THE IMPACT OF LEARNING ORGANIZATION PRINCIPLES IN ENHANCING ORGANIZATIONAL PERFORMANCE AND QUALITY

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Abstract

This study investigates the impact of learning organization principles on the performance and quality of business operations within organizations in Bosnia and Herzegovina. The research aims to identify key principles of learning organizations that significantly influence perceived business performance and quality of organizational operations, and to evaluate the extent to which organizations in Bosnia and Herzegovina can be considered learning organizations. A quantitative research approach was employed, utilizing a survey method to collect data from 154 employees who are representatives of Bosnian and Herzegovinian companies across various industries.

The survey, distributed via Google Forms, measured six dimensions of learning organizations—systems thinking, shared vision, team learning and collaboration, leadership and employee empowerment, organizational culture, and learning environment—alongside four dimensions of business performance and quality—financial performance, internal processes, customer service, and learning, growth, and innovation.

Descriptive statistics and regression analysis were used to analyze the data. The results revealed that shared vision, leadership and empowerment, organizational culture, and learning environment significantly and positively influence business performance and quality. However, systems thinking and team collaboration did not show statistically significant effects. The findings suggest that fostering a shared vision, empowering leadership, a supportive organizational culture, and a conducive learning environment are critical for enhancing organizational performance and quality. These insights provide valuable implications for organizations aiming to adopt learning organization principles to improve their business outcomes.

Keywords: learning organization, business performance and quality, organizational culture, leadership, shared vision

JEL: M1, M2, M5

1. Introduction

Learning organizations, also known as "organizations in the process of learning" or "learning enterprises," encompass various concepts in the literature that describe the same idea. According to Rupčić and Gaica (2018), a learning organization can be described as an organization that develops systems for acquiring and sharing knowledge. The learning process is considered continuous and strategic, leading to changes in knowledge, beliefs, and behavior, thereby enhancing the organization's ability to innovate and further develop. The concept of a learning organization or learning enterprise requires the adaptation of components to achieve the goal of continuous self-renewal through learning (Rupčić & Gaica, 2018). The implementation of the learning enterprise concept should result in a change in the approach to learning opportunities. In such organizations, problems are seen as opportunities that are actively explored, rather than challenges that evoke fear (Adžaga, 2016). The emphasis is on self-confidence and self-esteem, which branch out not only from existing knowledge but also from the learning process. Therefore, continuous training and development programs are crucial, and employees who acquire new knowledge become teachers or mentors to their colleagues.

A culture of openness, trust, and collaboration encourages experimentation and risk-taking, while mechanisms for the diffusion and understanding of knowledge are integrated into

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the organizational system. Instead of destructive criticism, the focus is on dialogue and understanding, and complex bureaucratic control mechanisms are replaced by a shared vision and commitment to the enterprise's goals (Darwin, 2017; Örtenblad, 2018).

The concept of the learning organization has become widely accepted due to the influence of Peter Senge's book *The Fifth Discipline: The Art and Practice of the Learning Organization* (Senge, 1990). His ideas have been further elaborated by many authors, including Pedler (1991), who stated that the learning organization model is ideal for those who believe in the hidden, untapped potential within an organization. Argyris (1991) also made a significant contribution to this concept by analyzing activities that promote the formation of learning organizations and the obstacles that hinder organizational learning. Additionally, Harrim (2010) expanded on Senge's model and introduced six key dimensions of a learning organization: systems thinking, shared vision, teamwork and collaboration, leadership and employee empowerment, organizational culture, and learning environment. On the other hand, organizational performance and quality are measured through financial performance, internal processes, customer service, and learning/growth/innovation.

Although many researchers have studied the concept of the learning organization, there is no single definition (Pedler et al., 2019). Peter Senge described a learning organization as a space where human capabilities are continuously developed to achieve desired results (Senge, 1990). On the other hand, Talebi (2002) observed a learning organization as an enterprise that learns from experience, takes risks, and enjoys the results and lessons learned. Pedler et al. (2019) describe a learning organization as an entity that continuously transforms and enables the learning of all its members, while Leithwood views a learning organization as a group of people with a common purpose who continuously examine and adapt that purpose to achieve goals more effectively (Rupčić, 2016). Despite different definitions, common elements include continuous transformation, permanent improvement, shared vision, and participation of all members in decision-making processes. Given that the concept of alearning organization is

relatively novel, it can be expected that research and development in this area will continue in the upcoming years, especially due to very turbulent business environment (Rupčić, 2016).

A key characteristic of learning organizations is their constant striving and determination for continuous progress, learning, innovation, and the sharing and acceptance of knowledge. Such organizations constantly improve their capability to shape their own future (Jensen, 2005). Personal mastery, development of mental models, creation of a shared vision, team learning, and systems thinking are among the main characteristics of learning organizations. Personal mastery involves continuous learning and improvement of each individual's skills and competencies, both in a business and interpersonal context. Mental models refer to internal cognitive processes and beliefs that are actively examined and adapted at the individual, team, and organizational levels to promote adaptability, resilience, and innovation.

An organization that aspires to become a learning organization must overcome the fear that discourages members from challenging established patterns of thinking and behavior and promote openness to change and continuous learning (Galić, 2010). One of important characteristics of learning organizations is the creation of a shared vision, which represents the long-term goal and ideal future of the organization (Watkins & Kim, 2018). All employees should be involved in forming this vision through collective collaboration. Team learning, characteristic of learning organizations, involves the collective acquisition of novel knowledge within teams. Systems thinking enables employees to see the bigger picture and interactions between different parts of the organization (Garad & Gold, 2019). Employees in learning organizations have characteristics such as readiness to take risks to learn, commitment to quality of work, as well as teamwork and the synergistic effects of group learning. All these characteristics make learning organizations a unique form of organization, different from traditional models.

The concept of business improvement refers to a concept in the contemporary business world that focuses on continuous improvement and enhancement of various aspects of business to

achieve greater efficiency, competitiveness, and long-term success of the organization (Miletić et al., 2019). This process involves various strategies, methods, and tools aimed at optimizing business procedures, increasing productivity, and creating additional value for customers and other relevant stakeholders. A key element of business improvement is the continuous analysis of the market and competition, which enables the identification of trends, needs, and consumer expectations. Based on this information, organizations can adapt their products, services, and business strategies to better meet market demands and gain substantial competitive advantages. Additionally, business improvement includes the pursuit of innovation management in all segments of business, from research and development of new products to improving production processes and human resource management. Innovative business approaches enable nowadays organizations to remain relevant and adapt to environmental changes, which is crucial for long-term survival and sustainable, constant growth (Šuber, 2005).

The concept of the learning organization is also associated with innovation management and business improvement in organizations (Hussein et al., 2014; Power & Waddell, 2004). The capability to change and continuously improve in responding to challenges in the environment in which organizations operate is related with the ability of those organizations to learn (Armstrong & Foley, 2003). Therefore, organizations that continuously learn will be able to track developmentand improvements in the business environment and thus operate successfully. The application of the learning organization concept, according to Norashikin et al. (2014), can significantly improve business performance through several key areas:

• Learning organizations continuously seek ways to improve their processes as well as products and/or services, making them more agile and ready for market changes,
• Creating a knowledge-sharing culture enables employees to access information and resources that help them make better decisions and solve problems more effectively,
• Continuous commitment in investments towards employee education and training as well as professional development increases their level

of skills and competence, which directly adds to better performance and the quality of work and products/services,
• Understanding the interconnectedness of all parts of the organization enables better planning and coordination, reducing the risk of misalignment and inefficiency, and
• By encouraging team learning and collaboration, organizations can leverage the collective intelligence of their employees, resulting in more innovative solutions and better business outcomes at the organizational level.

According to Stella et al. (2012), learning organizations apply several key principles to improve business performance. Continuous improvement involves regularly reviewing and improving business processes, enabling rapid adaptation to market changes. Knowledge sharing within the organization ensures that all employees have access to the information needed to make informed decisions, thereby increasing efficiency and productivity (Stella, 2012). The development of mental models involves adapting internal cognitive frameworks to support innovation and adaptability (Galić, 2010). The creation of a shared vision enables all members of the organization to work towards the same goals, increasing cohesion and focus. Systems thinking helps employees see the organization as a whole, understand the interconnections, and recognize how changes in one part can affect other parts of the organization (Ussahawanitchakit, 2008). By combining these principles, learning organizations create an environment that fosters innovation, improves performance, and ensures long-term success.

Although the principles of the learning organization are well-defined and theoretically linked to business improvement, there is a significant lack of empirical research providing concrete evidence of this relationship, especially in the context of transitioning economies such as Bosnia and Herzegovina (BiH). Most existing studies focus on the general benefits of learning organizations, such as increased innovation, efficiency, and adaptability. However, there is little particular data on how the application of specific principles, such as knowledge sharing, development of mental models, creation of a shared vision, and systems thinking, directly affects key aspects of business performance such as profitability, market share, customer

satisfaction, and operational efficiency. Accordingly, the subject of the research is the examination of the impact of learning organization principles on the improvement of organizational performance and quality in organizations in BiH.

