

## **The Mediating Role of Organizational Agility in the Relationship Between Organizational Learning and Organizational Performance (Case Study: the Subsidiaries of Isfahan City General Tax Office)**

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**Abstract:** Agility is a step forward and the generator of new meanings for better performance and success and in practice, it serves as a strategic approach, taking into account new conditions of the business environment. Present research is primarily focused on interrelations among the variables organizational agility, organizational learning and organizational performance in the subsidiaries of the General Tax Office in Isfahan city. The required data, based on the research model, was obtained from the questionnaire distributed among the employees of the subsidiaries and was subsequently used in analysis of the relationships between the variables and test of the hypotheses. Data analysis was performed using multivariate regression and structural equation modeling (path analysis). The results (with 95% confidence) indicated a positive and significant relationship between organizational learning and organizational agility. Also, organizational agility was positively associated with organizational performance. Further, a positive and statistically significant relationship was found between organizational learning and organizational performance. Finally, according to the results, organizational agility significantly mediated in the relationship between organizational learning and organizational performance.

**Key words:** Organizational agility, organizational learning, organizational performance, relationship, Iran

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### **INTRODUCTION**

In the coming years, the greatest preoccupation of organizations, apart from the concerns for survival and profitability, will be providing a suitable ground for learning and the use of the acquired knowledge. According to Mintzberg, organization's database does not exist in computer's memory but in the brain of its managers and employees. Today, organizations are operating in a dynamic, highly uncertain and ever changing environment. The present era is, among others, characterized by profound and continuous changes in social, cultural, political, economic, technological and transnational conditions (Kordnaiej, 2004). In such circumstances, business environment becomes increasingly competition-intensive accompanied by uncertainty in work sphere. To deal with these challenges, certain changes which would promote innovation and learning become vital for many organizations. Organizational Learning (OL) is a process through which the enterprise broadens its new knowledge and puts it to everyday experience of people in the organization, acquiring thereby the potential to influence the

employee's behavior and enhance the enterprise competencies (Jimenez and Valle, 2011). Today, it seems that traditional approaches and design concepts have been affected by the complexity, instability and unpredictability of the environmental changes (Liao *et al.*, 2010). In addition, the complexity, unpredictability and instability of environmental change seem to have outpaced our traditional organization design approaches and concepts (Chamanifard *et al.*, 2015; Worley and Lawler, 2010).

According to some scholars, due to the need of organizations for adaptation with environmental changes, the OL concept has become increasingly popular as the learning is necessary for development of people (Gomez *et al.*, 2005), so is it for organizations, although organizational learning (because of the synergy effect) is more than the sum of individual learning. The competition pressure in the market increases motivation of managers for search and assessment of OL strategies and creative and innovative ways to enhance their performance.

In the meantime, executives are struggling to design firms that are efficient enough to drive performance in the short run and flexible enough to sustain performance over

the long run. The “new normal” requires organizations to have an amazing amount of agility just to survive, let alone thrive (Worley and Lawler, 2010; Agarwal, 2007).

According to the executives of the understudy subsidiaries of the Isfahan city General Tax Office, in order to achieve the goals and objectives on broad and macro scale, this organization needs a considerable degree of agility which would allow it to be flexible enough in the face of unpredicted environmental changes and adapt itself with the environment and would help it successfully improve organizational performance through the processes of organizational learning and creation of competitive advantage.

In short, Torkestani *et al.* (2014) documented positive effect of OL on organizational performance; Dalvi *et al.* (2013) found evidence on the impact of organizational agility on organizational performance and Heidari *et al.* (2013) and Mavenger and Tikkamaki (2013) reported that OL contributed to agility-related capabilities. Now, based on the background briefly discussed above, this research examines the relationship between the variables OL, organizational agility and organizational performance. As was noted in the beginning of this article, agility is in fact, a step forward and the generator of new meanings for better performance and success and in practice, it serves as a strategic approach, taking into account new conditions of the business environment. Hence, the present research, in particular, seeks to find out about the mediating effect that organizational agility may have on the relationship between OL and organizational performance in the understudy subdivisions of the Isfahan General Tax Office.

