LEARNING ORGANIZATION IN KNOWLEDGE MANAGEMENT MODEL

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Abstract

Learning organization and learning culture have addressed great deal of attention form business community around the globe. This factor of organizational human resource development terminology has prompted a variety of academics discussion and discipline, especially when come to the focal point of knowledge creation in modern business organizations. Thus, this paper objectively investigates the organizational learning dimensions when analyzing the existing practices of knowledge management in the selected insurance companies in Northern Region of Peninsular Malaysia. The major insurance multinational companies started to recognize the new knowledge disseminations strategy by developing and manipulating the valuable knowledge of their employees as main assets to create a greater organizational knowledge base. In line with the objectives of the study, open-ended interview questionnaires were distributed to business development managers and human resource development or training managers dealing with insurance. The result indicated that organizational learning culture variables have strong linkage with positive coefficient correlation of 0.85 to organizational collaboration systems. This means that the insurance companies in this study had high organization learning culture. On the other hand, the organizational learning culture also exhibited positive correlation coefficient of 0.76 to organizational human resource development and training activities applied within the insurance companies. Thus it, suggests that the organizational HRD and training program indeed influence the organizational learning culture within the knowledge based business environment.

Keywords: Knowledge management; Learning organization; Human resource development; Learning culture and insurance companies.

JEL Classification Codes: M12; M53; J24.

1. Introduction

Learning organization and learning culture have addressed great deal of attention form business community around the globe. This factor of organizational human resource development terminology has prompted a variety of academics discussion and discipline, especially when come to the focal point of knowledge creation in modern business organizations. Thus, this paper objectively investigates the organizational learning dimensions when analyzing the existing practices of knowledge management in the selected insurance companies in Northern Region of Peninsular Malaysia. The major insurance multinational companies started to recognize the new knowledge disseminations strategy by developing and manipulating the valuable knowledge of their employees as main assets to create a greater organizational knowledge-base strategy.

The emerging concept of knowledge management practices impartially popular in Malaysian business practices since it’s launched her own Knowledge-based Economy Master Plan in her National Budget 2000. The Knowledge-based Economy Master Plan marked as a key initiative of the our Government to further accelerate the development of the nation into a knowledge-based economy as well as in achieving the objectives of Vision 2020 that provides a strategic framework outlining the changes to the fundamentals of the economy (EPU, 2002). Since then many companies responded by leveraging heavily on its information and communication technologies (ICTs).

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There is existing studies that describes the role of human resource management practices on knowledge management practices. For instance, Yahya and Goh (2002) had done a survey among managerial-level employees of Malaysian companies located in the Federal Territory and the Klang Valley aimed specifically at analyzing to what extent that human resource management has contributed towards the organizational knowledge practices. The study indicated that the four human resources management areas did have significant correlation with the overall knowledge management activities. Based on the work of Earl’s (2002) justified knowledge management is one set of practices which takes advantage of the information communication technology infrastructure, and then mixed it with the use of good human resources practices. As a result, insurance companies being part of the most dynamic financial sector have responded by managing their knowledge to ensure the ability to compete in this new emerging economy.

Even though knowledge is hard to define as the term ‘knowledge’ itself highly subjective concept and hard to understand, but when developing the appropriate method of examined learning organization process in knowledge management studies, a basic understanding of the concept of knowledge and knowledge assets is vital. Therefore, the early knowledge definition by Nonaka (1991) has offered an incredible insight about the topic on knowledge management when discussed knowledge-creating companies and shared how Japanese businesses have successfully put knowledge creation at the centre of company’s strategy. The topmost recognized of Nonaka (1991) work given an insight of two major thought of knowledge namely tacit knowledge and explicit knowledge. Thus in his next work Nonaka and Teece (2001), seeing knowledge from the of human resource terminology as to the extent individuals or teams of employees know or the know-how on what to do, that differentiate knowledge as intangible assets. Their argument true as knowledge by nature different by its availability and enforceability of property right where each individual and organization acquired with specific context based on time and space.

The definitions indeed provide brief understanding of knowledge as output of social interaction scenario among individual and group of people. However, the operational aspect of knowledge seems to widely spread in the scope of organizational knowledge which embedded in term of structured knowledge located in the set of company’s rules, processes, tools and routine. This definition seems synonymous with what have been described earlier by Prusak (1997) when he redefined knowledge as to the degree the companies know, how it knows and how fast the companies can know something new. When linked to insurance business, this knowledge is perceived and explained through the company’s client-relationship management, as well as in sales and marketing competencies. On the other hand, Abell & Oxbrow (2001), looked at the overall picture of knowledge that express in the expertise, experience and capability of staff, integrated with operations processes and corporate memory. One the other hand, Davenport and Prusak (2000) reasonably wrap up knowledge as a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. Hence, identifying simple source and application of knowledge within the minds of knowers whilst in organizational context, it often becomes embedded not only in documents or repositories but also in organizational routines, processes, practices, and norms.