1.1 Research Objectives and Hypotheses

As previously explained, there are evident gaps in the available literature that explain the relationship between the application of learning organization principles and business performance, especially in economies in a transition phase. Accordingly, the main objective of this research is to examine the relationship between the application of the learning organization and the performance and quality of business operations. Specific research objectives are:

• Identify the key principles of the learning organization that have the highest impact on the perceived performance and quality of business operations of the organization,

• Analyze the attitudes of the respondents regarding the performance and quality of business operations of organizations in BiH, the economy in transition, and

• Examine to what extent can organizations in BiH be considered learning organizations based on the empirical data and analysis.

Based on the theoretical framework, the following research hypotheses were formed:

H1: Systems thinking exhibits a significant positive relationship with the operational performance and quality outcomes of an organization.

H2: The presence of a shared vision among organizational members is positively associated with enhanced performance and quality in business operations.

H3: Effective teamwork and collaboration within an organization are positively correlated with improvements in operational performance and quality metrics.

H4: Leadership practices that emphasize employee empowerment demonstrate a significant positive relationship with the performance and quality of business operations.

H5: Organizational culture, characterized by values and norms that support operational excellence, is positively related to the

performance and quality of business operations.

H6: A learning-oriented environment within an organization is positively associated with higher levels of operational performance and quality.

2. Literature Review

Defining knowledge is not simple, and there is still no universally accepted definition. Knowledge encompasses all known information, facts, and skills that a person acquires through experience or education (Alavi & Leidner, 2001). It can be described as a systematic understanding of objective reality that a person gathers and stores in their consciousness. Thus, knowledge represents a combination of theoretical and practical understanding that maneuvers and requires further research. With the development of the market, traditional resources such as labor and capital become insufficient to achieve a competitive advantage, so more attention has been paid to knowledge lately (McInerney, 2002). The emergence of new technologies facilitates the investment and management of knowledge, which is reflected in the improvement of the quality of work within organizations due to the knowledge of employees. Knowledge management encompasses a range of activities that help organizations identify, create, present, and distribute knowledge. There are different perspectives in defining knowledge management, including technological, business, philosophical, and social aspects (Mårtensson, 2000). Knowledge management in a business environment represents a complex process that seeks to understand, effectively manage, and practically apply knowledge to achieve maximum productivity of the organization (Bosilj-Vukšić et al., 2006). This activity requires a dynamic approach, where knowledge is divided into different components to be used for dissemination and business improvement. Before commencing the knowledge management process, it is necessary to distinguish between types of knowledge and the predispositions that employees bring into the organization.

The distinction between knowledge often boils down to the distinction between what is clearly

expressed and what remains hidden within the individual. While explicit knowledge is easily shared and transferred, tacit knowledge remains a hidden gem within the individual, often inaccessible to those who do not know how to uncover it. In a business context, it is important to recognize the value of tacit knowledge and convert it into a form that is more accessible and easily transferable, thereby preventing the loss of invaluable resources when an individual leaves the organization (Dimitrovski, 2010). The transformation of knowledge can be achieved in various ways, often through interaction and collaboration among individuals. Through mutual communication, tacit knowledge can become part of a shared conceptual understanding, while explicit knowledge can be enriched by integrating different information and experiences. These processes enable the organization to grow and develop through the continuous exchange and transformation of knowledge, thereby strengthening its competitiveness and resilience to market changes (Dimitrovski, 2010). Knowledge management involves four basic processes: generation, codification and coordination, transfer, and application of knowledge. Knowledge generation includes activities that stimulate individual and group learning, as well as processes such as professional development and training. Codification and coordination of knowledge refer to the organization and storage of information within the organization, which is crucial for creating a shared knowledge base. Knowledge transfer depends on effective communication and collaboration within teams, while knowledge application refers to the practical application of previously acquired insights in daily work (Dimitrovski, 2010). Investing in the human resources of an organization can be crucial for achieving a competitive advantage, given that human capital is a variable factor that can bring significant returns on investment.

The knowledge management process sets three basic goals: achieving a leading position in production, developing partnerships with customers, and increasing productivity and quality. Achieving a leading position in production implies continuous technological innovations and the development of new products or services, while through partnerships with clients, the goal is to create close relationships to obtain feedback. Increasing productivity and quality aims to reduce errors in production and optimize work processes (Đula, 2010). The implementation of knowledge management in an organization requires all the mentioned processes, along with the use of knowledge bases for additional support. Although knowledge management should be an objective process, it often faces challenges such as a lack of employee motivation and an inadequate reward system (Dimitrovski, 2010).

To achieve maximum productivity in an organization, strategies for decision-making and goal achievement are used. All knowledge management processes within organizations are subject to influences such as organizational culture, work atmosphere, and relationships with management. Managing people also means managing oneself (Buntak, 2020). Every manager or leader has the responsibility of assigning tasks to workers. Positive relationships are key to assessing the skills and abilities of each worker, which does not necessarily mean creating friendly bonds, but rather creating a perception among workers that their superiors understand and support them (Mihajlović & Dašić, 2014). Various tools and techniques are used in managing human potential. Expanding knowledge can be achieved through group work or job rotation to understand different aspects of the job. Infrastructure resources such as offices, the Internet, and databases are also important for supporting the process of enriching knowledge. Managers and leaders need to communicate with workers to identify and manage their knowledge and needs (Mihajlović & Dašić, 2014). Workers expect recognition for their successes, and compensation and rewards are key motivators. Rewards should be tailored individually because what one worker considers a reward may be irrelevant to another. Encouraging a reward system contributes to the development of human potential by motivating workers to progress.

2.1 The Concept of the Learning Organization

The learning organization, also known as the "organization in the process of learning," is also

referred to as the "learning enterprise." There are various terms in the literature that define this concept, but they all essentially boil down to the same idea. According to Rupčić and Gaica (2018), a learning organization can be defined as an organization that builds systems for acquiring and sharing knowledge, where the learning process is considered a continuous, strategic process that leads to changes in knowledge, beliefs, and behavior, thereby increasing the organization's ability to innovate and develop. According to the concept of the learning organization or learning enterprise, its components need to be reshaped in a certain way to achieve the goal of continuous self-renewal through the learning process. The application of the learning enterprise concept should result in changes in the approach to learning opportunities. In a learning enterprise, problems are viewed as opportunities and approached with interest, not fear. Self-confidence and self-esteem stem not only from the fact "I know" but also from the fact "I am learning." Therefore, continuous training and development programs are ensured. Employees who have undergone educational programs become teachers to other members. The learning enterprise achieves these goals through a culture of openness, trust, and collaboration, which encourages experimentation and risk-taking. Mechanisms for the diffusion and understanding of knowledge are built into the system. Destructive criticism is replaced by dialogue and understanding, and instead of complex bureaucratic control mechanisms, the enterprise is guided by a shared vision and commitment to goals.

The concept of a learning organization has become widely accepted and popular, particularly thanks to Peter Senge's book *The Fifth Discipline: The Art and Practice of the Learning Organization*. His work has been supplemented by many authors, among whom Pedler (1991) stands out, who believed that the learning organization model is suitable for those who believe in the existence of hidden, untapped potential in the organization. Argyris (1991) also had a significant influence on shaping this concept, analyzing activities that support the formation of learning organizations and the obstacles that hinder organizational learning. Although many

scientists have researched the concept of the learning organization, there is no universally accepted definition. One of the well-known approaches to defining the learning organization includes that of Peter Senge, who describes the learning organization as a space where human capabilities are continuously developed to achieve desired results, while Talebi (2002) sees the learning organization as an organization that learns from experience, takes risks, and enjoys the achieved results and lessons learned. Pedler describes the learning organization as an organization that continuously transforms and enables the learning of all its members, while Leithwood views the learning organization as a group of people with a common purpose who continuously examine and modify that purpose to achieve goals more effectively (Rupčić, 2016). Although there is diversity in defining the concept of the learning organization, common elements such as continuous transformation, continuous improvement, shared vision, and decision-making can be observed. Since the concept of the learning organization is still relatively young, it can be expected that it will continue to be researched and developed in the future.

The essential characteristic of learning organizations lies in their constant striving and ability for making continuous progress, learning, innovating, and accepting and sharing knowledge. Such organizations continuously strengthen their ability to shape their own future (Adžaga, 2016). Key characteristics of learning organizations include personal mastery, development of mental models, creation of a shared vision, team learning, and systems thinking. Personal mastery involves constant learning and improvement of each individual's skills, not only in a business context but also in interpersonal relationships. Mental models refer to internal cognitive processes and beliefs that are actively considered and adapted at the individual, team, and organizational levels to promote adaptability and innovation. To become a learning organization, an institution must overcome the fear that prevents its members from questioning established ways of thinking and behaving, while fostering an environment open to change and continuous learning (Galić, 2010).

One of important characteristics of learning organizations is the creation of a shared vision, which represents the long-term goal and ideal future of the enterprise. Every employee in a learning organization should be involved in forming this vision through collective collaboration. Team learning, also characteristic of learning organizations, involves the collective acquisition of new knowledge within teams. Systems thinking, as an integral part of these characteristics, enables the viewing of the bigger picture and the interactions between different parts of the organization. In learning organizations, employees display traits such as a willingness to take risks for the sake of learning, a strong dedication to producing quality work, and a focus on collaboration that leverages the synergistic power of group learning. These traits set learning organizations apart from traditional organizational models, making them distinct in their structure and approach.

