Relationship between Organizational Learning and Performance of Insurance Firms in Kenya

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Abstract

The objective of the study was to establish the relationship between organizational learning and firm performance. The study used cross sectional descriptive research design. A descriptive cross-sectional design facilitated determination of relationship between organizational learning, and performance of firms in the insurance industry in Kenya. The population of interest in this study consisted of all the 45 insurance firms offering insurance cover in Kenya. This was a census study since the population was small. Both primary and secondary data were collected and used in the study. The data analysis was done using quantitative techniques. The data collected was first summarized, categorized and coded. Descriptive statistics were used. They consisted of frequency distributions, measures of central tendency (arithmetic mean, median, and mode). Regression models were used to test the hypotheses. The results showed that organizational learning has a positive and statistically significant effect on firm performance in the case of return on assets, growth of market share and the overall firm performance. The study revealed that organizational learning has a significant influence on firm performance both when using return on assets and growth of market share as the dependent variable. Managers in the insurance industry can apply the findings of this study to develop internal capacity to work towards superior performance. Firms must embrace organizational learning as a key resources and this study can be used to demonstrate that it would be worth spending resources to engage in organizational learning.

Keywords: Insurance firms, Organizational Learning, Return on Assets, Growth of Market Share and Firm Performance.

1. Introduction

Organizational learning has been variously defined. Leroy and Remanantsoa (1997) defined organizational learning as the collective phenomena of the acquisition, development and dissemination of knowledge and skills within the organization to positively influence organizational outcomes. Lipshitz et al (2007) define organizational learning as a conscious and critical process of reflection intended to produce new perceptions, goals and/or behavioural strategies.

Crossan, Lane, and White (1999) presented a model of organizational learning called “The 41 framework” which identified four main processes through which learning occurs as intuiting, interpreting, integrating and institutionalizing. This study defines organizational learning as a cyclical process through which knowledge that is acquired at an individual or group level is objectified on the organizational level by sharing and having a shared interpretation, institutionalized and embedded in the organizational memory (Crossan, Lane, and White, 1995). Organizational learning is concerned with the strategies and process of identifying, capturing and leveraging such knowledge to enhance competitiveness (Manasco, 1996).

Organizational learning is viewed as one of the fundamental sources of improved and superior performance in the strategic management field (Nonaka, 1984). Theorists argue that in dynamic and uncertain environments, the ability of firms to learn faster than competitors may provide sustained competitive...
advantage (De Geus 1988; Stata 1989). Innovation, change, organizational renewal and dynamic capabilities have become important bases of sustained superior performance (Hedlund 1994).

Currently, there are 45 licensed insurance firms that offer insurance cover in Kenya and contribute to a sustained economic development of Kenya. The contribution of insurance sector was at 2.63% of the Gross Domestic Product in Kenya in 2012 (Mudaki et al., 2012). Insurance Regulatory Authority (IRA), established in 2006, is improving the regulatory environment and enforcing the adoption of international best standards by the insurance industry in Kenya. IRA ensures the industry players observe the rules governing the insurance industry. The Government of Kenya recognizes that accelerating economic growth to 10% (Vision 2030 target) requires an efficient financial sector capable of providing the requisite national savings for financing the needed higher investment levels (http://www.treasury.go.ke). The insurance industry being a key player in the financial sector is being depended on to come up with innovations to provide efficiency and expanded insurance coverage in order to mobilize the requisite savings, in addition to covering risks to support and encourage businesses (http://www.treasury.go.ke). The Kenyan Insurance market collected gross premiums of approximately Ksh100 billion in the year 2014, while the penetration ratio continues to grow by well above 2.5 percent, which is the average for emerging markets (Association of Kenya Insurers (AKI) Report, 2014).

1.1 Problem Statement

The total gross premium income (GPI) in the insurance industry has continued to grow by an average of 16 percent over the last five years (Association of Kenya Insurers (AKI) Report, 2014). Competition is stiff and products are imitable in the insurance industry while the firms have to deal with negative perceptions about the priority that should be given to insurance products in an environment where more than half of the population live below the poverty line (Association of Kenya Insurers (AKI) Report, 2014). The industry has a problem of limited skills and faces a high rate of staff turnover (Association of Kenya Insurers (AKI) Report, 2014). It would be interesting to study the relationship between organizational learning and firm performance.