In view of knowledge as meaningful elements of tacit knowledge, that can be codified, stored and reused especially knowledge domain in past experiences, embedded existing knowledge in products or services process, and even installing new idea based on its sources and context (Sense, 2008., Kikawada & Holtshouse, 2001) two main questions were addressed in the effort to understand the organizational learning contribution to knowledge generations supported by knowledge infostructures featuring in Earl’s model (Prusak, 1997). In short, this paper attempted to answer the following research question;

1. Are there some kind of integrating organizational learning dimensions within the company to facilitate knowledge sharing and collaboration activities?
2. Which dimension of the learning organization denominated the knowledge generation and knowledge sharing within knowledge management activities?

Therefore, the objectives of this paper study focused on mainly two issue which are to investigate the existing of knowledge sharing culture via learning organization dimensions, as well as to describe the major learning organization dimensions that denominate knowledge generation and knowledge sharing within the knowledge management practices in the insurance companies. The study focal point would be on
the learning organization activities carried out within small component of insurances industry and the paper narrowed its scope to analyze the existing practice of knowledge management in the selected insurance companies in Northern Region of Peninsular Malaysia.

2. Knowledge management in the insurance industry
Like other sectors, the insurance industry in Malaysia undergoing significant changes especially after throughout The Asian Financial Crisis 1997. There were a number of key reasons that led to these changes. First, was the increase in customer expectations as the investors learned a moral hazard shock form the crisis. Secondly, the emerging pace of competition among the domestic insurance market, as well as by implications of mergers and acquisitions of minor players. Third, is the on-going implementation of Malaysian Knowledge-based Economy Master Plan starting as opening millennia of 2000. In conjunction with the emerging new economy driven master plan, constantly bring forward new input in national economy whereby knowledge has become the key differentiating value-added for modern organization core capabilities, supported by information and communication technologies accessible throughout the organizational hierarchy. Nevertheless, knowledge dissemination seen as part of the strategic operational strategy among the insurance businesses players, especially amongst the multinational insurance companies. Ang, (2003a, 2003b) and Lee (2003) reported American International Assurance (M) Co. Ltd., Great Eastern Life Assurance (M) Berhad, ING Life Assurance (M) Berhad, and Malaysian national Assurance Berhad (MNI) have built up their internal knowledge-based material with regard to knowledge management components.

According to Abell and Oxbrow (2001), knowledge organization such an insurance companies operated on the bases of several characteristics such as applying business intelligence and maintaining company’s reputation in term of preserving client relationship. This explanation is relevant within the insurance companies, because the key business consideration of managing risk in this industry was client relationship as well as outsourcing business intelligence via online e-business products and services. The Malaysian National Insurance Berhad (MNI) is a good example of outsourcing, where its MNI Online Services outsourced with Siebel Enterprise to provide an integrated networking throughout its Asian branches for transaction and document-oriented information processing. In addition, Croft, Norton and Whyte (1999) commented that in the insurance industry, the companies did spent a great deal of time and investment researching potential new financial products that might be required by the customers, developing the products and training its branch employees to deliver them to targeted customer.

Insurance business dynamically change and rapidly competitive in nature. Nevertheless, the fierce competition and development of mushroom new insurance product have indeed address ‘brain drain’ issues in the insurance industry as many insurances companies faced hard time in retaining the pool of talented and skilled human capital. The dramatic change in insurance business segment showed highly staff mobility with an extremely high turn over rate, which indicate the difficult issued in retaining the pool of knowledge workers in the industry. As the insurance and investment market fluctuated over time, especially during the Asian Financial Crisis 1997, made retentions of talented people in the industry an important management decision. Thus, learning organization model in knowledge management be positioned beneath the idea that individuals modify their behaviors continuously as a consequence of their socialization into the organization’s cultural environment. Nonaka and Konno (1998) discovered that the modifications of these behaviors give rise to new routines and modes of action which leads to definition of knowledge creation processes as a strengthening cycle of interactions between explicit and tacit knowledge pools across people and organization boundaries.

3. Conception of learning organization in knowledge management model
Loermans (2002) conceptualized the lineages between knowledge management and learning organization has came to the conclusion that one cannot survive without the other. Thus, Drucker et al.(1997) relate the topmost challenging issue in knowledge generation among knowledge-based organization on how organization able to create and nurture its know how knowledge, utilized its ability unique instinct and judgmental when maintain its ability to learn and relearn.