2.2 Advantages/Disadvantages of the Learning Organization and Adoption

The introduction of the learning organization concept represents a fundamental change in the way organizations operate and think about their development. This approach, which emphasizes continuous learning and adaptation, brings a number of advantages as well as challenges that organizations must face. One of the key advantages of introducing the learning organization is the expansion of knowledge within the organization itself (Örtenblad, 2018). Traditional vertical structures, which often resulted in closed communication channels, are replaced by new, horizontal structures that promote dialogue, collaboration, and the exchange of information among all members of the organization. Through these newly formed connections, knowledge becomes accessible to everyone, and the organization becomes capable of responding more quickly to changes in the environment (Santa, 2015). The learning organization also encourages development of positive interpersonal relationships within the organization. By encouraging mutual connectedness, quality communication, and building trust, members of the organization develop a sense of community and solidarity. Such a holistic approach not only strengthens

team cohesion but also encourages creativity and innovation, key factors for the long-term success of the organization (Buntak, 2020).

However, despite many advantages, the introduction of the learning organization concept is not without challenges. One of the main challenges is facing resistance to change among employees. Changes in organizational structure and culture often cause uncertainty and discomfort among employees, which can slow down the implementation process. Additionally, significant time and resources need to be invested in employee training and development to ensure that the organization successfully transitions to the new business model (Buntak, 2020). Another challenge that organizations face is creating a clear framework for organizational learning. Establishing effective mechanisms for collecting, analyzing, and sharing information can be complex and require significant changes in existing processes and procedures (Buntak, 2020). Despite the challenges, investing in learning organizations can bring significant long-term benefits. The development of an organizational culture that promotes learning and continuous improvement can result in increased innovation, greater adaptability, and a competitive advantage in the market. Therefore, although the path to achieving a learning organization may be long and demanding, potential benefits are undoubtedly worth the effort and investment.

The responsibility for implementing the learning organization concept lies with the leadership or management of the organization. This introduction implies a certain transformation of the organization to adapt to the changes that will occur. The success of the concept's implementation depends on various factors (Senge, 1996). One of the key factors is organizational culture. Organizational culture represents a set of beliefs, norms, values, and actions within the organization (Senge, 1990). It connects members of the organization and can manifest at visible and invisible levels. Visible levels include language, symbols, rituals, and problem-solving methods, while invisible levels include organizational values and norms that reflect a tendency towards certain behaviors. Organizational culture must support learning processes and promote the

values that the learning organization concept advocates. Additionally, the organization's leadership plays a significant role in supporting learning processes and advocating for the learning organization concept (Kotler, 2012). Another important factor is the business strategy of the organization. The company's strategy determines the area of operation of the organization, the reasons for its existence, and the ways in which the organization relates and responds to external and internal environmental influences. Strategic plans are coordinated sets of actions designed to achieve the organization's goals by strengthening or modifying the existing strategy. Therefore, the organization's strategy must support learning processes and be aligned with the learning organization concept to ensure the successful introduction of this concept (Senge, 2001). In addition to organizational culture and business strategy, important factors in introducing the learning organization concept include a stimulating environment, flexibility of the organizational structure, and leadership that encourages learning and innovation. All these factors together contribute to creating an environment that encourages continuous learning and development within the organization.

Three basic types of business strategies, according to Kotler (2012), include overall cost leadership, differentiation, and focus. The first strategy, overall cost leadership, aims to achieve the lowest possible production and distribution costs to lower prices below the competitive level and capture a larger market share. Differentiation, on the other hand, is aimed at achieving excellence in key customer benefits that have value for a broad part of the market (Senge, 1990). Focus, the third strategy, is aimed at concentrating on one or more narrow areas of the market instead of expanding to a larger market. Regardless of the chosen business strategy, the learning organization must be flexible, as the learning process itself is often flexible. Excessive focus on a particular business strategy, especially if it does not bring the expected results, can seriously disrupt the learning process and the company's competitiveness (Senge, 1996).

Organizational structure represents another important factor in introducing the learning organization concept. It is a system of relationships among people established to perform certain tasks, which includes various elements such as material factors, human resources, the organization of people and task distribution, management, and the organization of the time sequence of task performance. There is no "universal" best way to choose an organizational structure, but the choice depends on various factors such as the nature of the work, human resources, technology, internal and external circumstances. Organizations have different options regarding organizational structure, and the choice of structure in the learning organization also depends on the mentioned factors. Environmental support, as a factor in introducing the learning organization concept, continues from organizational culture. Members of the organization need to support each other throughout the process of introducing and later implementing the learning organization concept. However, the greatest responsibility for creating such support lies with management. The transformation of the organization involves adapting to various changes, which can cause resistance among individuals.

Changes are key to the success of any organization, especially for the introduction of the learning organization concept (Senge, 1990). They are necessary for the organization to be successful and should be continuously implemented to respond to customer needs, technological and regulatory requirements. Changes in the organization, regardless of the segment or level, affect all parts of the organization, including technology, organizational structure, and human resources. Managers must choose the right time to implement changes and ensure that they achieve the desired goals (Jackson, 2017). Change management is crucial due to the negative impact of resistance to change. This area includes the initiation, planning, and control of innovative tasks, taking into account the personal views of participants in the changes. The manager, as the person who initiates and implements changes, must know how to manage changes to ensure their success. There are various ways to manage changes, including informing employees about changes, conducting trial changes, and ensuring

sufficient time resources for introducing changes. Effective change management requires detailed planning, transparent communication, and the support of all members of the organization. Through such an approach, the organization can reduce resistance to changes and ensure the successful introduction of the learning organization concept (Senge, 2001).

2.3 Comparison of Learning and Conventional Approaches in Organizations

In today's business world, information is extremely important and invaluable. It retains its value even after it has been used, making it a key resource for companies. Employees are constantly engaged in tracking internal and external changes to find new information that can be used to improve the company's business. This process of collecting information contributes to the increase of overall knowledge within the organization. Previous reseach indicated a fundamental difference between organizations that strive to learn and traditional organizations (Quinn, 2015). The key difference lies in their ability to master basic disciplines or key technologies. However, transforming a traditional organization into an organization that strives to learn requires a series of steps, including fostering personal development, developing a shared vision, supporting team learning, and promoting systems thinking (Darwin, 2017).

In addition to employees gaining knowledge through practical experience, learning is also a key characteristic of organizations that strive to learn. Learning does not only involve receiving new information but also requires actively improving skills and abilities. Employees in these organizations are motivated to become integral members of the team and are willing to take risks to contribute to the organization's success. Rupčić and Gaica (2018) emphasize that organizations must implement various changes to become organizations that strive to learn. These steps include changes in the structure of the organization, formation of autonomous teams, creation of additional value, and improvement of communication among employees. An organization can become a learning organization only when employees take on

significant responsibility and have the power in the decision-making process. In such organizations, employees are considered a key source of competitive advantage, and they are provided with good working conditions and high salaries. Special emphasis is placed on mutual communication among employees and the sharing of knowledge and information (Rupčić & Gaica, 2018). Table 1 shows the differences between traditional and learning organizations.

Table 1. *Differences between Traditional (Conventional) and Learning Organizations*

Traditional Organization	Learning Organization
Focus on understanding	Focus on learning through action
Individual acquisition of knowledge	Collective increase in problem-solving
Learning facts and skills	Understanding and personal experience
Adopted knowledge and views	Exploration and experiment
Rational approach to problems	Alternative methods and subjective
Consistent application of theoretical knowledge	Differences in views and relativization of absolute truths
Seeking "recipes" and "right ways"	Learning through practice, experiments,
Respect for authority	Healthy skepticism and openness to
Changes perceived as a threat	Encouragement of experiments and
Avoidance of experiments and risks	Learning from failures and encouraging
Focus on individual work	Development of a sense of collaboration among employees

Source: Rupčić and Gaica (2018).

Learning organizations, as shown in Table 1, are adapted to rapid changes in the environment and are capable of responding to new challenges and adapting to new situations. Their flexibility and openness to innovation enable them to be agile and competitive in the market, allowing them to continuously develop and progress (Rupčić & Gaica, 2018). Compared to traditional organizations, learning organizations stand out in the way they learn. They learn from various sources—

from their own experiences, but also from the experiences of other organizations, and are willing to take risks and experiment. The emphasis is on continuous learning and improvement, both at the individual and collective levels (Krpan et al., 2015; Rupčić, 2011). In conclusion, organizations that strive to become learning organizations must understand that a shared vision is key to success. Teamwork, continuous learning, and openness to change are essential for survival and progress in the market. Knowledge becomes a key resource, and organizations that successfully manage it have an advantage over the competition. Therefore, investing in the development of a learning organization becomes not just an option, but a necessity for survival and success in today's dynamic market.

2.4 The Relationship between the Application of Learning Organization Principles and Business Improvement in Previous Research

The concept of the learning organization is important for initiating sustainable business improvement. Organizational learning involves the creation, transfer, and integration of knowledge and skills to improve business interaction processes. By nurturing a culture of continuous learning, companies can more effectively adapt to changing market conditions, innovate faster, and improve operational efficiency. This continuous learning process is crucial for identifying and implementing improvements that lead to better business outcomes. Firms that invest in organizational learning position themselves to anticipate changes in consumer preferences, technological advancements, and the competitive environment, thereby maintaining a competitive advantage (Hindasah & Nuryakin, 2020).