**Organizational Learning (OL):** Organizational learning can be viewed as the ability of organization as a whole for detecting errors and correcting as well as changing the existing organizational knowledge and values, so as the new problem solving skills and capacity could be introduced and applied to work (Hoffman *et al.*, 2005). Learning, in other words, is defined as the prominent feature of any organization that successfully employs its accumulated knowledge to produce better performance (Dimitriadis, 2005). While a general theory of OL is still missing as Crossan, Lane and White noted, there has been much progress in this regard, including extension of the research to such field as power and politics, emotions and sentiments, leadership and social and temporal processes. Such extant OL research can be likened to adding leaves to a tree and in some cases branches, but with insufficient attention to the trunk which would be the foundation for a theory. Organizational learning can be viewed as a performance-oriented process aiming to make

changes in potential behavior of employees (Torkestani *et al.*, 2014). OL is a process through which the firm extends its new knowledge and puts it next to the daily and ordinary experiences of people in organization and has the potential to affect people’s behavior and the firm’s competences. Scholars often suppose learning, at all three levels of individual, group and organization as a conscious analytic process. OL, in fact, can play an important role in enhancing the performance of human capital and organizational knowledge for creation of competitive advantage (Gomez *et al.*, 2004). The main purpose of the employee training is to enhance organizational learning of the employees and thereby to improve their performance, adaptability with environment, (Maria, 2014) quality of services and skills. Organizational learning in a sense, can be described as a dynamic process of knowledge creation, acquisition and collection for the purpose of building resources and capacity leading to better performance of the organization (Lopez *et al.*, 2005).

**Organizational agility:** Organizational agility is the ability to act in the competitive environment due to constant changes, quickly respond to market changes and movements and create product and service value based on customer satisfaction (Qin and Nembhard, 2010). Agility, in operational terms, is a combination of several companies, each with its own skills and competencies, having operational cooperation with each other. Modern organizations operate in an environment which is highly complex and dynamic where rapid and unpredictable changes take place (Gardner, 2000). As a result of these environmental changes, organizations move toward agility and downsizing, greater degree of activity and dynamism, while increasingly appreciating the importance of the move in this direction and the adaptation with the changes as their most significant competitive advantage (Sisk, 2001). This course enables fellow enterprises (in the same line of activity) to adapt with and respond to the changes in accordance with the customer needs (McKenzie and Aitken, 2012). Thus, agility in a sense, is a dynamic organization design capability that can sense the need for change from both internal and external sources, carry out those changes routinely and sustain above-average performance (Worley and Lawler, 2010, 194). But, agility is also the capability of quick response to market changes while operating in an increasingly competitive and rapidly changing and unpredictable environment (Momeni and Pourasadi, 2015).

