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Implementation of Learning Organisation Concept to Establish Corporate Competitiveness in a Life Insurance Company

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ABSTRACT

Learning organisation concept implemented in life insurance companies as a strategy in surviving a very tight competition among life insurance companies exist. This study is to research to what extent learning organization concept implied on the competitiveness advantage. The population of life insurance companies in Indonesia are 2019 from big to small scales, with a total of 9.399.900 population and 380 total respondents. Hypothesis testing are using AMOS. SEM. The result of this study are, mental models, building shared vision, team learning, system thinking have positive correlations toward competitiveness advantage whereas personal mastery has less correlations toward competitiveness advantage.

Keywords:

1. INTRODUCTION

In facing the global economic life insurance sector, many life insurance companies have their efforts to be the leader in service and quality. To do so, they must have maximum services and know the clients desires. Such a view is not independent and marketing company must establish and implement a marketing strategy that is appropriate to the situation and condition of the company (Reisman, 1983). With the new trend of knowledge-based economy and sector competitiveness, the organisation has to do transformation of their tangible and intangible assets (Kaplan, 2004). The success of an organisational transformation is determined by their ability to operate in the global business environment through several aspects such as human resources (HR) transformation of their skill and knowledge (Lege, 1995). This needs suitable leadership of personal mastery as a concept builds from the development of organisational capacity and transformed steps that organisation can achieve in reliable situation (Schein, 2010). Since life insurance sector is a dense knowledge industry to bring higher service and knowledge, then, informational transformation has been trend for many life insurance companies. The transformation also has a goal to manage all types of information and resources that exist in the companies, especially in their human resources practice (Collins, 2003). When the strategic practice brings better result, it will lead to higher performance (Wickens, et al, 2015). However, each employee and their managers sometimes

have various expectations on how the company conducted interaction to their clients and market. It impacts on how the organisation to manage their decision making to build high performance among their employees (Harper, 2015).

This study is about the realization of learning organisation concept implemented in Life Insurance which facilitates the learning of its employees and how its impact on the competitive advantage for continuous improvement. Learning organisation concept was established by Senge for company's transformation through groups of people learning together as defined on Senge's theory. Sun Life Insurance company seeks knowledge creation, mental models, building shared values, personal mastery, system thinking and team learning with the objectives of creating a sustainable and competitive future. Employees create a sense of commitment in a group by sharing and developing future leading companies. Employees will learn to cultivate a faster problem solving and expand capacities to develop better alternatives and achieve better results (Senge et al, 1999).

2. LITERATURE REVIEW

The purpose of the literature review is to support the argumentation involving all hypothesis both empirically and theoretically. Each variable in the study will be elaborated thoroughly with fundamental theories and supported by previous researches findings. The ideas of the concept in each variable is always reference to constantly advanced in competitiveness issues being discussed in all hypothesis.

2.1. Learning Organization

Organisation has diverse members in their knowledge and learning practice. However, in the context of learning organisation theory, the members of the organisation continue their efforts to improve the capacity and their ability to learn with the goal to produce the desired results and new ways of thinking which fostered to make them go together and continually learning to see the whole together (Senge, 2004). The concept of learning organisations are under two broad categories, the first category of learning organisations treated it as a variable that can be devoted to an organisation and secondly, that has a significant impact on organisational outcomes.

The competitive advantage issues in the learning organisation has been embraced in theory and conceptualized for better learning climate competitiveness and company's success (Stone, 2012). Success indicators of a learning organisation is company achieves faster problem solving, sustainable and dynamic. A fast rapid change management in the process, a more dynamic collaboration learning in the company will achievement improvement continuously. According to the core theory of the "learning organisation" proposed by Peter M. Senge in 1990, there are five disciplines which are important in the learning organisation, *e.g.*, personal mastery, mental models, building shared vision, team learning, and system thinking. The applications of the five disciplines can be categorized into four aspects, *e.g.*, communication and openness, inquiry and feedback, adequate time, and mutual respect and support (Wang, 2006).