In general, the popular clarification on the theory of learning organization has been attributed to the work of Senge (1990), who viewed organizational learning as a reflection derived from cognition of individual
members of the organization that formed organizational memory. The implications of Senge (1990) learning organizations idea pointed that the process of organizational learning correlated to individual learning by using human memory with the combination of team learning processes because teams were viewed as the fundamental learning unit of the modern organization.

Within a given framework, the learning organization looked into the need of collaborative organizational functioning such as teamwork, human resource development, employees training program that built the process knowledge as new marketing strategy shared by the various level of employees and executives. It has been identified that the employees’ training and development practices in term of technology-use training can be the sources of knowledge processing skills. This component of knowledge management also aimed to analyze the correlations between education level and knowledge collaborations process among the insurance personnel based on positions. As knowledge of individuals becomes understood and adopted by their work group and as knowledge of one group is shaped with others groups, it would affect the organizational learning capability (Sanchez, 2001), and this would brought forward the learning organization dimension of insurance personnel in this study.

Another element of learning organizations components of knowledge management process is in setting up of the corporate memory. Abell and Oxbrow (2001) acknowledge that knowledge management processes being the main activity to make the corporate memory effective and well built, which would enable the whole organization to learn from previous corporate experience. The unique view on this corporate memory correlated to Kikawa and Holtshouse (2001) definition of knowledge domain in reusing past experience, embedded new idea and knowledge within existing products and services processes while Sense (2008) look at the terminology as tacit knowledge that can be codified, stored and reused based on its sources and context. When linked to the insurance business training scenario, which is considered as the real business dealings among new sales agents or constructive competition among the financial planners that act as an important agencies force usually consists of a dynamic team learning work group. These teams are set up as adaptive agents to company’s new insurance products and normally delivered through marketing intelligent system. Whatever the outcome of the team learning, these team perceptions indeed offered additional renewed knowledge to the corporate memory and experiences.

4. Research framework and design
In general, this exploratory study aimed to describe the existing knowledge management practices in the insurance industry, by studying a number of insurance companies operated in Northern Region of Peninsular Malaysia. In line with the objectives of the study, open-ended interview questionnaires distributed to business development managers and human resource development or training managers dealing with insurance.

The Respondents and research instrument
The respondents of this study were the 18 insurance companies members of LIAM operated in Malaysia. The main respondents were staffs who were occupying various positions sales and marketing activities, business development managers and human resource development or training managers dealing with insurance includes unit managers.

The primary data collection instrument was a structured mail questionnaire which included closed and open ended questions. In order to establish the statistical relationship on numerical comparison among the variable in the Earl’s model, the questionnaire comprised of structured Likert point-scale questions. Thietart et al. (2001) had suggested such structured point-scale can aid researchers to carry out correlation and regression analysis. Questionnaire Development; There are 3 sections, the first section consisted of 8 items on the demographic characteristics of the respondents (age, educational background, working experiences, positions, income level, and number of employees in the insurance agency). The second section was designed to access the respondents’ concept of managing organization knowledge, tools and process. There were 7 items represent the important knowledge as regarded by the insurance industry, adapted from the “Twenty questions about knowledge in organizations” from Ernst & Young Center for Business Innovation and Business Intelligence (1997). The third section was designed specifically to investigate the learning organization activities that have been implemented in the organization. This section was constructed with 14 elements on learning organization criteria, which consisted of collaboration of
knowledge sharing among respondents, peers and managers. These 14 elements were adapted from the combination of knowledge Centric Organizations Questionnaire 1999 and Knowledge Management Practices 2001, a survey from Science, Innovation and Electronic Information Division of Statistics Canada regards learning organization processes.

The Research Framework

This study is based on Earl’s (1994) knowledge management model quoted from the work of Prusak (1997). The model original version of the model offered four interrelated combinations of human resources factors and technologies infrastructures that are built up on the strategic capabilities of managing knowledge. However this paper focused mainly on learning organization components on the knowledge management practices, the model narrowed to the three major learning organization dimensions namely learning culture, knowledge collaboration system and human resources development as well as training.

![Learning organization dimensions of knowledge management model]

**Figure 1: Knowledge Management Practice Model (reversed)**

5. Analysis and Findings

Objective 1: To identify the relationship between learning organization dimensions associated with bottom line adaptation of knowledge management systems in the insurance company.

In order to answer the first objective of the study, the dimension of learning organizations elements were grouped into three indicators known as organizational learning culture, collaboration of knowledge sharing and human resources development as well training components of the respective companies. Table 1 below demonstrates the inter-correlation coefficients between the three indicators.

