub>4</sub>:** Organizational innovation mediates the relationship between organizational learning and organizational performance

## 3. METHODOLOGY

### 3.1. Design and Sample

This study aimed to examine the relationship of organizational learning with organizational performance under mediation of organizational innovativeness. Cross sectional design was used to find out cause and effect relationships among variables. Self-administrated questionnaire was used to measure data from employees of SMEs (Gujranwala) by applying simple random sampling.

**Table 1: Demographic Information**

Demographic	Demographic Features	Frequency	Percentage
<b>Age</b>	20-25	16	7.6
	26-30	55	26.2
	31-35	74	35.2
	36 or greater	65	31
	Total	210	100.0
<b>Gender</b>	Male	210	100
	Female	0	0
<b>Qualification</b>	Graduation	81	38.6
	Master	111	52.9
	MS/M.phil	11	5.3
	Others	7	3.3
	Total	210	100.0
<b>Job Experience</b>	Less than a year	68	32.4
	2-5 years	58	27.6
	6-10 years	25	11.9
	11 or above	59	28.1
	Total	210	100.0
<b>Monthly salary</b>	Less than 20,000	92	43.8
	21,000-30,000	79	37.6
	31,000-40,000	34	16.2
	41,00 or above	5	2.4
	Total	210	100.0

### 3.2. Instruments

Organizational learning was measured by adopting 4-items scale of Hung et al. (2011). Example of item is, “Your organization encourages employees to share work experiences or learning reflections”. The scale’s reliability was .90 in current study. Organizational innovation was measured by using 14-items scale of Lin (2006). Sample item encompasses, “Innovation in our organization is encouraged”. The Cronbach alpha reliability was 0.86. Further, organizational performance was measured by using 6-item scale of Hung et al. (2011). Sample item includes, “Your organization has the ability to provide customers with high quality goods and services”. The scale’s alpha reliability in this research is .86.

## 4. DATA ANALYSIS AND FINDINGS

### 4.1. CFA of Instruments

**Table 2: Fit Indices**

Statistics	Fit Indices	OL	OI	OP
<b>Absolute Fit</b>	$\chi^2$	4.947	116.852	19.388
	DF	2	56	6
	CMIN/DF	2.474	2.087	3.231
	GFI	.998	.925	.970
	RMR	.028	.069	.025
	RMSEA	.084	.072	.103
<b>Incremental Fit</b>	NFI	.988	.898	.977
	TLI	.978	.906	.959
	CFI	.993	.942	.984
<b>Parsimony Fit</b>	AGFI	.941	.859	.895

*OL= organizational learning; OI= organizational innovativeness; OP= organizational performance*

**Table 3: Factor Loading**

Items	FL	AVE	CR	Items	FL	AVE	CR
<b>Organizational Learning</b>				OI9	.40		
OL1	.83			OI10	.41		
OL2	.89	.87	.97	OI11	.46		
OL3	.75			OI12	.49		
OL4	.64			OI13	.57		
<b>Organizational Innovativeness</b>				OI14	.35		
OI1	.55			<b>Organizational Performance</b>			
OI2	.68			OP1	.77		
OI3	.63			OP2	.68		
OI4	.71			OP3	.81		
OI5	.61			OP4	.82	.79	.90
OI6	.54	.88	.92	OP5	.89		
OI7	.66			OP6	.82		
OI8	.51						

*FL= factor loading; AVE= average variance extracted; CR= construct reliability; Italic and bold items are excluded in confirmatory factor analysis*

Result of 1-factors model of organizational learning explained statistically good fit as  $\chi^2= 4.947$ ,  $df= 2$  and other values like GFI= .988, CFI= .993, RMR=.028 and RMSEA=.084 were in satisfactory range as shown in table 2. Furthermore, table 3 shows ample factor loadings of the entire factors range from .30 to .85 which is reasonably suitable. Results of 1 factor model of organizational innovativeness demonstrated statistically good fit, but  $\chi^2= 116.852$   $df= 56$  was high and enduring significance like GFI= .925, CFI= .942, RMR= .069 and RMSEA= .072 were in adequate range as shown in table 2. Additionally, figure represents the adequate factor loadings of one factors ranged from .35 to .75. Results of 1 factor model organizational performance showed statistically poorly fit model as  $\chi^2/df= 19.388(6)$  was high and satisfactory values like GFI=.970, CFI= .984, RMR=.025 and RMSEA= .103 were in up to standard range. The range of standardized factor loadings in the post - modification model is .40 to .85 which is in quite acceptable range.