**Organizational performance:** In the today’s advanced business environment, performance is an indispensable

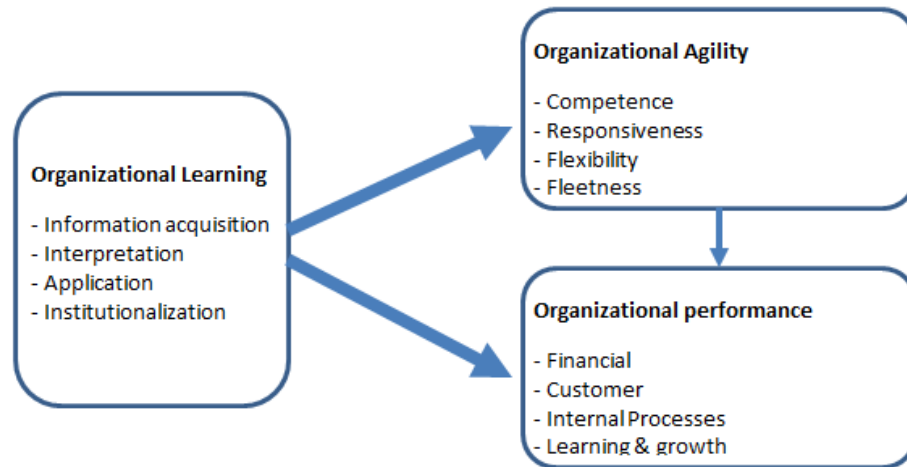


Fig. 1: Research Model

guide for every company that analyzes its success degree both on domestic scale and internationally. Performance evaluation is a complex task, since it can be variously conceptualized and operationalized (Lages and Montgomery, 2004). Improvement in organizational performance can be achieved in a variety of ways. In the improvement process, OL as one of the involved variables can mediate between training and performance and produce positive effects on organizational performance. Organizational learning is achievable when people's knowledge sharing through social interactions with different groups occurs as a result of a common interpretation along which the accumulated knowledge allows people to learn from the organization. Therefore, creating a progressive two-stage learning process allows knowledge sharing to take effect along and across people, groups and organizations. Corporate performance is a multidimensional concept that considers the firm performance in view of and relative to competitors. A comprehensive approach to organizational learning takes not only financial aspects into account but also all the facets potentially capable of value creation in organization. Thus, to evaluate performance of the knowledge management program, the non-financial indicators, too, should be included, since knowledge management affects various aspects of performance. In such comprehensive view of corporate performance, both dimensions, i.e., financial (profit and growth) and non-financial (efficiency, creativity and customer satisfaction) are involved (Lopez and Merono-Cerdan, 2011). This method, taking all aspects, both financial and non-financial, into account, is focused on competitive advantage of the organization. Balanced Scorecards (BSCs) in addition to financial measures that indicate the operational results in the past, includes non-financial indicators which complement the financial indicators

serve as the prerequisites and stimuli of the future financial performance. Balanced scorecards have been introduced and used as the performance management tool. This instrument in addition, makes it possible to translate the organization outlook (or vision) to a transparent and explicit set of objectives, so as these objectives could be transformed into a system of comprehensive performance indicators for a focus on the entire organization (Kaplan and Norton, 2004).

**Research model:** Figure 1 represents the research model which was drawn on the prior work (theoretical and empirical) treated briefly hereinabove.

**Research hypotheses:** This research, based on the research problem and in light of the above conceptual model, the following propositions are made:

- H<sub>1</sub>: There is a significant relationship between organizational learning and organizational agility
- H<sub>2</sub>: There is a significant relationship between organizational agility and organizational performance
- H<sub>3</sub>: There is a significant relationship between organizational learning and organizational performance
- H<sub>4</sub>: There is a significant relationship between organizational learning and organizational performance with mediation of organizational agility

## MATERIALS AND METHODS

This is an applied research conducted based on a non-experimental, descriptive-correlational survey design. The target statistical population included the employees in the subsidiaries of the General Tax Office of Isfahan

