

3rd International Conference on New Challenges in Management and Business: Organization and Leadership, 2 May 2016, Dubai, UAE

The effects of Social Capital and Leadership Styles on Organizational Learning

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Abstract

Organizational learning is influenced by various variables in the organization and different conditions within the organizations cause various results for it. Although organizational leadership style is related to organizational learning, this relationship may produce different results, particularly in regard to social capital. In this research, the mediating role of social capital was investigated according to the structural equation model. The results indicated that the relationship between leadership styles and organizational learning as well as social capital is significant. Moreover, the impact of leadership style on organizational learning is greater than social capital, thus there is a high correlation between these two variables. According to the results, appropriate social capital may improve organizational learning and it has a positive impact on this relationship. Therefore, managers must pay great attention to social capital as a stimulus and motivator in order to promote social learning and organizational activities.

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Peer-review under responsibility of the Ardabil Industrial Management Institute

Keywords: leadership style, organizational learning, social capital

1. Introduction

Today, organizations need to increase knowledge about the environment and create vast organizational developments in order to survive and improve. Under such circumstances, the role of leaders, who guide the organizations, identify environmental needs and facilitate appropriate developments, gains importance. In fact, the organizations are created in order to achieve particular goals. Efficiency in educational organizations is of great importance and is determined by means of achieving goals. In an efficient organization, the results of its activities are equal or more than organizational goals (Miskel & Hoy, 2012). Lussier (2006) in his study, believes that

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leadership style is a combination of characteristics, skills and behavior that the managers uses them in order to interact with his employees. The leadership style in the theory of Hersey and Blanchard (1969) emphasizes the combination of task-based and relation-based behavior. Task-based behavior is identified through carrying responsibilities, particular and exact organizational patterns, communicational channels and successful methods and relation-based behavior is identified through open communicational channels, emotional and mental supports, active listening and facilitating behavior (Swansburg & Swansburg, 1999). Hersey and Blanchard (1969) have found four methods for efficient leadership. According to this pattern, there is no “best way” in order to affect people (Hersey & Blanchard, 1991). Those four methods include telling leadership, selling leadership, participating leadership and delegating leadership. In telling leadership, the leader defines the roles explicitly and gives some instructions if necessary. In selling leadership, the leader provides guidance on new responsibilities. In participating leadership, the leader cooperates with the members, shares ideas with them and facilitates decision-making. In delegating leadership, the leader allows people to make decision if necessary and encourages them to accept responsibilities as far as possible.

Organizational learning and learning organizational were proposed since the early 1990s. Learning organizations renew themselves continually and develop new forces (Adair, 2002; Daryaniet al, 2014). Probst and Büchel (as cited in Gorelick, 2005) define organizational learning as a process by which the organization’s knowledge and value base changes, leading to its improved problem-solving ability and capacity for action. According to this definition, the characteristics of organizational learning process include changing the organizational knowledge, increasing possible limitations and changing individuals’ mentality. Organizational learning also has different levels, including individual, collective and organizational levels. In an organization at high level of organizational learning, people constantly increase their ability to create good results. Organizational learning can create new mental patterns, so that people can learn how to learn together. Organizations, which show these characteristics, can receive signals form the environment, interpret them and use them in opportunities (Vera & Crossan, 2004). Organizational learning is a conscious, purposeful, interactive, dynamic, continuous and growing process, which provides immediate and effective feedback at individual, collective and organizational levels. It acts under the influence of perceptual processes or cultural resources and aims for the success of individuals and the organization (Aghahosseini, Sobhaninejad & Abedi, 2006). The theory of social capital has been recently derived from sociology as a potential power, affecting organizational performance and efficiency. Social capital can be considered as an investment in interpersonal relationships within the organizations. It is not a sub-category of human capital, since this capital is possessed by groups not individuals. Those norms, which form the foundation of social capital, are meaningful when more than one person shares it. The group, who supports social capital, ranges from two friends who exchange information or cooperate in a project to member nations (Andishmand, 2009).

Social capital can facilitate access to information and vital sources in order to promote performance and use environmental opportunities (Johnson, Schnatterly & Hill, 2013). An organization with powerful social capital can have immediate access to a wide range of information in order to create innovative performance. This capital is an intangible asset to the organizations and successful organizations can use it appropriately and immediately. Social capital shares knowledge and increases organizational learning through some components such as trust and cooperation, thus it will improve the innovative performance of the organization (Turkina & Thai, 2013). Coleman (1994) believes that individual social capital is the ability to benefit one another through social networks or other social structures. Social capital is considered as a value, shared by the people who are involved in social networks due to common cultural norms, effective interactions, mutual trust and personal relationships (Alvani, Nategh & Farahi, 2007). Social capital affects the efficiency of organizations through different ways. These ways include lower costs of exchanges, lower rate of people’s relocation, knowledge sharing and innovation, risk-taking and improving the quality of products. Leadership has improved organizational learning by means of supporting group making and change processes (McDonough, 2000). It can also stimulate the mind, creativity and innovation of employees and increase self-confidence in them. Therefore, the present research attempts to answer this question that considering the role of social capital, do different leadership styles have significant impact on the organizational learning of employees who work in the healthcare sector of Ardabil Social Security Organization.

2. Method

The participants included 110 employees who work in the healthcare sector of Ardabil Social Security Organization (ASSO), which is located in Iran. They were selected by convenience sampling with the following additional criteria that the respondents had to be employee in healthcare sector of ASSO. Among this group, 76 were female (69%) and 34 were male (31%). The mean age was 35.28 (SD = 4.08, Min = 26, Max = 49).