#### 4.2. Correlation

**Table 4: Correlation Matrix**

Variables	Mean	SD	OL	OI	OP
OL	3.83	.925	1		
OI	3.35	.559	.255**	1	
OP	4.17	.802	.712**	.424**	1

*OL= organizational learning; OI= organizational innovativeness; OP= organizational performance*

Table 4 symbolizes the correlation significance of observation of organizational learning, organizational innovation and organizational performance. The mean values of leadership that reinforced learning is 3.8357 which are nearly to 4, it represents the widely held of the respondents were approved and .92534 is the standard deviation of organizational learning which shows 93% variation in the midst of reactions. Furthermore, organizational learning positively and significantly correlated ( $r= .255^{**}$ ) with organizational innovation and organizational performance at  $P<.01$  correspondingly. The mean value of organizational innovation is 3.3755 close to 3 it denotes the common of the respondents were neutral and .55930 is the standard deviation of organizational innovation which demonstrate 56% variation between responses. Additionally, organizational innovation is significantly correlated ( $r= .424^{**}$ , at  $P<.01$ ) with organizational performance while the correlation between organizational innovation and organizational performance is positively insignificant at  $P<.01$ . The mean value of organizational performance is 4.1786 close to 4 it means the mainstream of the respondents were agreed and .80220 is the standard deviation of organizational performance which illustrate 80% variation within responses. In addition, organizational learning positively and significantly correlated ( $r= .712^{**}$ ) with organizational innovation and organizational performance at  $P<.01$  respectively.

### 4.3. Structural Equation Modeling

#### 4.3.1. Direct Effects

**Table 5:** Standardized Estimate of Direct Effects

Indications of relationship of variables	Standardized Estimate	S.E.	C.R.	P	Results
OP <--- OL	.646	.041	13.762	***	Significant
OP <--- OI	.259	.067	5.518	***	Significant

*OL= organizational learning; OI= organizational innovativeness; OP= organizational performance*

Table 5 depicted the significant direct impact of organizational learning on organizational performance ( $\beta=.56$ ;  $P<.05$ ), organizational innovation on organizational performance ( $\beta= .37$ ;  $P<.05$ ). In the present research all hypothetical direct consequences are calculate to test whether to meet the 1<sup>st</sup> assumption of mediation or not. According to [Barron and Kenny \(1986\)](#) the 1<sup>st</sup> assumption of mediation investigation is, there should be a significant direct relationship between every exogenous and endogenous variable to carry on the investigation of mediation.

#### 4.3.2. Indirect Effects

**Table 6:** Direct, Indirect and Total Effects of Constructs

Endogenous Variables	Effects	Organizational Learning	Organizational innovation
<b>Organizational performance</b>	Direct Effects	.646	.000
	Indirect Effects	.066	.000
	Total Effects	.712	.000
<b>Organizational innovation</b>	Direct Effects	.255	.259
	Indirect Effects	.000	.000
	Total Effect	.255	.259

**Table 7:** Standardized Estimates of Path Analysis

Indications of relationship of variables	Standardized Estimate	S.E.	C.R.	P	Results
OI <--- OL	.255	.040	3.812	***	Significant
OP <--- OL	.646	.041	13.762	***	Significant
OP <--- OI	.259	.067	5.518	***	Significant

*OL= organizational learning; OI= organizational innovativeness; OP= organizational performance*

In the current research, whole the direct effects were examine by using structural equation modeling then organizational innovation was integrated in among the relationship of organizational learning and organizational performance. When organizational innovation was tested in among the correlation of organizational learning and organizational performance, the direct relationship of organizational learning was significant ( $\beta= .646$ ;  $P<.05$ ). Table 6 shows the total effect ( $\beta= .712$ ;  $P<.05$ ) of organizational learning on organizational performance along the mediating effect of organizational innovation while the direct effect ( $\beta= .646$ ;  $P<.05$ ) of organizational learning and organizational performance is less than the indirect effect ( $\beta= .066$ ;  $P<.05$ ) as shown in table 6. Conclusion precise that there is no mediation which authenticate that there is the no strong mediating effect of organizational innovation linking the relationship of organizational learning and organizational performance in SME's administrative or managerial staff. When organizational innovation was tested in among the relationship of organizational learning and organizational performance, the direct relationship of organizational learning with organizational innovation was become significant ( $\beta= .255$ ;  $P<.05$ ). Consequences point out that there is no mediating effect of organizational innovation between organizational learning and organizational performance. Furthermore, when organizational innovation was tested with organizational learning and organizational performance, the direct relationship of organizational innovation was stay behind significant ( $\beta= .255$   $P<.05$ ). Table 6 shows the total effect ( $\beta= .255$ ;  $P<.05$ ) of organizational innovation on organizational performance along the mediating effect of organizational innovation while the direct effect ( $\beta= .0255$ ;  $P<.05$ ) of organizational learning and organizational innovation is less than the indirect effect ( $\beta= .000$ ;  $P<.05$ ) as shown in table 6. Outcomes specify that there is no mediation which shows that there is a no mediating effect of organizational innovation with the relationship of organizational learning and organizational performance in SME's administrative staff.