Porter (1998) stated that a business position can be a competitive mobility for a company in the competition because it may constitute a barrier to new competitors. Porter further differentiate the company's strategic advantage for the first two things because firms have a unique characteristics which different from the others that are viewed by clients as unique advantage. The implementation of learning organisation is a practice of tacit knowledge as personal mastery to the way organisation deals with knowledge management and to various nature of complexity to win sustainable competitive advantage in the long run (Fillol, 2012). The dimensions of competitive advantage refers to Barney (1991) *e.g.* valuable resource, are rare, difficult to imitate and hard to replace.

3. HYPOTHESIS

The theories show that H₀ is an anti hypothesis of the learning organisation theory (Senge, 1998) meanwhile H₁ , H₂ , H₃ , H₄ , H₅ supports the core organisational learning organisation (Wong, 2006). Supported by five disciplines which are important in the learning organisation, *e.g.*, personal mastery, mental models, building shared vision, team learning, and system thinking. The applications of the five disciplines can be categorized into four aspects, *e.g.*, communication and openness, inquiry and feedback, adequate time, and mutual respect and support (Wang, 2006).

H₀ : There is no influence of personal mastery on the competitive advantage in Life Insurance.

H₁ : There is influence of personal mastery on competitive advantage in Life Insurance.

H₀ : There is no impact of mental models on competitive advantage in Life Insurance.

H₂ : There is influence of mental models on the competitive advantage in Life Insurance.

H₀ : There is no influence of building shared vision on the competitive advantage in Life Insurance.

H₃ : There is influence of building shared vision on the competitive advantage in Life Insurance.

H₀ : There is no impact of team learning on the competitive advantage in Life Insurance.

H₄ : There is influence of team learning on the competitive advantage in Life Insurance.

H₀ : There is no influence of system thinking on the competitive advantage in Life Insurance.

H₅ : No influence system thinking against a competitive advantage in Life Insurance.

This study has described the model implemented by Life Insurance to transform the conventional organisation into a learning organisation to create the competitive advantage. According to theory above, this study focused on the core theory of the “learning organisation” proposed by Peter M. Senge in 1990. The five disciplines have four categories, *e.g.*, communication and openness; inquiry and feedback; adequate time; and mutual respect and support (Wang, 2006).

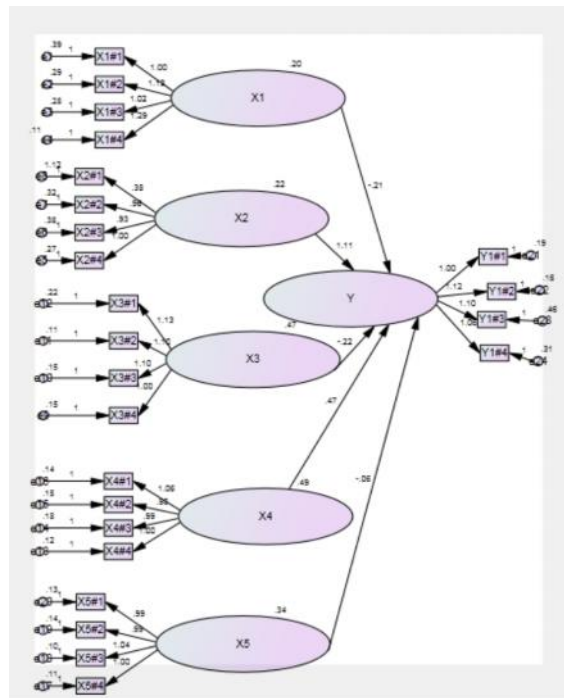
As a basic knowledge of core competencies, people must know how to implement the dimensions of competence which observed in this study. Oliver (1997) and Barney (1991) argued that competence must be valuable, rare, difficult to imitate, and hard to replace. This study also used a causality approach which examined the relationship between the phenomenon of employee and organisation as variables to explain the learning organisation and competitive advantage in Life Insurance. This study also takes quick process works, narrow, and reductionistic (reduction means to perform surgery on something into parts that parts can be tested quantitatively especially on the characteristic of the variables).