Several studies have highlighted the direct relationship between learning organization principles and business performance. Michna (2009) investigated how intercultural management and learning affect organizational performance, showing that companies with strong learning systems tend to perform better. Similarly, Eris and Ozmen (2012) provided empirical evidence showing that market orientation, organizational learning, and

innovation are key drivers of business success. This relationship emphasizes the importance of creating systems within organizations that promote continuous acquisition and application of knowledge. Learning organizations are more agile, capable of experimenting with new ideas, and continuously improving their processes, which ultimately leads to improved financial performance and long-term growth.

Furthermore, organizational learning positively affects entrepreneurial performance in international enterprises, as shown by Kropp, Lindsay, and Shoham (2006). Their research demonstrated a strong link between entrepreneurial orientation, marketing activities, and learning within the organization, reinforcing the idea that enterprises that actively nurture knowledge and apply it in their strategies can better navigate global markets. Innovation, which is often the result of a strong learning culture, significantly contributes to performance improvement by encouraging creative solutions to challenges and opening new opportunities for revenue generation. This is particularly crucial in industries facing rapid technological changes, where the ability to learn and innovate is synonymous with survival and success.

In addition to innovation, the broader impact of learning on overall organizational performance cannot be underestimated. Mavondo, Chimhanzi, and Stewart (2005) highlighted the positive effects of learning, customer orientation, and human resource practices on business results, emphasizing the role of organizational learning. When companies align their learning processes with performance goals, they see improvements not only in innovation but also in customer satisfaction, market share, and operational efficiency. According to Lin and Peng (2008), business performance is a reflection of the organization's ability to achieve both internal and external goals, and learning is the key mechanism through which these goals are achieved. Therefore, the link between learning organizations and business improvement is important, as learning acts as a catalyst for both short-term gains and long-term competitive advantage.

2.5 Dimensions of the Learning Organization

1. Systems thinking is a fundamental dimension of the learning organization, as it enables individuals and groups to move beyond simple cause-and-effect relationships, recognizing complex interdependencies that shape organizational outcomes. Unlike traditional, linear thinking, systems thinking encourages a holistic approach, where different elements of the organization and its environment are seen as interconnected parts of a larger system. This perspective enables organizations to better anticipate unintended consequences and identify leverage points where interventions can lead to significant, positive changes. By understanding how different components of the system influence each other, learning organizations can more effectively manage complexity and adapt to changes in the market or internal environment (Yang, Watkins, & Marsick, 2004). Senge (1990) emphasizes systems thinking as one of the five key disciplines that a learning organization must possess. It is not just about understanding individual components in isolation, but about recognizing dynamic patterns and feedback loops that influence organizational behavior. For example, instead of addressing the symptoms of a problem, systems thinking encourages leaders to address the underlying structures that create those symptoms. This helps organizations move from reactive problem-solving to proactive management, fostering a culture of continuous learning and innovation. By integrating systems thinking into the organizational mindset, learning organizations can better align their strategies, resources, and processes, enabling them to create more sustainable, long-term success. Moreover, systems thinking supports the generative capacity of learning organizations—the ability to create alternative futures by identifying and shaping opportunities in a way that encourages creativity and innovation. When individuals within the organization adopt a systems thinking approach, they begin to see their work in relation to the broader goals of the organization and the environment in which it operates. This fosters a shared understanding and collective vision, which is essential for driving true commitment and organizational growth. As a result, systems thinking becomes a powerful tool for learning organizations to continuously evolve and respond to the complex challenges that are constantly changing.

2. Shared vision is another important dimension of the learning organization, serving as the foundation for collective action and organizational alignment. As Senge (1990) explains, shared vision represents the answer to the question: "What do we want to create?"—a collective picture of the future that unites team members under a common goal. In a learning organization, this shared vision goes beyond mere alignment or formal mission statements; it taps into the deeper aspirations and motivations of individuals, fostering true commitment. When employees share a vision, they work not only toward a goal set by management but also toward a future they believe in and have helped shape. This sense of ownership and alignment creates a sense of community, which is essential for sustainable learning and innovation. Shared vision also plays a key role in guiding decision-making and behavior within the organization. By creating a shared mental model of the future, shared vision provides a clear framework for strategic action, helping team members make decisions that are aligned with the organization's long-term goals. As Pearce and Ensley (2004) suggest, shared vision acts as a mental model that influences how teams think and act, providing a basis for coordinated action. This is particularly important in dynamic environments where teams must quickly adapt. When individuals are united by a shared vision, they can more effectively manage complexity, as their actions are guided by a shared understanding of what the organization seeks to achieve. In a learning organization, the development of a shared vision is a collaborative and iterative process that is shaped by team members. It is important that the shared vision is built on a deep understanding of the current reality and the desired future. If team members do not agree on the current state of the organization, it becomes difficult to move forward toward a common goal. Furthermore, mechanisms such as shared language, strategic knowledge, and relational capital are essential for building and maintaining a shared vision. These elements ensure that team members not only

understand the vision but also feel empowered to contribute to its realization. In this way, shared vision becomes a driving force for continuous learning, growth, and adaptability in the learning organization (Celik, Akyazi, & Akgemci, 2016).

3. Teamwork and collaboration, in the development of modern workplaces, have emerged as key dimensions of the learning organization. As organizations face increasingly complex challenges, the need for fluid and dynamic collaboration becomes of crucial importance. Traditional views of collaboration, often seen as a peripheral activity associated with stable teams, are giving way to a more integrated approach where teams are viewed as systems that continuously evolve. This shift reflects the understanding that work is now accomplished through rapid changes in configurations of individuals, who are often involved in multiple collaborative initiatives simultaneously. This interactivity enhances not only the work process but also the organizational learning culture, enabling teams to quickly adapt to changing demands and new opportunities (Scott, 2017). The development of teamwork and collaboration over the decades shows an increasing recognition of how collaborative processes contribute to team effectiveness. In a learning organization, this process is amplified as teams continuously strive to improve their approaches, adapt to new information, and leverage the collective intelligence of their members. By emphasizing dimensions such as communication, coordination, and adaptability, teams not only achieve immediate goals but also create a culture of continuous improvement and learning, making them resilient in the face of uncertainty. As organizations increasingly recognize the importance of teamwork, they invest in developing the necessary structures and training to enhance collaborative practices. By enabling team members to understand their roles, effectively share information, and support one another, organizations can harness the power of collaboration not only to respond to current challenges but also to build the foundations for future growth and innovation. Ultimately, teamwork and collaboration are not just strategies for accomplishing tasks; they are essential

dimensions of the learning organization that nurture an agile, responsible, and engaged workforce (Driskell, Salas, & Driskell, 2018).

4. Leadership and empowerment are another very important dimension of the learning organization, as they shape the culture, vision, and learning environment necessary for continuous growth and innovation. Effective leadership possesses the ability to influence others, guiding them toward common organizational goals. In a learning organization, leadership extends beyond the traditional model of authority; it is about creating a clear and inspiring vision, fostering open communication, and building an environment where employees feel confident to engage and take ownership of their learning. Leaders in such organizations play a key role in empowering individuals to explore new ideas, experiment with processes, and learn from successes and failures, which drives overall adaptability and resilience of the organization (Bethel, 1990). The difference between transactional and transformational theories of leadership is particularly relevant in the context of learning organizations. Transactional leadership focuses on maintaining organizational stability through clear expectations, role clarifications, and the exchange of rewards for performance. While this style of leadership ensures the fulfillment of basic requirements and control of organizational processes, it may not encourage deep, systemic learning that is essential for the learning organization. In contrast, transformational leadership plays a more dynamic role in fostering learning by inspiring employees to go beyond their current capabilities and encouraging them to take on greater responsibility. Transformational leaders not only help employees achieve organizational goals but also nurture their personal growth, self-orientation, and potential, which are crucial for creating a culture of continuous improvement (Chang & Lee, 2007). In a learning organization, transformational leadership is particularly important because it aligns with the core principles of adaptability and innovativeness. Leaders who demonstrate transformational qualities understand the need for organizational change and improvement and actively work to create a shared vision that

motivates employees. By inspiring individuals to embrace change, take initiative, and develop their own learning paths, transformational leaders help cultivate a learning culture. This process enhances both individual and collective capabilities, positioning the organization not only to survive but to thrive in an environment that is constantly changing. Ultimately, leadership in a learning organization is not just about managing tasks; it is about nurturing a climate where learning, collaboration, and personal mastery are integral to the organization's success (Chang & Lee, 2007).