While Crossan, Lane, and White (1999) identified four main processes through which learning occurs as intuiting, interpreting, integrating and institutionalizing, Hyttinen (2005) investigated the conversion of individual knowledge creation into organizational knowledge creation and found that intuiting, interpreting and integrating were a better fit for the processes that convert individual knowledge to organizational knowledge. The above-cited studies were only theory based and did not examine the effect of organizational learning on firm performance. Ollila (1994) in his study encouraged employees to learn new skills continuously so as to be innovative and to try new processes and work methods in order to achieve the strategic business objectives of the organization. He did not examine what firms need to put in place and what influences the process through which organizational learning impacts performance.

1.2 Research Objective

The objective of the study was to establish the relationship between organizational learning and firm performance.

2. Literature Review

The focus of this section is the review of relevant theories and previous empirical studies on organizational learning and firm performance.

2.1 Theoretical Foundation

This study is anchored on resource based view, knowledge base view, and organizational development theory. These theories are reviewed below.

2.1.1 Resource-Based View (RBV)

The Resource-Based View (RBV) of the firm or the internal view of competitive advantage arose from a diversion since the early 1980s towards considering internal resources and capabilities as the primary source
of competitiveness. Barney (1991) and Wernerfelt (1984) developed the resource-based theory around the internal competencies of firms and turned the interest of strategic management towards the inside of the firm. According to RBV competitive advantage is rooted in a firm’s assets that are valuable and inimitable. This perspective expects firms to compete based on their unique or distinctive internal capabilities, competencies and resource capabilities (Hoskisson et al, 1999).

A firm’s capabilities or competencies and management ability to marshal the resources and their deployment patterns to produce superior performance determine its competitive advantage (Grant, 1991). Barney (1991) also noted that by nurturing a firm’s resources and internal competencies and applying them to an appropriate external environment in a timely way, a firm can develop a viable and sustainable strategy. In 2002 McEvily and Charkravathy carried out a study and verified that if a firm was able to continually and quickly learn, adapt and provide unique requirements of stakeholders in a manner that could not be immediately imitated then they could outperform competitors. The ability of firms to embrace organizational learning in a timely manner is an important internal resource that can enable a firm to stay ahead of competition and apply appropriate actions in response to environmental changes.

2.1.2 Knowledge-Based View

The Knowledge-Based View (KBV) is an extension of the resource-based view. It advances the critical role of internal resources and focuses on differentiated knowledge inventories as a basis for competitive advantage (Hoskisson et al, 1999). Writers on the knowledge-based view consider knowledge as a strategic resource and the gathering of knowledge as building of strategic capability (Conner, 1991; Grant, 1996; Kogut and Zander, 1993; Leonard-Barton, 1992; Liebaskind, 1996; Spender and Grant, 1996; Teece et al, 1997 and Winter, 1987).

A firm’s knowledge about routines and processes that define the distinctive way of doing things inside the organization and the knowledge of customer needs and suppliers strengths are critical to superior performance (Grant, 1991). A widely shared view in the strategic management literature is that performance differences between organizations are a result of their different stocks of knowledge and their differing capabilities in developing and deploying knowledge (Choo and Bontis, 2002). The dynamic environment in which firms operate today has raised a lot of interest in continuous learning and gathering of knowledge in organizations and being able to make well informed timely decisions on necessary change that is needed to maintain superior firm performance (Sanchez, 1995).

2.1.3 Organizational Development Theory (ODT)

Organizational Development Theory (ODT) propounded by Lewin (1951) explicitly emphasized both the practice and scholarship of planned organizational change. Lewin's work helped to show that feedback was a valuable tool in improving performance. Lewin's theory of organizational development is very valuable and suggests that organizational change has three steps known as unfreezing, transformation, and refreezing. During the first step, an organization realizes there is a need for change. During transformation, the changes in organizational development occur, and in the final step, the implemented changes are refrozen into the organizational routine. ODT expanded focus on aligning organizations with their rapidly changing complex environment through organizational learning, knowledge management and transformation of organizational norms and values (Cummings, 2004).