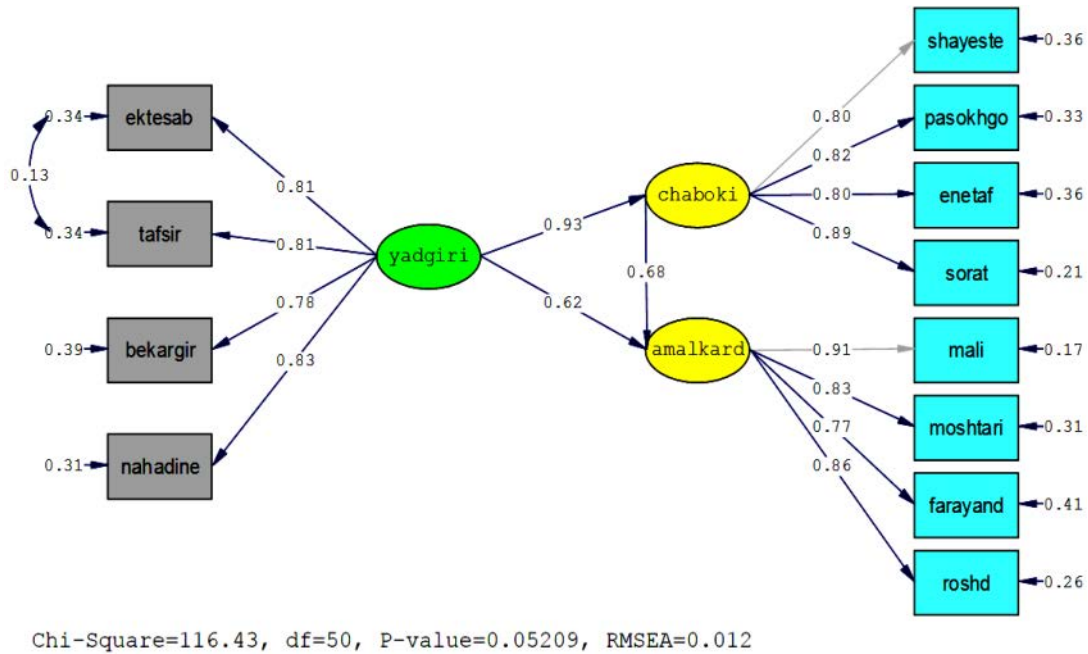


Fig. 2: Structural Equation modeling (standard estimate)

city (968 in total). Due to the finiteness of their number, it was made use of the Cochran's formula for sample size. Next, based on convenience sampling, the researcher-made standard questionnaires were distributed among the sample employees. Finally, of the collected questionnaires, 275 were considered valid and became subsequently subjected to further analysis. Also, it should be noted that the questionnaire distribution and recollection was in the spring of 2016. The questionnaires, which were measured on a 5-point Likert scale ranging from absolutely disagree to absolutely agree, served to collect the required data for test of the research model. Their reliability was verified based on the Cronbach's alpha. The calculated alpha coefficients for agility, learning and performance questionnaires were 94.4, 96.1 and 94.3, respectively, indicating adequate reliability of all three questionnaires.

The assumed relationships between the variables were examined using structural equation modeling (path analysis). Hence, the results of the data analysis regarding the proposed causality between the variables in LISREL software were expressed in terms of standard coefficient and sig-value based on which it was decided whether to accept or reject the hypotheses.

**The structural model:** For test of the hypotheses in Fig. 2 and 3, the model estimation in the state of standard estimates (standard coefficients) and significance coefficients (sig-values) was discussed.

Table 1: The results on the model goodness of fit test

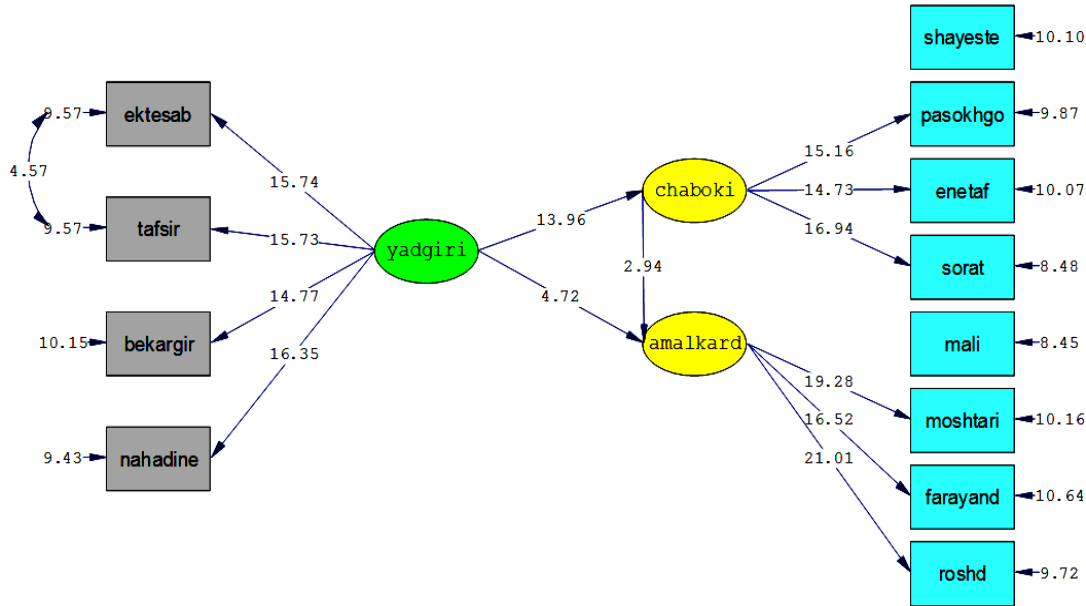
Measure	Measure's standard value	Measure's obtained value	Conclusion
X <sup>2</sup> /df	<3	2.33000	Fit
p-value	>0.05	0.05209	Fit
GFI	>0.9	0.97000	Fit
AGFI	>0.9	0.95000	Fit
RMSEA	<0.1	0.06300	Fit
CFI	>0.9	0.92000	Fit
NFI	>0.9	0.94000	Fit
RMR	<0.09	0.01200	Fit
IFI	>0.9	0.92000	Fit

