

THE EFFECTIVENESS OF ORGANIZATIONAL LEARNING AND INNOVATION ON FINANCIAL PERFORMANCE OF SERVICE-BASED ORGANIZATIONS (DEY BANK AND INSURANCE)

Marzieh Ehrami

Master Of Business Administration In Aras Institute Of Higher Education

ABSTRACT

The present article is to determine the role of organizational learning and innovation on the financial performance of service-based companies (Dey Bank and Insurance). For this purpose, the role of organizational learning and innovation on the financial performance of service-based companies was examined. Based on the information obtained, 230 companies were selected as sample size using Cochran formula. The data gathering tool in this research was questionnaire, which 227 questionnaires were distributed among service-based companies, which 197 completed questionnaires were returned. Data collected through structural equation modeling (Amos 20) were analyzed. Findings of the research show that organizational learning and innovation have a positive impact on financial performance of companies.

Keywords: organizational learning, innovation, financial performance, service-based companies

INTRODUCTION

Today, direct relationship between organizational capabilities and performance has been confirmed based on resource-based theories and various researches have been done in this regard. Firms that successfully learn how to attract consumers' satisfaction, their survival are guaranteed by their own experience and are able to achieve savings from the scale of production. (Porter, 1985, 212)

The extraordinary importance of customers leads to the emergence of relationship marketing and requires the use of appropriate tool to maintain them. (alexanderclegat, 1998, 144) In order to maintain customers, it is also necessary to establish a close and strong relationship with them in order to ensure that they are committed. For this reason, the relationship must have good and high quality.

The level of being learning of organization is knowledge and insight that potentially can affect behavior. Accordingly, Sinkla et al. (1997) concluded that the tendency to learn more could directly increase the production of market information and increase the dissemination of information. (Hassan Beigi, 2010, 52) Simon (2001) considers the tendency toward learning in the organization as the growth of insight and the restructuring and successful review of organizational problems by individuals, whose results are reflected in structural factors and organizational outcomes. From the perspective of learning, there is a new advancement in knowledge and insight that can effectively affect behavior (Crop et al., 2006; Narrow & Slater, 1995)

According to Yosof and Mahd. Arif (2005), innovation means the amount of new product or service offered to the market and defined as a capacity for introducing new products or ideas in the organization. Innovation may lead to efficient research and extensive efforts to use resources and create new and diverse products. Innovation means improving existing processes and technology and creating new technology. The main

goal of organizations from innovate is to capture the overtaking of competitors in the entire industry (Hamidizadeh et al, 2006, 24)

Financial performance: The dependent variable in this research is organizational performance. Organizational performance is one of the most important constituents in management research and undoubtedly it is the most important measure of success in business, but generally speaking, what are the variables and performance indicators of an organization, there is not still a complete agreement between the experts. Organizational performance indicators can be divided into objective and subjective categories. The objective performance indicators are indicators that are completely realistic and measured based on objective data. Among the objective indicators of organizational performance can be referred to profitability indicators such as return on assets, return on equity, return on investment, earnings per share, and stock returns.

In this regard, Nili and colleagues describe performance measurement as a quantitative process of activity. In this definition, measurement is a quantitative process and activity is related to performance. This is a suitable metric to ensure achieving of company to its ultimate goal, which is to maximize the wealth of owners. This factor is one of the most important ways for stockholders to assess the company's performance and, consequently, the correct economic decision-making. (Abzari et al., 2008, 30)

BACKGROUND RESEARCH:

Organizational capabilities play an important role in creating competitive advantage for the organization, including the capabilities can be referred to innovation and learning. To assess the impact of innovation and learning on the performance of Tabriz Petrochemical Company, 265 questionnaires were distributed among the official staff with a bachelor's degree and above, of which 255 questionnaires were specified appropriate for proper analysis. The results of the research show that there is a significant relationship between innovation, marketing and learning capabilities as complementary capabilities and organizational performance.