2.2 Organizational Learning and Firm Performance

The interest in the aspect of organizational learning (OL) has recently increased (Lipshitz, et al., 2002). Since organizations today face a lot of environmental pressures, including intense competition, there is an urgent need to learn quickly and change (Lakomski, 2001). Through organizational learning, a firm can
develop hard to imitate knowledge resources and capabilities that create value which in turn lead to superior performance (Njuguna, 2009). McGill, Slocum and Lei (1992) and Starkey (1998) singled out organizational learning and its promulgation as a key means of adaptation as one of the latest manifestations of the search for new approaches towards acquisition of superior performance. Studies by Peddler, Burgoyne and Boydell (1997) point to the power of learning, its unleashing and the assertion that those who learn quickest will be the winners.

According to Alderson (1965) firms should strive for unique characteristics in order to distinguish themselves from competitors, in the eyes of the consumer, for a long period of time to ensure sustainable superior performance. A firm should ensure competitors are unable to easily imitate its capacity for value creation by continuously being ahead (Collis and Montgomery, 1995). The resources should be valuable, rare, inimitable and appropriate. Acquiring and preserving sustainable competitive advantage and superior performance are a function of the resources and capabilities brought to the competition (Barney, 1995). These knowledge resources and capabilities, resulting from learning processes implies an improvement in response capacity through a broader understanding of the environment (Dodgson, 1993; Sinkula, 1994).

Bustinza, Molina, and Aranda (2011) carried out a study on service companies in Spain which established that development of dynamic capabilities by learning led to improved firm performance. He used both financial and non-financial measures. The results of the non-financial performance measures of this study were in agreement with the past findings. However, the results of the financial performance measures contradict did not support their hypothesis that organizational learning is positively related to firm performance. It was specified in the study that possible reasons could be that the relationship between organizational learning financial performance may be are moderated by other factors not considered in the study. Bontis, Crossan, and Hulland (2002) carried out a study on mutual fund companies in Canada which supported the premise that there exists a positive and significant relationship between organizational learning and business performance. Morgan and Berthon (2008) carried out a study which focused on bioscience industry in the UK and established that exploitative and exploration innovation strategies which are greatly rooted in organizational learning significantly explained improvements in business performance. Amiri et al. (2010) argued that organizational learning leads to improvements in business performance which explain both financial and non-financial performance. They observed that market orientation leads to exploitative learning while generative learning leads to explorative innovation.

The organizational learning process helps people discover why problems may arise, question the current systems and challenge paradoxes as they occur (Murray & Donegan, 2003). Change in behaviour that gives rise to improved performance can, therefore, take place in good time. Hitt, Hoskisson, and Ireland (1990) conclude in their empirical study that the source of distinctive competencies are internal rather than external and are derived from the way an enterprise uses its resources relative to its competition. Firms that continuously devote their internal forces to learn and exploit the opportunities in the environment and to neutralize threats while avoiding weak points are likely to perform better than those that do not do the same (Barney, 1995).

**Organizational Learning**
- Intuiting
- Interpreting
- Integrating
- Institutionalization

**Firm Performance**
- Return on Assets
- Growth of Market Share
- Overall Performance

**Figure 1: Conceptual Frame work**
Organizational learning is positively related to return on asset
Organizational learning is positively related to growth of market share
Organizational learning is positively related to overall firm performance

3. Research Methodology

The study used cross sectional descriptive research design. A descriptive cross-sectional design facilitated determination of relationship between or among organizational learning, competitive strategies, and performance of firms in the insurance industry in Kenya. The population of interest in this study consisted of all the 45 insurance firms offering insurance cover in Kenya. This was a census study since the population was small. Both primary and secondary data were collected and used in the study. The data analysis was done using quantitative techniques. The data collected was first summarized, categorized and coded. Descriptive statistics were used. They consisted of frequency distributions, measures of central tendency (arithmetic mean, median, and mode). Regression models were used to test the hypotheses.