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Coefficient Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning Culture</td>
<td>1.00</td>
</tr>
<tr>
<td>Knowledge Collaboration</td>
<td>0.85**</td>
</tr>
<tr>
<td>HRD &amp; Training</td>
<td>0.76**</td>
</tr>
</tbody>
</table>

**As indicated, organizational learning culture variables have strong linkage with positive coefficient correlation of 0.85 to organizational collaboration systems. This means that the insurance companies in this study had high organization learning culture. On the other hand, the organizational learning culture also**
exhibited positive correlation coefficient of 0.76 to organizational human resource development and training activities applied within the insurance companies. Thus it, suggests that the organizational HRD and training program indeed influence the organizational learning culture within the knowledge based business environment. Another important point is that organizational collaboration systems also have positive correlations of 0.78 towards organizational human resources development and training activities throughout the insurance business. In accordance to third objective of the study, the positive and significant Inter-correlations coefficients of three organizational learning variables exhibit the existence of knowledge sharing, acquisitions and dissemination of explicit and tacit knowledge among the respondents in the study.

The overall independent variables of the organizational learning dimension indicates the basic understanding of learning organizational culture components exhibits by figure 1 below as a great and most dominant dimension for insurance companies to adapted knowledge sharing strategy and retain internal corporate memory and experiences.

![Figure 1: Intercorrelations of learning organizations dimensions](image)

**Objective 2: To describe the overall independence variables impact of knowledge management practices model in the insurance industry.**

Second objective was aimed specifically to describe the overall variables of Earl’s knowledge management model within the insurance companies. Table 2 below indicated the result from regression analysis of the overall independent variables in the model used to described the knowledge management practices in the study. The result did indicates the significant relationship between organizational knowledge system, knowledge networks and learning organizations activities towards respondents personal knowledge management experience. The study also includes the respondents’ beliefs as the extent of their understanding of knowledge management working environment. The R² value of 0.839 indicates that 84% of the variances in cited personal knowledge management experience can be explained by the 4 predictors of the model. The standardized regression coefficient of (Beta = 0.818, p<0.05) suggested that personal beliefs as the most biggest variable that contribute to the experience of managing personal knowledge while knowledge networks appeared to be second contributing variable towards personal managing knowledge experience (Beta = 0.0315, P<0.05). However, knowledge systems and learning organization indeed had a negative impact on respondents’ personal knowledge management. Thus, the two variables are not significantly representing the regression model equation. The results suggest that insurance companies’ knowledge management practices slightly depended on two main variables, namely personal beliefs and knowledge networks acquired within the company.
Table 2: Regression analysis model for the overall independents variables towards personal knowledge management experience

<table>
<thead>
<tr>
<th>Variable</th>
<th>Personal knowledge management experience</th>
<th>Unstandardized Coefficients (B)</th>
<th>Standardized Coefficients (Beta)</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>5.00</td>
<td>1.84</td>
<td>0.073</td>
<td>1.84</td>
<td>0.073</td>
</tr>
<tr>
<td>Personal beliefs</td>
<td>0.736</td>
<td>0.818**</td>
<td>8.09</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>KM networks</td>
<td>0.223</td>
<td>0.315**</td>
<td>3.04</td>
<td>0.004</td>
<td></td>
</tr>
<tr>
<td>KM system</td>
<td>-0.22</td>
<td>-0.032</td>
<td>-0.23</td>
<td>0.819</td>
<td></td>
</tr>
<tr>
<td>LO activities</td>
<td>-0.57</td>
<td>-0.073</td>
<td>-0.56</td>
<td>0.579</td>
<td></td>
</tr>
</tbody>
</table>

F value         49.41**       0.000
R²            0.839
Adjusted R² 0.822

**p<0.05

6. Conclusion

Knowledge management seen as necessary tools in K-economy as many studies on knowledge management practices certainly provides insight on how knowledge management contributed an organized and planned approach to the insurance companies in encouraging the creation of ideas as well effectively encouraging the learning for the organization through collaborative learning systems. The result from this small study also indicate that insurance companies shared best practice from other organization, which require the openness of the learning culture especially from acquired knowledge of the past performance and the retention of higher knowledge through the full utilization of the organizational information and communication technologies. On the other hand, from the interviews, managers had defined their companies’ knowledge assets in people who can translate their knowledge into actions that can achieve corporate objectives. Whilst the core competencies of this knowledge assets turn out to be the ability to transfer individual knowledge and know-how business practices such as communication skills and coaching or monitoring sales. Thus, in order to ensure that successful knowledge management to work well, insurance companies had to build up so-called independent and active learning knowledge workers. This suggests the insurance companies must provide a program that can excel its knowledge assets such as by developing the sustainable approach to transfer individual knowledge to organizational knowledge. Finally, this study concluded that knowledge management practices in the insurance business directly focus on the creation of innovative service culture supported by collaborative technologies to secure competitive advantage, sustainable marketing policies performance as well enhancing individual productivity by leveraging on knowledge assets aside in its human capital capabilities.

References