4. ANALYSIS AND CONCLUSIONS

4.1. Analysis

The combination with structural model testing and measurement testing allow the researchers to test the measurement error as an integral part of SEM and analysis factor in the conjunction with hypothesis testing. In the measurement of test results, it obtained Chi-square

values 0,000, with the degree of freedoms 60 and probability level 0,000 measurement that results can be seen in Table below



Source : Primary Data, 2016

Figure 4.1: Confirmatory Goodness-of -Fitted Model

Confirmatory analysis factor is a technique to measure multivariate analysis to test hypothesis by implementing several indicators. This study has resulted confirmatory analysis factor to be fitted as shown in Figure 4.1 Confirmatory analysis has rejected the model purposed and therefore has proposed the accepted model as shown in Table 4.1. The proposed model has been tested the values factors of variant and covariant using Goodness of Fit model by using SEM tested by several valued factors to fit goodness of fit model analysis. The results are as shown at Table 4.1.

**Table 4.1
Goodness-of-fit Model**

<i>Goodness-Of-Fit (GOF)</i>	<i>Analysis</i>	<i>Cut Off Value</i>	<i>Evaluated Model</i>
Chi-Square	$\chi^2 = 563, P = 0,000$	Probabilitas 0,05	Poor
TLI	0,770	TLI > 0,95	Poor
GFI	0,579	GFI > 0,90	Poor
AGFI	0,491	AGFI > 0,90	Poor
CFI	0,795	CFI > 0,95	Poor
RMSEA	0,129	RMSEA 0,08	Poor

Source : Primary Data, (2016)

Based on the Table 4.1. Valued factors of probability Chi-square is $0,000 < 0,05$, values factors of goodness of fit index (GFI) $0,579 < 0,09$, values factor of Adjusted Goodness of Fit Index (AGFI) $0,491 > 0,90$, value factors Comparative Fit Index (CFI) $0,795 < 0,95$, value factors of Tucker-Lewis Index (TLI) is $0,770 < 0,95$ and values factors Root Mean Square Approximation (RMSEA) is $0,129 > 0,08$. The results of confirmatory of fit model analysis

resulted poor evaluated model values factors which determined that the proposed model considered unfitted. Therefore, proposed a new model goodness of fit model that was accepted as shown in Table 4.2. The first proposed model rejected due to large values factors of measurement errors with indicators modification indexes.

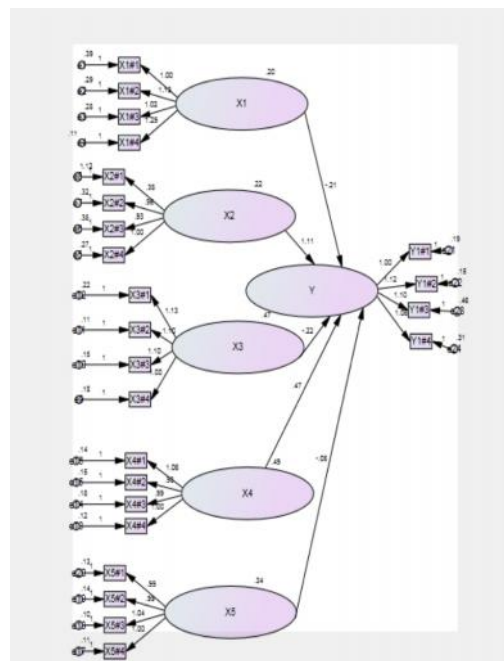
Table 4.2
Accepted Goodness Fitted Model

<i>Variable</i>	<i>Indicator</i>	<i>Loading Factor</i>
Personal Mastery	IQ Score	0,80
Building Shared Vision	Business Target	1,03
Mental Model	Decision Making Scores	1,00
Team Learning	Group Decision Numbers	1,02
System Thinking	Applied Theoroes	0,97
Competitive Advantage	Rank Survey	1,03

Source : Primary Data, 2016

Table 4.2. shown accepted goodness fitted model modified by using recommended AMOS calculation with considerations as shown in Table 4.2. with summary of tested goodness of fit analysis as shown below.