4. Results and Discussions

4.1 Measures of Organizational Learning

The sub-constructs that were used to measure organizational learning were Intuiting, Interpreting, Integrating, and Institutionalization. Twenty (20) items were used to measure organizational learning. Respondents were asked to respond to pertinent statements posed by indicating the extent to which the same applied in their respective firms. Responses were given on a five-point Likert scale ranging from 1 being “Very Limited Extent” to 5 being “Very Great Extent” (where 5 = To a very great extent; 4 = To a great extent; 3 = To a moderate extent; 2 = To a limited extent; 1= To a very limited extent). The scores of ‘To a very limited extent and ‘To a limited extent’ have been taken to represent a statement affirmed to, as to a limited extent, equivalent to mean score of 0 to 2.5. The score of ‘To a moderate extent’ has been taken to represent a statement affirmed to, as to a moderate extent, equivalent to a mean score of 2.6 to 3.4. The score of ‘To a great extent’ and ‘To a very great extent’ have been taken to represent a statement affirmed to as equivalent to a mean score of 3.5 to 5.0.

The intuiting subscale consisted of 5 items, the Interpreting subscale consisted of 8 items, the Integrating subscale consisted of 8 items and the Institutionalization subscale consisted of 4 items. Respondent’s views about these sub-constructs were sought and the ratings are presented in table 1.

Table 1: Mean and Standard Deviation for Measures of Organizational Learning

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std Dev</th>
<th>CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intuiting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New ways of making work better and achieving results are continuously</td>
<td>3.87</td>
<td>0.65</td>
<td>0.17</td>
</tr>
<tr>
<td>sought</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge is acquired from external sources</td>
<td>3.55</td>
<td>0.96</td>
<td>0.27</td>
</tr>
<tr>
<td>Knowledge is acquired from internal sources</td>
<td>3.92</td>
<td>0.83</td>
<td>0.21</td>
</tr>
<tr>
<td>The organization encourages joining of formal or informal networks within</td>
<td>3.38</td>
<td>1.31</td>
<td>0.39</td>
</tr>
<tr>
<td>and outside</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organization is in touch with Regulatory authorities, relevant ministries,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associations &amp; professional organizations and employees can access</td>
<td>4.37</td>
<td>0.74</td>
<td>0.17</td>
</tr>
<tr>
<td>information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall mean</td>
<td>3.82</td>
<td>0.90</td>
<td>0.24</td>
</tr>
<tr>
<td>Interpreting</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The organization has clear communication networks  
All Employees are regularly informed about the expectations of the organization  
Regular training is conducted within and outside the organization  
Steps are regularly taken to ensure employees have necessary competence to do their work  
Steps are regularly taken to inform staff of external and internal factors that may affect their work  
Regular Meetings are held to share ideas  
Employees are encouraged to regularly share knowledge and experience  
There are formal mechanisms for sharing information between various sections  

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>SD</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organization has clear communication networks</td>
<td>4.02</td>
<td>1.09</td>
<td>0.27</td>
</tr>
<tr>
<td>All Employees are regularly informed about the expectations of the organization</td>
<td>4.12</td>
<td>0.79</td>
<td>0.19</td>
</tr>
<tr>
<td>Regular training is conducted within and outside the organization</td>
<td>3.70</td>
<td>0.97</td>
<td>0.26</td>
</tr>
<tr>
<td>Steps are regularly taken to ensure employees have necessary competence to do their work</td>
<td>3.80</td>
<td>0.82</td>
<td>0.22</td>
</tr>
<tr>
<td>Steps are regularly taken to inform staff of external and internal factors that may affect their work</td>
<td>3.57</td>
<td>0.81</td>
<td>0.23</td>
</tr>
<tr>
<td>Regular Meetings are held to share ideas</td>
<td>3.82</td>
<td>1.06</td>
<td>0.28</td>
</tr>
<tr>
<td>Employees are encouraged to regularly share knowledge and experience</td>
<td>3.67</td>
<td>0.92</td>
<td>0.25</td>
</tr>
<tr>
<td>There are formal mechanisms for sharing information between various sections</td>
<td>3.27</td>
<td>0.68</td>
<td>0.21</td>
</tr>
<tr>
<td><strong>Overall mean</strong></td>
<td><strong>3.75</strong></td>
<td><strong>0.89</strong></td>
<td><strong>0.24</strong></td>
</tr>
</tbody>
</table>