The obtained values from the software output in Table 1 confirm that the conceptual model is an adequately fit model and the established relationships between variables are logical based on the research theoretical framework.

**Test of hypotheses:** The obtained results from estimate of the structural model and test of hypotheses are summarized in Table 2.

The obtained results from estimate of the structural model and test of hypotheses are summarized. The path of OL-organizational agility refers to test of hypothesis 1 and since the Sig-value of this path (13.96) is greater than the standard value 1.96, this path is significant at 95 percent confidence. Thus, hypothesis 1 suggesting an association between OL and organizational agility is accepted (Table 2).

The path organizational agility-organizational performance refers to test of hypothesis 2 and since the Sig-value of this path (2.94) is greater than the standard



Chi-Square=116.43, df=50, P-value=0.05209, RMSEA=0.012

Fig. 3: Structural Equation modeling (sig-value)

Table 2: The results of the structural equation modeling (path analysis)

Hypothesis	Path	St. Coeff	Sig-value	Decision
1	OL–Org. Agility	0.93	13.96	Accept
2	Org. Agility–Org. Perf.	0.68	2.94	Accept
3	OL–Org. Perf.	0.62	4.72	Accept
4	OL–Org. Agility–Org. Perf.	(0.93)(0.68)	(13.96)(2.94)	Accept

value 1.96, this path is significant at 95% confidence. Thus, hypothesis 2 suggesting an association between organizational agility and organizational performance is accepted.

The path OL-organizational performance refers to test of hypothesis 3 and since the Sig-value of this path (4.72) is greater than the standard value 1.96, this path is significant at 95% confidence. Thus, hypothesis 3 suggesting an association between OL and organizational performance is accepted.

Finally, the path OL-organizational agility organizational performance refers to test of hypothesis 4 and since the Sig-value of this path (13.96) (2.94) is greater than the standard value 1.96, this path is significant at 95% confidence. Thus, hypothesis 4 suggesting an association between OL and organizational performance through mediacy of organizational agility is accepted.

### CONCLUSION

The change and consequently the uncertainty have become inherent to the information and communication, so as the only thing that is constant is the change itself. Today, change is occurring faster than ever. While many

of these changes can be considered as continuous, some of them are disruptive and malicious which can badly affect the firm’s ability to maintain its survival. Modern organizations have to operate in such a highly competitive and dynamic environment and be subject to internal and external changes and in order to maneuver in this environment and for success and progress, they not only need to adapt themselves with the ever changing environment, but also to welcome the changes as opportunities which could be used to achieve competitive advantage and superiority. Against such background, present research, after study of the prior research was undertaken to explore the potential relationships between OL, organizational agility and organizational performance in the subsidiaries of Isfahan General Tax Office. The likely associations between the involved variables were examined based on the obtained data from the questionnaires using multiple linear regression and structural equation modeling (path analysis). The results supported the research hypotheses. Thus, it could be inferred that at 95% confidence there is a significant relationship between OL and organizational agility in the understudy subsidiaries. That is to say, an increase in OL would enhance organizational agility which is in line with

the findings of Heidari *et al.* (2013) and Mavenger and Tikkamaki (2013). Further, a significant relationship was found between organizational agility in the tax office subsidiaries which was consistent with the research results of Dalvi *et al.* (2013). In addition, the results indicated a significant relationship between OL and organizational performance which was consistent with findings of Torkestani *et al.* (2014). And lastly, it was found that organizational agility significantly mediated in the relationship between OL and organizational performance in the Isfahan General Tax Office subdivisions. Similar result was found by Mavenger and Tikkamaki (2013).

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