## 5. DISCUSSION AND CONCLUSION

Innovation can guide to amplified greater production efficiency, productivity growth, higher market share and increased revenue (Shefer & Frenkel, 2005). According to Zahra et al. (2000), innovation facilitate organizations to propose superior assortment of distinguish products that be able to progress of financial performance. We hypothesized that the organizational learning influences the organizational innovation. The research compete that individual and organizational learning explain considerable and positive consequence on organizational performance (Ruiz-Mercader et al., 2006). In reality, the researcher, circumstances that group learning positively manipulate both task performance and the excellence of interpersonal relations (Zellmer-Bruhn & Gibson, 2006). The investigation expresses “how learning orientation and organizational memory are related to important organizational outcomes”. Thus, we hypothesize that the organizational innovation influences the organizational performance. The purpose of this research was to observe the effect of organizational learning on organizational innovation and organizational performance. The anticipated hypotheses were tested using SEM. path coefficients of H1, H2 and H3 were statistically considerable in the calculation way. “This research bring to a close that organizational learning has positive impact on organizational innovation (H1)” that is constant with conclusion of (Ruiz-Mercader et al., 2006; Hung et al., 2011). An organization devoted to learning endeavor to extremely realize its environment, which consists of the emerging technology, competitors and customers. Organizational innovation also absorbs the aspiration to assume new thoughts. This way that a positive learning atmosphere is important for SME’s that try to find to do better than its competitors through different innovation processes. Managers must therefore, encourage and generate the zeal to learn between their employees so that they build up new expertise’s and contribute to obtainable information (Salim & Sulaiman, 2011). Also, this investigation explains that “organizational innovation has positive impact on organizational performance (H2)” which sustains prior studies (Bonifacio & Molani, 2003; Garcia-Morales et al., 2011; Hung et al., 2011). Consequently, sequentially to boost organizational performance through innovation, executives and managers must importance scientific innovations and should ascertain remuneration guiding principle for new ideas and innovations planned by employees. Eventually, earlier study (Ruiz-Mercader et al., 2006; Hung et al., 2011) illustrate that organizational learning positively affects organizational performance. In view of the fact that performance is a fundamental apprehension to every organizations, so organizations must promote employees to contribute work skills or learning suggestion, human being must energetically investigate the recent market and actively improve their professional competencies and interrelated new product information and should set work-related target and struggle to achieve them to improve organizational performance indirectly and directly through organizational innovation since the formation of innovative culture through learning permit organizations to get a superior aggressive position and above-average performance.

### 5.1. Research Implication

The study presents several implications for organizational learning theory and organizational development in broad-spectrum. Organizational learning literatures mainly in observe to SMEs and developing countries: There is a need of compromise on what is organizational learning, organizational innovation and organizational performance. There is require of experimental study into how organizational learning influences organizational performance. There is being deficient in of observed investigation on organizational learning in a SMEs perspective. There is a short of empirical study on organizational learning in hold to the Pakistani traditions.

### 5.2. Research Limitation

There are some research limitations. The investigation is accomplished at SME’s staffs Gujranwala city. So, the outcomes cannot be comprehensive to other business as well as managers in other small and medium enterprise. Since by way of additional studies that uses questionnaire as the gadget to collect data, there might be a difficulty of collective attractiveness. Various respondents may have the propensity to overstate or offer reaction estimated to be attractive by others, as a reserve of generous sincere responses. The research was an experimental research, the performance of SME managers or owner or employees in relation to organizational learning might transform as managers and owner amplify their stage of learning and appearance diverse business atmosphere. The observed environment of the investigation covers a sequence of potentially energetic concepts (organizational learning, organizational innovation, and organizational performance) inevitable that the research envelops performance and innovation at a precise point in time and not performance and innovation over time. Every of the experimental variables, including organizational innovation and organizational performance, were considered using objective data from respondents. yet, this type of data has been commonly used in earlier researches (Garcia-Morales et al., 2007; Hung et al., 2011). This research paying attention on the trade and services sectors of the Pakistan economy, specially Gujranwala, for the explanation that have been summarize in the thesis and is therefore relevant to that field.



### 5.3. Decision Policy

This research makes available discoveries which have implications for policy decision making as accessible. Organizational learning control organizational performance, thus SME manager and such as the Pakistani government or other non-governmental institutions requires containing the organizational learning concept in conduct curriculum activities. Clarification as to how to share, acquire, use and accumulate information constantly for the most favorable advantage and competitiveness of SMEs must be integrated in training programs. When on condition that a seminar or a preparation course for SMEs, for example, policy makers should encourage their contributor to contribute to their new learning and information and expertise with other staff so that the seminar or training does not only assistance to individual employees but the entire organization. To motivate frankness and to distribute employee's expertise and information, a SME organization requirement to produced circumstance of dependence between all stakeholders of the organization.

### 5.4. Opportunities for Future Research

There are some futures directions. A future longitudinal research can be carried out to observe any self-motivated modification that may take place. Alike SME based studies can be examine in other countries and traditions. A related research must be accomplished in Asia, Western and developed countries to achieve enhanced understanding of organizational learning in diverse nationalized cultures and levels of improvement.

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