**Integrating**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>SD</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teamwork is encouraged</td>
<td>4.15</td>
<td>0.70</td>
<td>0.17</td>
</tr>
<tr>
<td>Supervisors work closely with staff to ensure clear understanding of work procedures</td>
<td>4.05</td>
<td>0.75</td>
<td>0.19</td>
</tr>
<tr>
<td>Mechanisms are in place to ensure staff knows how their work relates with that of their colleagues</td>
<td>3.60</td>
<td>0.84</td>
<td>0.23</td>
</tr>
<tr>
<td><strong>Overall mean</strong></td>
<td><strong>3.93</strong></td>
<td><strong>0.76</strong></td>
<td><strong>0.19</strong></td>
</tr>
</tbody>
</table>

**Institutionalization**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>SD</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are clear policies and procedures on learning</td>
<td>3.78</td>
<td>0.80</td>
<td>0.21</td>
</tr>
<tr>
<td>Mentoring is valued and each staff has to demonstrate how he has mentored others</td>
<td>2.90</td>
<td>1.03</td>
<td>0.36</td>
</tr>
<tr>
<td>Reports are prepared regularly at organizational level on learning</td>
<td>3.45</td>
<td>1.09</td>
<td>0.32</td>
</tr>
<tr>
<td>The organization sets aside resources for learning</td>
<td>3.68</td>
<td>1.10</td>
<td>0.30</td>
</tr>
<tr>
<td><strong>Overall mean</strong></td>
<td><strong>3.45</strong></td>
<td><strong>1.00</strong></td>
<td><strong>0.29</strong></td>
</tr>
<tr>
<td><strong>Grand Mean</strong></td>
<td><strong>3.74</strong></td>
<td><strong>0.89</strong></td>
<td><strong>0.24</strong></td>
</tr>
</tbody>
</table>

*Source: Survey Data 2015*

As presented in table 1 above, under intuiting subscale the analysis indicated that to a great extent the respective organizations are in regular touch with regulatory authorities, relevant ministries, associations of firms in the industry, professional organizations, and information from them are accessible to employees (mean = 4.37, standard deviation = 0.74); new ways of making work better and achieving results in a better way are continuously sought (mean = 3.87, standard deviation = 0.65) and knowledge is acquired from internal sources (mean = 3.92, standard deviation = 0.82). To a moderate extent knowledge is acquired from external sources (mean = 3.55, standard deviation = 0.96) and the organization encourages joining of formal or informal networks within and outside (mean = 3.38, standard deviation = 1.31).

Under interpreting subscale of organizational learning the scores showed that to a great extent in order to ensure movement in a common direction all employees are regularly informed about the expectations of the organization (mean = 4.12, standard deviation = 0.79); the organization has clear communication networks accessible to all staff through which information can be passed on (mean = 4.02, standard deviation = 0.94); steps are regularly taken to ensure that employees have the necessary competence to do their work learning (mean = 3.75, standard deviation = 0.84); regular meetings are held at which ideas are shared (mean = 3.82, standard deviation = 1.06); regular training is conducted within and outside the organization (mean = 3.70, standard deviation = 0.97) and that employees are encouraged to regularly share knowledge and experience (mean = 3.67, standard deviation = 0.92). Also under interpreting it is only to a moderate extent that steps are regularly taken to inform staff of external and internal factors that may affect their work (mean = 3.57, standard deviation = 0.81). The respondent also indicated that it is only to a moderate extent that formal mechanisms are available for sharing information between various sections (mean = 3.27, standard deviation = 0.68).
Analysis in the table above shows that under the integrating subscale of organizational learning shows that to a great extent teamwork is encouraged as a way of ensuring common understanding of work procedures and methods (mean = 4.15, standard deviation = 0.70); supervisors work closely with staff to ensure clear understanding of work procedures and methods (mean = 4.05, standard deviation = 0.75) and that only to a moderate extent mechanisms are put in place to ensure staff know how their work relates with that of their colleagues (mean = 3.60, standard deviation = 0.84).

Under the institutionalization subscale of organizational learning the respondents agreed that to a great extent there are clear policies and procedures on learning (mean = 3.78, standard deviation = 0.80) and the organizations set aside resources for learning (mean = 3.68, standard deviation = 1.10). Only to a moderate extent however are reports prepared regularly at organizational level on learning (mean = 3.45, standard deviation = 1.09). From the analysis, it is seen that only to a limited extent mentoring is valued and each staff has to demonstrate how he/she has mentored others (mean = 2.90, standard deviation = 1.03). A grand mean of 3.74 for organizational learning subscales was obtained implying that the insurance firms reached to a great extent recognize that organizational learning is a strategy to maintain adaptability and flexibility in an ever changing world, hence superior performance. It can be deduced from the responses given that organizational learning allows for teams to learn exactly what is relevant to their specific tasks and specialties while other information they do not need is given to the individuals and teams that need it. With this, employees work together to help each other learn, and to ensure that nobody is left behind in the overall progress and achievement of the target goals.