5. Organizational culture is the fifth important dimension of the learning organization, as it shapes the way individuals communicate, make decisions, and respond to changes within and outside the organization. According to Schein (1990), culture in an organization can be understood through visible and invisible layers. The visible layer includes symbols such as behaviors, rules, and rituals that are easily noticed, while the invisible layer consists of shared values, norms, and assumptions that influence how members think and behave. In a learning organization, these invisible cultural elements are crucial for fostering an environment that encourages continuous learning, adaptability, and collaboration. The values and assumptions that underpin the organization must be aligned with a commitment to growth, experimentation, and responsiveness to change. In a learning organization, culture does not only integrate the daily activities of employees but also enhances the organization's ability to adapt to its external environment. When culture promotes flexibility, open communication, and shared learning, employees are more likely to embrace innovation and improve their skills. This adaptability is particularly important in conditions of rapid technological, economic, and social change. Organizational culture in a learning organization serves as a mechanism that supports strategic goals, while enabling individuals and teams to take risks, learn from mistakes, and build new capabilities. Without a supportive culture, even the best leadership and systems may fail to instill the right learning orientation (Chang & Lee, 2007). Four types of organizational culture can be identified—adaptive, mission, clan, and bureaucratic—

which reflect different ways in which organizations can balance flexibility and stability. For the learning organization, the culture that contributes most is often adaptive or clan-oriented, where flexibility and internal cohesion foster a sense of shared purpose and learning. Adaptive cultures (flexible/external) are highly sensitive to external demands and changes in the environment, enabling organizations to innovate and advance in uncertain markets. Meanwhile, clan cultures (flexible/internal) emphasize teamwork, collaboration, and personal development, ensuring that employees feel supported in their learning journeys. In contrast, bureaucratic cultures (stable/internal) and mission cultures (stable/external) may focus more on structure and control, which can hinder the free flow of ideas and adaptability needed for learning. By understanding and shaping organizational culture, leaders can create an environment where learning is not only encouraged but becomes a key part of the organization's identity (Denison & Mishra, 1995).

6. The learning environment is also very important, as it creates the conditions for continuous improvement and adaptation. A well-established learning environment encourages knowledge transfer, promotes collaboration, and fosters innovation. This environment is not just about physical spaces or resources; it includes an ecosystem that supports continuous learning, team collaboration, and exploration. The concept includes dimensions such as continuous learning, empowerment, dialogue, and leadership, all of which are key to creating a dynamic learning culture (Jamali & Sidani, 2008). A strong learning environment nurtures both formal and informal learning opportunities, which are essential for organizations transitioning into learning organizations. Birdthistle and Fleming (2005) highlighted that small and medium-sized enterprises, especially micro-enterprises, often struggle to create opportunities for continuous learning, particularly in a formalized manner. However, even in such firms, informal learning is nurtured through cultural and social aspects of the workplace. Ultimately, the learning environment becomes a key driver of organizational success, fostering innovation, knowledge exchange, and adaptability—

qualities that are essential for any learning organization.

2.6 The Concepts of Organizational Performance and Quality

Organizational performance is a multifaceted concept that has attracted significant attention in various disciplines, including management, economics, and psychology. At its core, organizational performance refers to the ability of an organization to effectively achieve its goals. This includes not only the optimal use of resources but it also ensures that the results are aligned with the broader mission of the organization. Organizational performance refers to the achievement of goals through the effective use of human and physical resources, making it a key focus for managers in both the for-profit and non-profit sectors. Understanding this concept is essential for organizations that want to improve their operational success and overall impact (Kaplan & Norton, 2001). Organizational performance is a contextual concept that reflects the specific conditions and circumstances under which an organization operates. Organizational performance encompasses measurable outcomes that result from management decisions and their implementation by members of the organization. In the context of financial performance, this means assessing changes in the financial condition of the organization as a result of strategic choices and actions taken. It is important that the measures chosen to assess performance are not universally applicable; they must be tailored to the unique context of the organization being studied. Thus, performance metrics can indicate positive and negative outcomes, reflecting the effectiveness of management and operational execution (Carton, 2004).

One of the most compelling aspects of organizational performance is the relationship between organizational culture and performance outcomes. Organizational culture—defined by its values, beliefs, and norms—plays a key role in shaping employee behavior and performance. The beliefs and attitudes of employees are integral to the work culture and can significantly influence productivity and profitability. Therefore, assessing and improving organizational culture can be one of the most effective starting points for improving performance. By fostering a positive and cohesive work environment, organizations can align employee motivation with organizational goals, thereby encouraging higher levels of performance (Akpa, Asikhia, & Nneji, 2021). Thus, the essence of organizational performance lies in value creation, which is defined by the satisfaction of those who provide resources—whether human, physical, or capital. The continuous availability of these resources depends on the perceived value that resource providers receive in return. This means that performance is not just about achieving financial metrics; fundamentally, it is about creating value that meets or exceeds stakeholder expectations. Accordingly, performance measurement becomes an important point in management research, emphasizing how organizations can optimize their operations to improve value creation. Understanding organizational performance is essential for organizations that want to achieve sustainability and success in a competitive environment (Carton, 2004).

Quality control has emerged as a key component in modern professional organizations. Various quality control techniques, such as best practice guidelines and total quality management, have evolved from different historical backgrounds, reflecting the combined efforts of standardization driven by government organizations and adaptations among industries. These approaches aim not only to improve the delivery of services and products but also to instill a culture of continuous improvement within organizations. As a result, the focus has shifted from merely providing quality services to systematically organizing for quality, making it an essential aspect of professional practice (Wadmann, Holm-Petersen, & Levay, 2019). Many organizations adopt quality management systems, such as ISO 9001, to encourage a culture of continuous improvement. This approach encourages organizations to view certification as an opportunity to improve operational efficiency and overall performance. By emphasizing clearer work procedures and defined responsibilities, effective quality control mechanisms help organizations streamline their processes, improve accountability, and

ultimately deliver better products and services to their clients. Additionally, motivations for implementing quality control systems can be driven by both internal aspirations and external pressures. While some organizations may seek quality certification to meet customer requirements or improve their market position, others find that focusing on internal improvements can bring significant benefits. This internal focus often leads to better adherence to quality principles and increased profitability. However, organizations must be careful not to adopt a minimalist approach to certification, as this can lead to disappointment and unsatisfactory results. True commitment to quality can transform these systems into powerful tools for organizational growth and performance improvement.

Moreover, the implementation of quality control technologies changes professional work by introducing new roles and hierarchies within organizations. Professionals have traditionally relied on their specialized expertise to manage through uncertainty and maintain autonomy; however, the standardization of practices reduces these uncertainties, thereby redistributing power dynamics within organizations. As quality control measures increase transparency and predictability, they enhance managerial control, which can dilute the influence of individual practitioners. This change often leads to the emergence of specialized roles, such as quality coordinators, who play a key role in implementing quality initiatives. Accordingly, the focus on quality control not only redefines how professionals work within their organizations but also shapes the structure of the organizations themselves, fostering a more accountable culture that is driven by performance (Wadmann, Holm-Petersen, & Levay, 2019). Although these changes can improve overall organizational efficiency, they can also introduce bureaucratic complexities that may hinder flexibility. Organizations must strike a balance between maintaining rigorous quality standards and nurturing an environment that enables adaptability and innovation. Ultimately, the successful implementation of quality control does not only improve operational performance but also contributes to a culture of excellence and continuous improvement within the organization.

Performance measurement is a critical component in the decision-making process within an organization, guiding management toward the successful execution of strategic plans and action plans. The ultimate goal of performance measurement is to track progress toward defined goals and outcomes. However, one of the greatest challenges for managers lies in identifying appropriate indicators that reflect this progress. As Hefferman and Flood (2000) pointed out, organizational performance struggles with problems of definition and measurement. The term "performance" is often confused with "productivity," leading to ambiguity in how organizations assess their achievements. Productivity primarily focuses on output relative to time, while performance encompasses a broader range of factors, including quality, consistency, and results. Organizational performance measurement can be broadly categorized into financial and non-financial measurement. Financial indicators, such as profit margin, return on assets (ROA), and return on equity, are key to assessing the efficiency and profitability of an organization. These measures provide a tangible insight into how well the organization uses its resources to generate profit. In contrast, non-financial measures such as job satisfaction, organizational commitment, and turnover rates are equally important for understanding the health of the organizational environment and its impact on overall performance (Akpa, Asikhia, & Nneji, 2021).

In addition to financial and non-financial measures, performance measurement includes a range of behavioral indicators, such as employee engagement and training program effectiveness. The processes of judgment and evaluation involved in defining performance require careful consideration of actions taken within the organization. Moreover, organizational performance is not solely based on numerical indicators but also includes qualitative aspects such as leadership development and the cultivation of a strong organizational culture. These factors play a key role in shaping employee behavior, motivation, and overall effectiveness, thereby contributing

to the success of the organization (Borman & Schmit, 2012). Quality improvement strategies are of vital importance for organizations that want to systematically improve the quality of their products or processes. These strategies can be grouped into three main processes: quality planning, quality control, and quality improvement. The focus is on quality improvement, which involves proactively seeking opportunities to raise quality to unprecedented levels. Unlike quality control, which is reactive and deals with problems that arise in real time, quality improvement is usually carried out through structured projects that aim for breakthrough results. This project-oriented approach enables organizations to identify and implement strategies that can lead to significant progress in quality (Juran, 2003).

Several methodologies have been developed to guide quality improvement efforts, particularly those based on statistical methods. Statistical improvement strategies, for example, follow a systematic pattern of empirical research: first, they aim to identify opportunities for improvement by exploring causal relationships between quality characteristics and influencing factors. Significant statistical improvement strategies include Taguchi methods, the Shainin system, and Six Sigma. Each of these methodologies offers different tools and terminologies but shares common goals of improving quality through rigorous analysis and systematic experimentation (De Mast, 2003). Understanding the methodological differences between these quality improvement strategies is crucial for practitioners. While statistical tools play a significant role in these strategies, a holistic understanding of the underlying methodologies enables organizations to effectively position their efforts and seek continuous improvement in various processes and products. Ultimately, the choice of strategy should be guided by the specific context and goals of the organization, ensuring that quality improvement efforts yield meaningful and sustainable results (De Mast, 2004).