After modified model has been accepted, all value factors from criteria of. Goodness-of-fit model improved results have been developed. CFI value factors results are positive compared to the proposed model previously. Criteria of CFI improved, with valid evaluated results, TLI results also positive and RMSEA approached the value factor valid almost approaching standard goodness-of-fit index, even though value factors of chi square, GFI dan AGFI poor as shown in Table 4.3.



Source : Primary Data, 2016

Figure 4.2: Modified Goodness-of-fit model

4.1.1. Validity and Reliability Test

Validity and reliability test were being used to measure which indicators explains the biggest correlation among variables in the study (Hullang, 1999). Validity and Reliability tests were being used in the study such convergent validity and critical reliability.

Table 4.3
Goodness-of-fitted Model Accepted

<i>Goodness-Of-Fit (GOF)</i>	<i>Hasil Analisis</i>	<i>Cut Off Value</i>	<i>Evaluasi Model</i>	
Chi-square	$\chi^2 = 388, P = 0,000$	Probabilitas 0,05	Valid	
TLI	0,897	TLI	> 0,95	Valid
GFI	0,703	GFI	> 0,90	Poor
AGFI	0,618	AGFI	> 0,90	Poor
CFI	0,913	CFI	> 0,90	Valid
RMSEA	0,086	RMSEA 0,089	Valid	

Source : Primary Data, 2016

4.1.2. Convergent Validity Test

Convergent validity will be show correlation among indicators and latent variables. Value convergent validity can be observed from loading factors of each indicators toward their construct. Indicators can be analyzed valid if loading factor of each indicators has loading factors > 0,50. Indications of loading factors will be emphasize as shown in Table 4.4.

According to Table 4.8. value factors of all variables shown in CR and VE as stated CR > 0,70 and VE > 0,5. Based on these questions statement in questionnaires were related and proved to be valid and reliable.

Table 4.4
Loading Factors of must fitted the Criteria stated in Reliability Validity Test

<i>Variable</i>	<i>CR</i>	<i>VE</i>
Personal Mastery	0,970	0,884
Building Shared Vision	0,928	0,867
Mental Model	0,961	0,835
Team Learning	0,978	0,902
System Thinking	0,838	0,511
Competitive Advantage	0,962	0,837

Source : Primary Data, 2016

4.1.3. Hypothesis Coefficient Test

Hypothesis coefficient test done to determine causal analysis correlation among variables to what degree exogenous and endogenous variables related. Exogenous variables is positively correlated to endogenous variables if p is $< 0,5$. Hypothesis test against the model shows that this model fit the data used in this study. The Chi-square value is big enough, *e.g.*, 0.05 since the value is affected by the degree of freedom. In this study, the degree of freedom is 60, if the value is smaller than the degree of freedom, the chi-square value will be reduced. Structural model above show the chi-square is 0,05 and the degree of freedom is 60 in Table 4.4, it showed that the value or CMI/DF matched with the criteria. Although the value of

RMSEA, TLI, CFI, GFI, And AGFI are at less than standardized value, the value of TFI , GFI, NFI is closer to the recommended values and then the model is still viable to continue to be used. This means that the model is quite fit for use.