4.2 Test of Hypothesis

4.2.1 Relationship between Organizational Learning and Return on Assets

This section presents the results of the tests of hypotheses as guided by the objective of the study and using return on assets, as a measure of firm performance. The objective was to establish the relationship between organizational learning and firm performance. The following hypothesis was formulated for testing:

**H1a:** Organizational learning is related to return on asset

This hypothesis was tested using simple linear regression analysis. Return on assets was regressed on organizational learning. Before testing the hypothesis a composite index for the four dimensions of organizational learning was computed independent variable (organizational learning) while return on assets constituted the measure of the dependent variable. The results of the regression analysis are presented in table 2.

**Table 2: Regression Results for the Effect of Organizational Learning on Return on Assets**

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Learning</td>
<td>.323</td>
<td>.104</td>
<td>.081</td>
<td>.0374771</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ANOVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Organizational Learning</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

**Coefficients**
The regression results in Table 2 indicate that 10.4 percent of the variance in return on assets was explained by organizational learning ($R^2=0.104$, $F=4.418$, $P<0.05$). 89.6 percent of the variation in return on assets was not explained by organizational learning. This variation is due to other factors not included in the study. This also implies that organizational learning considered alone is a weak predictor of return on assets.

The overall model was statistically significant ($F=4.418$, $P<0.05$). The influence of organizational learning on return on assets was statistically significant ($\beta= 0.019$, $t= 2.102$, $p<0.05$). This suggests that one unit change in organizational learning is associated with 1.9% change in performance. The results thus provide evidence that organizational learning influences firm performance, although in a minimal way. It further means that there are other factors that affect return on assets.

4.2.2 Relationship between Organizational Learning and Growth of Market Share

**H0**: Organizational Learning is related to Growth of market share

This hypothesis was tested using simple linear regression analysis. This was done by regressing growth of market share on organizational learning. Before testing this hypothesis a composite index for the four dimensions of organizational learning was computed for the independent variable (organizational learning). Growth of market share constituted the measure of the independent variable. The regression analysis results are presented in Table 3.

**Table 3: Regression Results for the Effect of Organizational Learning on Growth of Market Share**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-.006</td>
<td>.032</td>
<td>-.182</td>
<td>.857</td>
</tr>
<tr>
<td>Organizational Learning</td>
<td>.019</td>
<td>.009</td>
<td>.323</td>
<td>2.102</td>
</tr>
</tbody>
</table>

Dependent Variable: Return on Assets
Predictors (Constant), Organizational Learning

*Source: Survey Data 2015*

The regression results in Table 3 indicate that 8.7 percent of the variance in growth of market share was explained by organizational learning ($R^2=0.087$, $F=3.629$, $P<0.05$). 91.3 percent of the variation in growth of market share was not explained by organizational learning. This implies that organizational learning alone is a weak predictor of growth of market share.
The overall model was statistically significant (F=3.629, P<0.05). The beta coefficient indicates that the influence of organizational learning on growth of market share was statistically significant (β= 6.941, t= 2.905, p<0.05). This suggests that one unit change in organizational learning is associated with 6.941 change in growth of market share. The results thus provide evidence that organizational learning influences growth of market share, although in a minimal way. It also means that there are other factors, besides organizational learning, that affect return on assets. Based on these findings hypothesis was confirmed.

4.2.3 Relationship between Organizational Learning and Overall firm performance

This section presents the results of the tests of hypotheses as guided by the objective of the study and using a composite of Return of Assets and growth of market share, as a measure of firm performance. The objective was to establish the relationship between organizational learning and firm performance. The following hypothesis was formulated for testing:

**H1c:** Organizational learning is related to overall firm performance

This hypothesis was tested using simple linear regression analysis. Overall firm performance was regressed on organizational learning. Before testing the hypothesis a composite index for the four dimensions of organizational learning was computed to get the independent variable (organizational learning) while overall firm performance (composite of return on assets and growth of market share) constituted the measure of the dependent variable. The results of the regression analysis are presented in table 4.