2.7 Dimensions of Performance and Business Quality

1. Financial performance is very important in assessing overall performance and organizational quality. It reflects the firm's ability to efficiently manage its resources and generate profit, offering a clear indicator of management effectiveness. Financial measures such as return on assets (ROA) and return on investment (ROI) are commonly used indicators to assess how well a company converts its assets and investments into profitable returns. These measures provide an insight into the operational efficiency and financial health of the organization, serving as a benchmark for decision-making and strategic planning (Yamin, Gunasekaran, & Mavondo, 2009). Among these indicators, the ROA coefficient is widely accepted as a reliable measure of financial performance. It assesses the profitability of a firm relative to its total assets, providing an indication of how efficiently the organization uses its resources to generate revenue. High ROA values suggest efficient resource management and strong financial performance, contributing to overall organizational quality and sustainability. In this way, financial performance is not only a reflection of economic success but also an important aspect of maintaining long-term organizational quality and competitiveness (Sahaya, 2012). Financial performance is deeply linked to learning organizations because a company's ability to learn, adapt, and apply knowledge directly influences its financial success. Organizational learning refers to the process of acquiring, transferring, and integrating knowledge into business operations, enabling companies to refine their operations, innovate, and respond more effectively to market changes. As organizations improve their learning capabilities, they enhance their decision-making processes, operational efficiency, and innovation, all of which positively impact key financial measures such as ROI and ROA. This continuous learning process helps firms optimize resources, improve customer satisfaction, and ultimately increase profitability (Hindasah & Nuryakin, 2020).

2. Internal business processes are mechanisms that help organizations achieve their performance expectations by ensuring that operations are aligned with overall business goals. By focusing on critical internal operations, companies can effectively meet customer needs and drive financial success.

This requires organizations to identify the processes and competencies in which they must excel and implement measures that effectively track these areas. The ability to continuously improve internal processes ensures that companies can deliver consistent, high-quality results, directly contributing to customer satisfaction and financial performance (Kaplan, 2009). Furthermore, managing internal processes is not just about ensuring efficiency but also about creating clear links between top-level strategy and day-to-day operations. Aligning employee actions and decisions with the company's overall mission helps establish clear goals at every organizational level. In this way, internal business processes become a driver of value creation, as employees are empowered to make decisions that are aligned with corporate goals. This alignment ensures that individual efforts contribute to broader organizational goals, thereby enhancing both business quality and the company's competitive position in the market (Tibbs & Langat, 2016). Incorporating internal processes into the broader performance framework helps organizations connect different perspectives such as customer satisfaction, financial results, and growth. The internal process perspective, combined with a focus on learning and development, enables companies to pursue ambitious goals while maintaining operational excellence. By continuously refining internal processes and linking them to consumer and financial metrics, organizations can ensure long-term success and maintain high-quality business performance.

3. Customer service plays a key role in shaping business performance and overall organizational quality. As a key performance dimension, customer service not only influences customer satisfaction but also fosters customer loyalty, which is crucial for long-term business success. Effective customer service depends on understanding and meeting customer expectations, which can vary significantly across different cultures. For companies operating in culturally diverse markets, it becomes essential to adapt their customer service approaches to align with local norms and values. Cultural differences influence how customers perceive service quality, and failure to recognize these

differences can lead to misunderstandings and even business failure. Therefore, companies that can adapt their customer service to meet cultural expectations can differentiate themselves and gain a competitive advantage (Wursten, Fadrhonc, & Roersoe, 2009). Employee satisfaction is closely linked to customer satisfaction, particularly in the context of customer service. Frontline employees who interact directly with customers represent the company's products and services, making their role vital in delivering a positive customer experience. Companies that invest in employee training and satisfaction can significantly improve the quality of customer service. When employees are well-trained and confident in their roles, they are more likely to perform effectively, leading to higher customer satisfaction. Additionally, companies that use cultural competencies through employee training are better equipped to serve diverse customer bases, ultimately leading to improved business outcomes. Training employees to understand cultural differences and adapt their communication styles accordingly ensures that customers feel understood and valued, regardless of their cultural background (Russ-Eft, 2004). Effective communication is another essential component of customer service quality, particularly in multicultural environments. Effective communication is key to addressing customer inquiries and building trust. However, cultural differences can complicate communication, as customer expectations and communication styles may vary across regions. For example, a German client may prefer objectivity and efficiency, while a Portuguese client may expect to build a relationship before addressing business matters. Understanding these cultural differences enables customer service representatives to tailor their interactions, making customers feel more comfortable and respected. This sensitivity to cultural expectations not only enhances the customer experience but also strengthens the company's reputation across different markets (Wursten, Fadrhonc, & Roersoe, 2009).

4. Learning, growth, and innovation are essential dimensions of company performance and the quality of its business. Innovation, defined as the commercialization of new

knowledge or technology, drives business growth by creating value for customers and generating financial returns. The innovation process is directly linked to learning, as companies must continuously acquire, integrate, and apply new knowledge to remain competitive. Whether through internal research and development or the use of external knowledge sources, companies that embrace learning as part of their innovation strategy can transform ideas into new products, services, and business models. This, in turn, enables them to maintain a competitive advantage in dynamic markets (Roper & Love, 2018). The innovation process can be viewed as a value chain, where different types of knowledge are acquired, transformed, and ultimately used to create commercial value. This process often requires a combination of internal capabilities and external partnerships, emphasizing the importance of organizational learning and growth. Companies that can effectively manage and integrate both internal and external knowledge are better positioned to successfully innovate and adapt to changing market conditions (Roper & Love, 2018).

3. Methodology

This study includes quantitative research using a questionnaire method to collect results. The population for the study consists of employees in companies in BiH, from which a sample of 154 respondents was selected to participate in the questionnaire. The survey questionnaire was created using the Google Forms tool and was distributed to the respondents online. From the previously explained theoretical model, the research model emerges. The dependent variable of this research is "the respondents' perception of the performance and quality of business operations of the organization." This variable is measured through four different constructs: financial performance, internal processes, customer service, and learning, growth, and innovation. These constructs have a total of 18 statements that the respondents rate using a five-point Likert scale (from "strongly disagree" to "strongly agree"). In addition to the dependent variable, the independent variable in the study is the learning organization, which is constructed using the following six different principles: systems thinking, shared vision,

teamwork and collaboration, leadership and empowerment, organizational culture, and learning environment. Each of these constructs contains different statements that the respondents also rate using the same Likert scale mentioned above. All scales used for the study were adapted from Harrim (2010). After collecting responses, the results are presented using the regression analysis to assess the impact of learning organization principles on the performance and quality of business operations of the organization. This approach enabled the previously formulated hypotheses to be tested, which are accepted or rejected based on results followed by interpretation and discussion.

4. Results and discussion

In this section, the regression analysis will be conducted to determine the specific impact of independent variables on the dependent variable of the research. First, it is necessary to define the theoretical model of the research, which is as follows:

Organizational Performance and Quality = β0 +
*β1 * Systems Thinking +*
*β2 * Shared Vision +*
*β3 * Teamwork and Collaboration +*
*β4 * Leadership and Empowerment +*
*β5 * Organizational Culture +*
*β6 * Learning Environment.*

Before the regression, a normality test will be conducted for the variables in the model to determine whether the variables follow a normal distribution or not. Table 2 shows the normality of the distribution by variables.

Table 2. *Normality of Variable Distribution*

Variable	Obs	Pr (Skewness)	Pr (Kurtosis)	adj chi2 (2)	Prob>chi2
Organizational Performance and Quality	154	0.4793	0.0362	4.92	0.0854
Systems Thinking	154	0.0747	0.0907	5.85	0.0537
Shared Vision	154	0.8997	0.0764	3.21	0.2012
Teamwork and Collaboration	154	0.0465	0.6760	4.20	0.1222
Leadership and Empowerment	154	0.2419	0.5613	1.73	0.4206
Organizational Culture	154	0.5749	0.0682	3.70	0.1573
Learning Environment	154	0.0465	0.6277	4.27	0.1184

Source: Authors' creation

Thus, the dependent variable in the model is organizational performance and quality, while the independent variables are the constructs of the learning organization, specifically systems thinking, shared vision, teamwork and collaboration, leadership and empowerment, organizational culture, and learning environment. Regression model is presented in Table 3.