Seyyed Mojtaba Mir Aghaei, Vahid Shabani and Amir Ghanbari Barzyan and Vahideh Shabani (2014) investigated the research titled "Investigating the Effect of Customer Relationship Management on General Performance of Tehran Financial Institutions", in today's competitive world, no organization can distinguishes itself from other organizations through excellence in its operations or innovation in products, unless understand deeply the needs and desires of customers. In this research, data analysis was done using regression analysis techniques of SPSS software. The overall result of the research suggests that customer relationship management has a positive and significant effect on the overall performance in two aspects of marketing performance (loyalty, trust, and collaboration) and financial performance (return on investment and sales growth).

Investigating the relationship between organizational trust and promoting the spirit of organizational innovation ", Case study: Bank employees of Eivan Gharb city, Ehsan Abbasi, Yousef Mansouri, Sadegh Rostami, Mohsen Abbasi, 2014. Research findings show that trust in organization, director and colleagues has a positive and significant relationship with organizational innovation.

Innovation management through common production in collaboration between the companies, Elsevier, 2015, it shows a positive impact between common production and innovation, as well as positive relationships between social capital and joint production, which is social capitals (empathy, cooperation, trust).

The relationship of organizational learning, continuous improvement and inter-organizational trust with organizational performance in insurance services representative companies, Nader Mazlomi, Mahmoud Zamanif Mir aAli Seyyed Naghavi, Arefeh Robaei, 2014; the results of the research show that there is a

significant relationship between organizational learning, inter-organizational trust, continuous improvement and organizational performance.

Research design

The present research is an applied research objectively and it is a causal research in terms of method. The survey method has been used to collect the required data for the variables presented in the theoretical model of the research.

Statistical population

The statistical population of the study consisted of all service-oriented organizations (branches of Dey bank and insurance) in Tehran. According to the information obtained, 230 service-based of Dey bank and insurance have been considered as the statistical population.

Sampling method

The method used to collect the data of this paper is questionnaire. The questionnaire is the most effective method for collecting empirical data from large samples and it is the most commonly used method for data collection (Clark, 1999)

data analysis method

In this paper, for the first analysis of the data, Amos is used and for testing the model hypothesis, Structural Equation Modeling (SEM) has been used using confirmatory factor analysis.

RESEARCH HYPOTHESES

The main hypothesis:

The main objective of this research is to identify the role of learning and innovation in financial performance of service-based organizations.

Sub-hypotheses:

The tendency to learning has an impact on the financial performance of service-based organizations.

The ability to innovate has an impact on the quality of the relationship in service-based organizations.

DATA ANALYSIS

Regarding that in factor analysis and structural equations modeling, it is necessary to distribution of variables follows the normal distribution, so it is necessary to test their distribution normality before using the variables in the analyzes.

If the absolute value of [Skewness and kurtosis](#) is less than 2, or the absolute value of z of the Kolmogorov-Smirnov is lower than 1.96, then the normality of distribution of the selected variable can be detected, so that if the "level of significance" is greater than 0.05, the claim of normality of selected variable is verified. SPSS output shows that the variables are accepted within the level and the data has normal distribution.

The results related to the age of the respondents indicate that the highest amount with 64.56% belongs to the age group less than 30 years old and the lowest amount with 52.3% is related to the age group more than 50 years. Also, 61.24% are between 31-40 years old and 23.15% are between 41 and 50 years old.

In terms of education, 53.19% of respondents have associate degree and lower, 53.44% have BA degree, 59.33% have MA degree and 34.2% have doctoral degrees.

The classification of respondents according to their position shows that 16.85% of the respondents were financial managers and 55.10% of the respondents were commercial manager and 30.4% of the respondents

were managing director.

Organizational capabilities were measured using two distinct factors: learning tendency, innovation, each of these factors was measured by a number of items. Totally, 8 items have been used to measure the two factors (organizational capabilities structure). The factor of tendency to learning are measured with 4 indicators (G. L1 to G. L4), innovation factor with 4 indicators (G. N1 to G. N4).