4.1.4. Normality Test Data

Evaluation is done by using the data normally critical ratio value of skewness values equals $> 0,70$ at a significant level of $0,76$ (76%). Data is said to be normal distribution if the skewness value of the critical ratio value below $< 0,50$. The results indicated that the proposed model are acceptable. The value of RMSEA was $0,086$ which indicated a good structural equation model. Although the index measuring RMSEA, GFI and AGFI are in poor condition, CFI and TLI were accepted marginally. From the feasibility testing, the model is said feasible if at least one testing method are fulfilled.

4.1.5. Parameters Evaluation

Validity discriminant test : The size of individual reflexive if valid if it has value loading with latent variables to be measured > 0.05 if one indicator has a loading value more than $0,000$ than the indicators should be discarded or dropped because is shows the indicators are not good enough to measure latent variables. Here are the results of AMOS Structural diagram to measure latent variable. Here are the results of AMOS structural diagram output using IBM AMOS software 22.00. as shows in the Table 4.5. With validity test.

Table 4.5
Critical Ratio and Validity Evaluation

<i>Indicator</i>		<i>Variable</i>	<i>Estimate</i>	<i>S.E</i>	<i>C.R</i>	<i>p</i>
Personal Mastery	<--	Competitive Advantage	0- ,002	0,130	-0,019	0,985
Building Shared Vision	<--	Competitive Advantage	0,436	0,218	2,004	0,045
Mental Model	<--	Competitive Advantage	0,502	0,150	3,342	0,721
Team Learning	<--	Competitive Advantage	0,871	0,264	3,294	0,823
System Thinking	<--	Competitive Advantage	-0,203	0,135	-1,507	0,132

Source : Primary Data, 2016

The discriminant validity test used AVE is done by comparing the values of the AVE root of each construct and correlation among constructs. it is recommended AVE value must be greater than $0,50$ (Hair, et.al., 1998). Based on Table 4.5. it that AVE roots had larger constructs with the correlation among constructs. It can be concluded that the model has good discriminant validity.

4.1.6. Reliability Test

Generally, reliability indicate the extent to which a measuring tool that can provide relatively similar results when measuring the returns on the same subject. Reliability test in the SEM can be obtained through the following formula (Ferdinand, 2002). Standard loading obtain from standardize loading for each indicator were obtained from the computer estimation can be described as follow. Sigma Eg., is a measurement error of each indicator. Measurement error can obtained from : 1. Indicator liability. The variable is said to be reliable if it has alpha coefficient of $0,5$ or higher. Table 4.5. Showed the reliability test of the observed variables. Based on Table 4.9. It showed no reliable construct with value $0,5$ then all construct in the study are fitted for use.

4.1.7. Hypothesis Analysis

Goodness-of-fit area estimated structural models to be met. It became a foundation for the next step of the hypothesis as shown in Table 4.5.

Relationships between construct in the hypothesis are indicated by regression weight. The analysis result of the influence personal mastery, building shared vision, team learning, system thinking, mental model and competitive advantage are given in Table 4.5.

Based on the background and the discussion above it can be concluded that the influence of personal mastery, building shared vision, team learning, mental model and system thinking and competitive advantage resulted CR value of $-0,019 < 2,00$ $p = 0,985 > 0,005$, than H_0 is rejected and H_1 accepted meaning that there are positive influence between personal mastery and competitive advantage, for Hypothesis H_1 : personal mastery has a positive influence on the competitive advantage. Each individual posses ability, skills, capability and knowledge for enhancing their own performance. Hence, learning organisation empower individuals to improve their performance from their personal mastery based on their ability to learn, their capability to adopt new knowledge or skills and overall improve organisation advantage in Life Insurance company to be ahead compared to other insurance companies.