Table 3. *Regression Model of the Research*

Source	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F-statistic	Prob > F	R-squared	Adjusted R-squared	Root MSE
Model	40.69	6	6.78	21.23	0.0000	0.4423	0.4423	0.5653
Residual	46.97	147	0.3139					
Total	87.66	133	0.5729					

Variable	Coefficient	Standard Error	t-value	p-value	95% Confidence Interval	
Systems Thinking	-0.0214	0.0549	-0.39	0.698	-0.1300	to 0.0872
Shared Vision	0.0982	0.0646	2.11	0.036	-0.0603	to 0.1390
Teamwork and Collaboration	-0.0312	0.0662	-0.77	0.440	-0.1820	to 0.0770
Leadership and Empowerment	0.1468	0.0356	2.64	0.009	0.0366	to 0.2566
Organizational Culture	0.2088	0.0630	3.31	0.001	0.0843	to 0.3333
Learning Environment	0.2705	0.0616	4.39	0.000	0.1489	to 0.3921
Constant	1.6203	0.2933	5.41	0.000	1.0288	to 2.2119

Note: Dependent variable = Organizational Performance and Quality N = 154.
Source: Authors' creation

Based on the results of the regression analysis, we see that there is a positive and significant impact of shared vision on organizational performance and quality. This effect is statistically significant because the p-value is 0.036, which is less than the significance level of 5%. This confirms the second hypothesis of the research. In addition, there is a positive impact of leadership and empowerment on organizational performance and quality, and this effect is also statistically significant, as the p-value is 0.009, which is less than the significance level of 5%. This confirms the fourth hypothesis of the research. There is also a positive impact of organizational culture on the dependent variable, with a p-value of 0.001, meaning that this effect is statistically significant. This confirms the fifth hypothesis.

Furthermore, there is a positive impact of the learning environment on organizational performance and quality. This effect is also statistically significant, as the p-value is 0.000, which is less than the significance level of 5%. This confirms the sixth hypothesis of the research. On the other hand, the coefficients for the variables "systems thinking" and "teamwork and collaboration" are very low. Their p-values are 0.698 and 0.441, which are higher than the significance level. This implies that these variables do not have a statistically significant impact on the dependent variable. Therefore, the first and third hypotheses are rejected. In the following sections, the results will be discussed in relation to the hypotheses.

H1: Systems thinking exhibits a significant positive relationship with the operational performance and quality outcomes of an organization.

The regression analysis revealed no statistically significant impact of systems thinking on organizational performance and quality, which contradicts the theoretical foundations presented in the literature. Systems thinking is widely regarded as a critical component of organizational learning and performance improvement. As highlighted by Yang, Watkins, and Marsick (2004) and Senge (1990), systems thinking provides a holistic framework for understanding complex interdependencies within organizations, enabling leaders to identify dynamic patterns and feedback loops that influence organizational behavior. This approach encourages addressing root causes rather than merely reacting to symptoms, theoretically leading to enhanced performance (Senge, 1990). However, the lack of a significant relationship in this study suggests that the implementation of systems thinking may not always translate into measurable performance improvements. Several factors could explain this discrepancy. First, the depth of systems thinking adoption varies across organizations. If organizations apply systems thinking superficially without fully integrating its principles into decision-making processes, its potential benefits may remain unrealized (Arnold & Wade, 2015). Second, organizational culture plays a crucial role; without a supportive environment that encourages collaboration, open communication, and continuous learning, systems thinking initiatives may fail to yield meaningful outcomes (Mingers & White, 2010). Additionally, many organizations still operate under traditional, linear management paradigms that prioritize short-term results

over systemic, long-term solutions (Sterman, 2000). This misalignment between systems thinking philosophy and prevailing organizational practices may hinder its effectiveness. Future research should explore contextual factors, such as leadership commitment, employee training, and organizational readiness, to better understand the conditions under which systems thinking enhances performance.

H2: The presence of a shared vision among organizational members is positively associated with enhanced performance and quality in business operations.

The regression analysis showed a statistically significant positive impact of shared vision on organizational performance and quality. The research results are consistent with the theoretical framework established in the literature. As noted by Senge (1990), shared vision serves as a foundational element for collective action and organizational alignment, guiding members toward a shared future. The emphasis on creating a collective image that goes beyond mere alignment underscores the role of shared vision in fostering genuine commitment among employees. When individuals within the organization embrace the shared vision, they are not merely working toward goals defined by leadership but are actively engaged in shaping a future they believe in, which fosters a sense of ownership and unity necessary for sustainable learning and innovation. The positive correlation between shared vision and performance can be attributed to several key factors highlighted in the literature. First, the concept of shared vision provides a clear framework for strategic action, facilitating decision-making that aligns with the organization's long-term goals. As Pearce and Ensley (2004) note, shared vision acts as a mental model that influences team behavior and thought processes. In dynamic environments, this clarity enables teams to adapt more effectively to changes, as their actions are guided by a shared understanding of organizational aspirations. Therefore, organizations with a strong shared vision can enhance coordination and collaboration among team members, leading to improved performance outcomes. Moreover, the literature emphasizes the importance of

collaboration and mutual understanding in the development of shared vision. This process ensures that all team members not only understand the vision but also feel empowered to contribute to its realization. The mentioned mechanisms, such as shared language, strategic knowledge, and relational capital, foster an inclusive environment where diverse perspectives can be integrated into the vision. As a result, when employees feel a sense of belonging and investment in the shared vision, their motivation and engagement levels increase, directly impacting performance and the overall quality of organizational outcomes.

H3: Effective teamwork and collaboration within an organization are positively correlated with improvements in operational performance and quality metrics.

The regression analysis revealed no statistically significant relationship between teamwork/collaboration and organizational performance and quality, which contrasts with the well-established literature on the subject. Modern organizational theory emphasizes that teamwork and collaboration are critical drivers of performance, particularly in complex and dynamic work environments (Scott, 2017). Research by Kozlowski & Ilgen (2006) suggests that high-functioning teams enhance problem-solving capabilities, innovation, and efficiency, ultimately leading to superior operational outcomes. Similarly, Edmondson (2012) highlights that psychological safety—a key factor in effective teamwork—enables open communication, risk-taking, and continuous learning, all of which contribute to organizational success. Given these theoretical expectations, the absence of a significant correlation in this study raises important questions about the conditions under which teamwork translates into measurable performance improvements. One possible explanation is that the quality of collaboration within the studied organizations was insufficient to yield tangible benefits. As noted by Salas et al. (2015), teamwork is not merely about bringing individuals together; it requires deliberate design, including clear roles, shared goals, and mutual accountability. If teams lack these foundational elements, collaboration may remain superficial, failing to enhance performance. Another critical factor is

organizational support. Without proper training, leadership reinforcement, and a culture that fosters trust and open dialogue, even well-structured teams may underperform (West, 2012). Additionally, if collaboration is imposed without addressing underlying conflicts or power imbalances, team dynamics may suffer, negating potential advantages (De Dreu & Weingart, 2003). Future research should explore contextual moderators, such as leadership style, team composition, and organizational incentives, to better understand why some collaborative efforts succeed while others do not.

H4: Leadership practices that emphasize employee empowerment show a significant positive relationship with the performance and quality of business operations.

Based on the regression analysis, a statistically significant positive impact of leadership and employee empowerment on organizational performance and quality was found. The research results are consistent with theoretical insights from the literature. As previously explained, effective leadership shapes the culture and environment necessary for continuous growth and innovation within the learning organization. Transformational leadership, in particular, is emphasized as key to fostering an environment where employees feel empowered to engage, explore new ideas, and take ownership of their learning. This link suggests that when leaders inspire and empower their teams, they create the foundation for improved organizational performance and quality. The positive correlation between leadership, empowerment, and performance can be attributed to several factors cited in the literature. Transformational leaders not only exhibit a clear and inspiring vision but also actively encourage open communication and collaborative efforts among team members. In doing so, they foster a culture of trust and psychological safety, enabling employees to express their ideas and concerns without fear of repercussions. This environment encourages individuals to innovate and take initiative, leading to process improvements and outcomes. Consequently, organizations that prioritize empowering leadership are likely to experience higher employee

engagement and motivation, which is directly correlated with improved performance metrics. Moreover, the literature highlights the difference between transactional and transformational leadership styles. While transactional leadership focuses on maintaining stability through defined roles and rewards for performance, it may lack the depth needed to foster systemic learning and adaptation. In contrast, transformational leadership pushes employees to exceed their current capabilities and embrace challenges. This dynamic approach aligns with the principles of adaptability and innovativeness necessary for success in rapidly changing environments. The research results support the idea that organizations led by transformational leaders are better positioned to respond to external pressures and seize new opportunities, resulting in improved performance and quality.

H5: Organizational culture, characterized by values and norms supporting operational excellence, is positively related to the performance and quality of business operations.

Based on the regression analysis, it was found that organizational culture has a statistically significant impact on organizational performance and quality. The research results are consistent with insights from the literature. As explained in the literature, organizational culture is a key dimension of the learning organization, influencing how individuals communicate, make decisions, and respond to internal and external changes (Chang and Lee, 2007). The literature emphasizes that visible elements of culture, such as behaviors and rituals, along with invisible elements, including shared values and assumptions, collectively shape an environment that fosters continuous learning, adaptability, and collaboration (Senge, 1990). Thus, the positive correlation between organizational culture and business performance highlights the critical role that a supportive culture plays in enabling organizations to advance. The significance of organizational culture in enhancing performance can be attributed to several factors cited in the literature. A strong organizational culture promotes values such as flexibility, open communication, and a shared commitment to learning. When employees feel

empowered within a supportive culture, they are more likely to embrace innovation and improve their skills. This adaptability is particularly important in rapidly changing environments, as organizations must efficiently respond to technological, economic, and social changes. Therefore, organizations with a culture that emphasizes learning and experimentation are better positioned to achieve strategic goals and drive performance improvements. Furthermore, the literature identifies different types of organizational cultures, such as adaptive, mission-driven, clan, and bureaucratic cultures, which reflect different balances of flexibility and stability (Denison and Mishra, 1995). For learning organizations, adaptive and clan cultures are particularly beneficial, as they foster teamwork, collaboration, and a sense of shared purpose. These cultures increase employees' commitment to their personal development and collective learning efforts, thereby contributing to organizational resilience and efficiency. In contrast, bureaucratic and mission-driven cultures may hinder the free flow of ideas and adaptability, limiting the organization's ability to innovate and learn. This difference underscores the importance of cultivating an adaptive or clan culture to maximize performance. Moreover, the research results confirm that understanding and shaping organizational culture is of vital importance for leaders aiming to create an environment where learning becomes an integral part of the organization's identity. A supportive culture can facilitate risk-taking, learning from mistakes, and the development of new capabilities. Organizations that prioritize building a strong, adaptive culture are likely to experience improved performance and quality, as they foster an atmosphere where employees are motivated to collaborate, innovate, and grow.