Table1. Confirmed and deleted items of organizational capabilities

Line	Main item	Item label	Position of item
1	In these branches, new information related to the field of work is effectively identified and studied.	G.L1	Deleted
2	In these branches, all employees and presidents are diligent in acquiring scientific and practical skills.	G.L2	Confirmed
3	Organizing formal education courses in these branches is carried out during the course of work.	G.L3	Confirmed
4	In these branches, successful industry practices are imitated to enhance the level of activity.	G.L4	Confirmed
5	An important part of the annual sales is related to the new service that branches introduce to the market.	G.N1	Confirmed
6	The branches have been able to increase their market share by presenting new products.	G.N2	Confirmed
7	These branches use new and modern techniques and technologies to produce services	G.N3	Confirmed
8	Branches use the mental capabilities of individuals to create a new thought or concept.	G.N4	Confirmed

Considering the existence of two factors in this model, it is necessary to calculate the correlation between these factors and their non-overlapping to be specified. By implementing a measurement model in which two factors of learning tendency and innovation ability were correlated, it was found that the correlation between these factors is less than 0.85, and one-dimensional of the factors and their divergent validity are confirmed.

Factor model of financial performance was measured using three indicators. This index includes F.P 1 to F.P 3. Confirmatory factor analysis results show that standardized parameter estimation was significantly satisfactory for all indices. ($P < 0.001$) i.e. the factor loads of all indicators are higher than 0.5. Also, the results of the indicators of fitting model show a good improvement and show the proper fitting of the model to the data.

Table 2. Confirmed and deleted items of financial performance variable

Line	Main item	Item label	Position of item
1	Branches of Dey Bank and insurance have had a good sales growth in comparison to the average industry over the past three years.	F.P1	Confirmed
2	Branches of Dey Bank and insurance have been profitable in comparison to the average industry over the past three years.	F.P2	Confirmed
3	Branches of Dey bank and insurance have had a good return on assets in comparison with the average industry over the past three years.	F.P3	Confirmed

Hypothesis 1: The tendency to learning has an impact on the financial performance of service-based organizations.

Concerning the first hypothesis of the study, the coefficient p is less than 0.05 ($p = 0.000$). It can be concluded that the hypothesis H2 is confirmed with a confidence level of 99%. The ability to learn has a positive effect on the financial performance of service-based organizations. Also, of the standardized coefficient ($\beta = 0.266$) can be concluded that this effect is positive. In other words, by increasing the ability to learn, financial performance of service-based organizations will also increase.

Second hypothesis: Innovation has an impact on financial performance of service-based organizations.

Also, about hypothesis H3, it can be stated that by increasing innovation, financial performance of service-based organizations increases and this hypothesis is confirmed with 99% confidence level ($p = 0.000$). Considering that the standardized coefficient ($\beta = 0.22$) is positive, it can be concluded that innovation capability has a positive effect on financial performance of service-based organizations.

CONCLUSION

Concerning the first hypothesis of the research, the coefficient p is less than 0.05 ($p = 0.000$). It can be concluded that the hypothesis H2 is confirmed with a confidence level of 99%. The ability to learn has a positive effect on the financial performance of service-based organizations. Also, of the standardized coefficient ($\beta = 0.266$), it can be concluded that this effect is positive. In other words, by increasing the ability to learn, financial performance of service-based organizations will increase. This hypothesis is consistent with the findings of (Ghorbanali Agha Ahmadi, Sonboleh Radaie, Nader Mazlomi, Mahmoud Zamani, Mir Ali Sayyed Naghavi, Arefeh Rabaei, and Elsevier).

Innovation capability has an impact on the financial performance of service-based organizations.

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SUGGESTIONS:

Since this research has been conducted at a specific time section, it is suggested that future research to be carried out at different time intervals in order to obtain better results and also its results to be compared at different times.

The present study was tested only in the service-based organizations (Dey Bank and Insurance), and it is likely that by implementing this model in other industries, different results to be obtained.

In the next research, the relevance of each of the variables could be evaluated by the satisfaction and loyalty of company.

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