1. **H_1 : There is influence of personal mastery on competitive advantage in Life Insurance Company** : From the statistical calculation using SEM AMOS 22.00, the influence of mental model obtained CR $2,004 > 2,00$ where $p < 0,045 < 0,005$ it has a meaning that it has a positive influence to competitive advantage. H_0 is definitely declined whereas hypothesis H_1 mental model is accepted. It means mental model has positive influence to competitive advantage.
2. **H_2 : There is influence of mental models on the competitive advantage in Life Insurance Company** : Based on Table 4.5. correlation between building shared vision and competitive advantage resulted $p = 0,0001$ with value of $p < 0,005$ and CR value. Of $3.342 > 2,00$ where CR value $2,00$. So that H_0 was rejected and it means building shared vision has positive influence with competitive advantage. This correlation is $5,402$ positive impact toward competitive advantage.
3. **H_3 : There is influence of building shared vision on the competitive advantage in Life Insurance Company** : Based on Table 4.5. Team learning has correlation toward competitive advantage value of p is $<$ than $0,001$ with result $p < 0,005$ with CR value $3,294 > 2,00$ (tolerated CR 2). This means H_0 will be automatically rejected which means team learning has positive correlation with competitive advantage. Estimated value team learning has $0,871$ impact to competitive advantage.
4. **H_4 : There is influence of team learning on the competitive advantage in Life Insurance Company** : Based on Table 4.5. Team learning has correlation toward competitive advantage value of p is $<$ than $0,001$ with result $p < 0,005$ with CR value $-1,507 > 2,00$ (tolerated CR 2). This means H_0 will be automatically rejected which means team learning has positive correlation with competitive advantage. estimated value system thinking has -0.203 toward competitive advantage.
5. **H_5 : No influence system thinking against a competitive advantage in Life Insurance Company** : H_4 and H_5 refers to learning theory that emphasizes on better learning climate for higher competitive advantage (Stone, 2012), Senge, 1998) and (Barney, 1991).

5. CONCLUSIONS

From the analysis results, that Sun Life has applied Learning Organisation in the management context which has positive impact on the quality of human resources practices. A high performance as result to learning organisation where personal mastery, building shared vision, team learning, mental model are the keys to an advanced competitiveness advantage, system thinking has low impact on the competitive advantage (Senge, 1998). This study has proved that learning organisation that has been applied in Life Insurance, which ranked Life Insurance higher compared to other life insurance companies. As a result Life Insurance is elevated their performance throughout the years by winning market competition. In 2016 proven that Life Insurance Indonesia has become the top 3 performer in the life insurance business.

With the new trend of knowledge-based economy and sector competitiveness, the Life Insurance has done its transformation of their tangible and intangible assets (Kaplan, 2004). The success of Life Insurance as an organisational transformation is determined by their ability to operate in the global business environment through several aspects such as human resources (HR) transformation of their skill and knowledge (Lege, 1995). This needs suitable leadership of personal mastery as a concept builds from the development of organisational capacity and transformed steps that organisation can achieve in reliable situation (Schein, 2010).

Achievement of higher employee performance is the role of human resources in the company. The employee who acts as the sales agent is a business partner to support the performance achievement. To reach the achievement goal and higher performance, the company has conducted many programmes to train them to master the intended knowledge, skills, and behavior emphasized in human resource development programme and to apply them to their workplace.

6. SUGGESTIONS

Life Insurance is one example of successful Learning Organization implementation. Since the implementation of Organisational Learning, there has been numerous changes of improvements in the organisation. Some of the improvements can be seen on the achievements made in 2016 by the team, such as “The Best in Marketing Campaign”, “Best Takaful Company Indonesia”, “Very Good” rating by Infobank magazine and the “Bronze Award” at The annual Global CSR Awards 2016 to name a few.

Despite all of the achievements from Life Insurance, we would like to present our suggestions as follows:

1. The organisation should maintain its organisational stamina in order to attain various sustainable improvements.
2. The organisation should increase their performance acceleration to achieve better results.
3. The organisation should continuously exercise Learning Organisation by utilising updated training formats.
4. The organisation should implement total continuous improvements in the area were HR Learning Organisation is implied.
5. Conduct a continuation of the study in the area of unexplored variables.

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