H6: A learning-oriented environment within an organization is positively associated with higher levels of operational performance and quality.

The learning environment also has a positive and statistically significant impact on organizational performance and quality, as confirmed by the regression analysis. The research results are consistent with the existing literature. The literature emphasizes that a well-established learning environment is key to fostering continuous improvement, adaptability, knowledge transfer, collaboration, and innovation. As noted by Jamali and Sidani (2008), such an environment encompasses an ecosystem that supports continuous learning, teamwork, and exploration. By ensuring these conditions, organizations increase their ability to adapt to changes and challenges, which is essential for long-term success in today's dynamic business environment. The literature identifies several key dimensions of the learning environment, including continuous learning, empowerment, dialogue, and leadership, all of which are vital for creating a vibrant learning culture. A robust learning environment encourages formal training programs while nurturing opportunities for informal learning that arise from social interactions and workplace culture. Birdthistle and Fleming (2005) highlight the challenges faced by small and medium-sized enterprises in creating formalized learning opportunities. However, these organizations can still benefit from informal learning, as it fosters a culture of collaboration and knowledge sharing. The presence of a strong learning environment increases employee engagement, motivation, and skill development, which ultimately positively contributes to overall organizational performance. Furthermore, the correlation between a supportive learning environment and business performance can be attributed to its role in promoting innovation and adaptability. Organizations that prioritize a learning culture enable employees to experiment, take risks, and learn from successes and failures. This freedom of exploration and innovation is crucial for organizations operating in rapidly changing environments, where responsiveness and agility are key to maintaining a competitive advantage. By fostering a learning environment, organizations empower their workforce to continuously acquire new knowledge and skills, which ultimately leads to improved operational efficiency and service quality.

5. Conclusion

The concept of the learning organization is crucial for driving sustainable business

improvement, as it encompasses systematic processes of creating, transferring, and integrating knowledge and skills to enhance business interactions. By fostering a culture of continuous learning, organizations can more effectively adapt to changing market conditions, innovate rapidly, and improve operational efficiency. This ongoing process of learning is essential for identifying and implementing improvements that lead to better business outcomes. Companies that prioritize organizational learning are better positioned to anticipate changes in consumer preferences, technological advancements, and competitive dynamics, thereby maintaining their competitive advantage. The direct correlation between the principles of the learning organization and business performance is highlighted in numerous studies. Organizations with strong learning systems tend to demonstrate superior performance. The integration of market orientation with organizational learning and innovation has emerged as a significant driver of business success. This underscores the need for companies to create an environment that fosters the continuous acquisition and application of knowledge. Learning organizations are inherently more agile, capable of experimenting with new ideas and continuously refining their processes, which ultimately leads to improved financial performance and long-term growth. Moreover, organizational learning positively impacts entrepreneurial performance, particularly in international enterprises. The active cultivation of knowledge within these organizations enhances their ability to navigate global markets effectively. Innovation, a natural byproduct of a strong learning culture, plays a key role in improving performance by fostering creative solutions to challenges and opening new revenue-generating opportunities. This adaptability is particularly vital in industries facing rapid technological changes, where the ability to learn and innovate becomes synonymous with survival and success.

In addition to innovation, the broader impact of learning on overall organizational performance is also evident. Research has shown that the interaction between organizational learning, customer orientation, and human resource practices significantly influences business outcomes. When companies align their learning processes with performance goals, they experience improvements not only in innovation but also in customer satisfaction, market share, and operational efficiency. Therefore, the link between learning organizations and business improvement is critical, as learning serves as a catalyst for both short-term gains and long-term competitive advantage. By embedding learning into their core operations, organizations can ensure sustainable growth and resilience in a dynamic business environment. In this study, a quantitative research method was conducted using a questionnaire to collect results. The sample for the study consisted of 154 employees from various organizations in BiH. The regression analysis was conducted to examine how the principles of the learning organization influence organizational performance and quality. The study examined six hypotheses about the relationships between different organizational elements and business performance and quality. The first hypothesis focused on systems thinking, which did not show a statistically significant impact on organizational performance and quality. This finding is contrary to the existing literature, which positions systems thinking as essential for understanding complex interdependencies within organizations. Possible explanations for this discrepancy include incomplete or superficial implementation of systems thinking principles in organizations, as well as the lack of adequate training, support, and a culture that fosters open communication and collaboration, which are key to effective systems thinking. The second hypothesis explored the role of shared vision, which showed a statistically significant positive impact on organizational performance and quality. This is consistent with the understanding that shared vision fosters collective action and alignment within the organization. A shared vision encourages individuals to deeply engage with organizational goals, leading to greater ownership and commitment among employees. Additionally, a well-articulated vision improves decision-making processes, facilitates team adaptation to changes, and enhances collaboration, thereby positively contributing to overall performance. The third

hypothesis addressed teamwork and collaboration, which did not reveal a significant relationship with performance and quality, contrary to the literature that emphasizes the importance of these elements in fostering effective learning organizations.

The lack of genuine engagement, effective communication, and trust among team members may prevent the benefits of teamwork from being realized. The fourth hypothesis explored leadership and employee empowerment, which showed a significant positive effect on performance and quality. This result corresponds with the literature that emphasizes transformational leadership as a key factor in creating a culture of continuous growth and innovation, enabling employees to take ownership of their learning. The fifth hypothesis assessed the impact of organizational culture, revealing a statistically significant impact on performance and quality. A supportive organizational culture enables open communication, adaptability, and collaboration, which are essential for achieving strategic goals.

The sixth hypothesis confirmed that the learning environment positively influences performance and quality, supporting the idea that the learning environment fosters both formal and informal learning opportunities. This enhancement leads to increased employee engagement, motivation, and skill development, which are crucial for improved organizational outcomes. Together, these findings highlight the need for organizations to prioritize systems thinking, shared vision, teamwork, effective leadership, and a strong learning culture to optimize their performance and quality.

The unexpected findings of this study raise several important questions that warrant further scholarly investigation. While systems thinking has been widely championed as a critical component of organizational learning since Senge's (1990) seminal work, and more recently emphasized by Arnold and Wade (2015) as a fundamental approach to understanding complex organizational systems, our results suggest its implementation does not automatically translate into measurable performance gains.

This disconnect invites deeper inquiry into the contextual factors that may facilitate or hinder its effectiveness. Researchers should examine the specific organizational conditions under which systems thinking yields tangible benefits - particularly how leadership commitment, training approaches, and organizational maturity might serve as moderating variables. The role of structural inertia and competing short-term performance pressures in undermining systems thinking initiatives also merits closer examination.

Similarly, while teamwork and collaboration have been extensively documented as drivers of innovation and efficiency (Kozlowski & Ilgen, 2006; Edmondson, 2012), our findings indicate that not all collaborative efforts produce equal results. This suggests a need to move beyond simply measuring the presence of teamwork structures to assessing their quality and implementation. Future studies should investigate how factors like psychological safety, power dynamics, and reward systems influence the effectiveness of collaborative work. Of particular interest would be the research distinguishing between superficial, process-oriented collaboration and more substantive, psychologically safe teamwork environments.

The study also opens important questions about how organizations can best align learning culture with performance outcomes. While we confirmed the positive impact of learning environments generally, more research is needed to identify which specific interventions - whether mentorship programs, digital learning platforms, or experiential training - deliver the greatest return on investment. Additionally, the effectiveness of different learning approaches likely varies across industries; comparative studies between manufacturing and knowledge work environments could yield valuable insights for practitioners.

Given our study's specific context in BiH, another fruitful avenue for future research would be cross-cultural examinations of learning organization principles. Comparative studies could explore whether collectivist versus individualist cultural orientations influence the effectiveness of shared vision and

teamwork approaches. Similarly, research might investigate how the adoption and implementation of learning organization practices differ between emerging and developed economies, potentially revealing important contextual adaptations needed for successful implementation. For organizational leaders, these findings carry significant practical implications.

They suggest that simply adopting the structures of learning organizations - whether systems thinking approaches, teamwork frameworks, or training programs - is insufficient without careful attention to implementation quality and organizational context. Practitioners should focus on developing deep competency in systems thinking among leaders and employees, ensuring these principles can be meaningfully applied to daily decision-making.

Building authentic collaboration requires more than just forming teams; it necessitates creating psychologically safe environments with clear roles and collective incentives. Perhaps most importantly, organizations must view learning culture as an ongoing process requiring regular assessment and adaptation, using employee feedback to ensure alignment with strategic objectives and operational realities.

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