**Table 4: Regression Results for the Effect of Organizational Learning on Overall firm performance**

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Learning</td>
<td>.296</td>
<td>0.087</td>
<td>0.063</td>
<td>7.5606</td>
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<td>1</td>
<td>207.887</td>
<td>3.637</td>
<td>.0064</td>
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<td>38</td>
<td>57.163</td>
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<tr>
<td>Total</td>
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<td>39</td>
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<td>(Constant)</td>
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<td>6.549</td>
<td>-0.017</td>
<td>0.987</td>
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<td>Organizational Learning</td>
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<td>3.48</td>
<td>1.825</td>
<td>0.296</td>
<td>2.907</td>
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Dependent Variable: Overall firm performance
Predictors (Constant), Organizational Learning

**Source: Survey Data 2015**

The regression results in Table 4 indicate that 8.7 percent of the variance in overall firm performance was explained by organizational learning (R²=0.087, F=3.637, P<0.05). 91.3 percent of the variation in overall firm performance was not explained by organizational learning. This variation is due to other factors not included in the study. This also implies that organizational learning considered alone is a weak predictor of overall firm performance.

The overall model was statistically significant (F=3.637, P<0.05). The influence of organizational learning on overall firm performance was statistically significant (β= 3.48, t= 2.907, p<0.05). This suggests that one unit change in organizational learning is associated with 1.9% change in overall firm performance. The
results thus provide evidence that organizational learning influences firm performance, although in a minimal way. It further means that there are other factors that affect overall firm performance.

5. Discussion, Conclusions and Recommendations

5.1 Discussion of Findings
The objective of the study was to establish the relationship between organizational learning and firm performance. From this objective it was hypothesized that organizational learning is positively related to firm performance. Simple linear regression analysis was used to test this hypothesis. Organizational learning was separately regressed on return on assets and on growth of market share as measures of firm performance. The results revealed a positive relationship with 10.7 percent variation in return on assets being explained by organizational learning (R^2=0.107) while 8.7 percent variation in growth of market share was accounted for by organizational learning (R^2=0.087). Organizational learning also accounted for 8.7 percent variation in the overall firm performance. There was a notable distinction between the financial measure (return on assets) and non-financial performance measure (growth of market share) used in this study. Organizational learning was a better predictor of return on assets than both growth of market share and the overall firm performance. The findings showed that organizational learning has a positive and statistically significant effect on firm performance. The study supported the hypothesis, (H_{1a,b,c}), of the study that states that organizational learning is related to firm performance

5.2 Conclusions
The results showed that organizational learning has a positive and statistically significant effect on return on assets, growth of the market share and overall firm performance. From the forgoing, it can be concluded that the higher the level of acquisition and sharing of relevant information by employees the higher the firm’s performance. A firm’s improvement in performance is related to the amount of relevant information it is able to acquire and utilize to inform actions that lead to superior performance. A grand mean of 3.74 was obtained implying that the insurance firms to a great extent recognize that organizational learning as a strategy for adaptation is key in order to maintain adaptability and flexibility, and hence superior performance in the volatile sector in which the insurance industry operates.

5.3 Recommendations
The study revealed that organizational learning has a significant influence on firm performance when using return on assets, growth of market share and overall firm performance as the dependent variable. Managers in the insurance industry sector can apply the findings of this study to develop internal capacity to work towards superior performance. Firms must embrace organizational learning as a key resource and this study can be used to demonstrate that it would be worth spending resources to engage in organizational learning.

Acknowledgement
Completion of the study studies could not have been possible without the support of many individuals and institutions. I would like to express my sincere gratitude to the co-authors Prof. Peter K’Obonyo and Dr. John Yabs for their insights, guidance, patience, corrections and many hours of consultations that facilitated the completion of the study. I would also like to thank all the Insurance Firms in Kenya that allowed the collection of data from their institutions. The findings would not have been credible without the participation of each insurance firm that took part in filling the questionnaire and sincerely providing information. It could not be possible to mention every person who assisted in one way or another but all those who supported are appreciated.

References