Leadership style: The measure of perceived leadership style by House (1971) and House and Dessler (1974), widely used in a variety of literatures and is generally accepted as a good measure of perceptions of leadership style (Ebrahimpour Azbari, Akbari & Hooshmand Chaijani, 2015). This scale includes three leadership styles: participative leadership (5 items, e.g. before taking action s/he consults with subordinates), supportive leadership (4 items, e.g. S/he treats all group members as equals) and instrumental leadership (4 items e.g. S/he schedules the work to be done).

Organizational Learning: This study focuses on the Huber's model of organizational learning. After reviewing the theoretical literature (Saha, Chatterjee, Gregar & Saha, 2016; Lei, Slocum & Pitts, 1999; Slater & Narver, 1993) and empirical research (Jerez-Gomez, Céspedes-Lorente & Valle-Cabrera, 2005), the present study adopts the organizational learning scale of Perez Lopez, Montes Peon, and Vazquez Ordas (2004). Table 1 presents the items of this scale, which contain the four sub processes of the organizational learning model, namely knowledge acquisition involving scale composite reliability, information, information interpretation, and organizational memory. The current study estimated the organizational learning as a single construct, made up of the four behavioral dimensions of this process. A second order factor analysis exhibits that the four dimensions indicates a higher-order construct (Table 1).

Social capital: This measure was assessed by the five-item scale developed by Subramaniam and Youndt (2005). This index captures the core ideas of social structure, as presented by Burt, and the more specific ideas on knowledge management, found in the literature (Gupta & Govindarajan, 2000). This measure assesses the extent to which members in an organization collaborate to diagnose and solve problems, share information, exchange ideas, interact with customers, suppliers and partners to develop solutions and apply knowledge across the organization. Sample items are: “our employees are skilled at collaborating with each other to diagnose and solve problems” and “our employees interact with customers, suppliers, partners, etc to develop solutions”. Items were all anchored on five-point scales ranging from 1 = strongly disagree to 5 = strongly agree. The Cronbach's alpha for this measure was 0.85

3. Results

We first conducted confirmatory factor analyses using the AMOS 18 to examine the factor structure of the scales. Second, we used SPSS (IBM Corp, 2013) to inspect descriptive statistics, correlations, and Cronbach's alpha reliability estimates of the study variables. Finally, we used SEM to test our hypotheses.

This study investigates the mediating influences of the social capital on effects of leadership styles on organizational learning. First order Confirmatory Factor Analysis (CFA) seemed to be appropriate to determine the dimensionality, reliability and validity of the study constructs. Leadership styles and organizational learning were considered first-order constructs. In arriving at the final set of items for each construct, one item was deleted from Social capital based on item to total correlations and the standardized residual values (Byrne, 2009).

Table 1. Construct measurement summary: confirmatory factor analysis and scale reliability

Construct	Statements	FL
Leadership Styles $\alpha=.88$	<i>participative</i> Before taking action s/he consults with subordinates.	.774
	<i>leadership</i> When faced with a problem, s/he consults with subordinates.	.785
	<i>(FL=.593)</i> Before making decisions, s/he considers what her/his subordinates have to say.	.842
	S/he asks subordinates for their suggestions.	.742
	S/he listens to subordinate's advice on which assignments should be made.	.728

	<i>supportive leadership</i> (FL=.843)	S/he does little things to make things pleasant.	.653
		S/he helps people to make working on their tasks more pleasant.	.799
		S/he looks out for the personal welfare of group members.	.828
		S/he treats all group members as equals.	.717
	<i>instrumental leadership</i> (FL=.931)	S/he explains the way tasks should be carried out.	.631
		S/he decides what and how things shall be done.	.654
		S/he maintains definite standards of performance.	.755
		S/he schedules the work to be done.	.701
	Social Capital $\alpha=.85$	Our employees are skilled at collaborating with each other to diagnose and solve problems	.733
		Our employees share information and learn from one another.	.695
		Our employees interact and exchange ideas with people from different areas of the company.	.588
		Our employees partner with customers, suppliers, alliance partners, etc., to develop solutions.	.497
		Our employees apply knowledge from one area of the company to problems and opportunities that arise in another	.613
Organizational learning $\alpha=.90$	<i>Knowledge acquisition</i> (FL=.69)	The employees attend fairs and exhibitions regularly	.723
		There is a consolidated and resourceful R&D policy	.728
		New ideas and approaches on work performance are experimented continuously	.625
	<i>Knowledge distribution</i> (FL=.61)	The company has formal mechanisms to guarantee the sharing of the best practices among the different fields of the activity	.623
		There are individuals within the organization who take part in several teams or divisions and who also act as links between them	.674
		There are individuals responsible for collecting, assembling and distributing internally employees' suggestions	.750
	<i>Knowledge interpretation</i> (FL=.78)	All the members of the organization share the same aim to which they feel committed	.557
		Employees share knowledge and experiences by talking to each other	.762
		Teamwork is a very common practice in company	.822
	<i>Organizational memory</i> (FL=.66)	The company has directories or e-mails filed according to the field they belong to, so as to find an expert on a concrete issue at any time	.616
		The company has up-to-date databases of its clients	.662
		There is access to organization's databases and documents through some kind of network	.573
		Databases are always kept up-to-date	.725

Notes: Fit indices $\chi^2=334.84$, ($p<.001$), CFI=.91, GFI=.90, NFI=.92, TLI=.91, RMSEA=.096, FL= Factor Loading; CFI=comparative fit index; GFI= goodness-of-fit index, NFI= normed fit index, TLI=Tucker-Lewis index, RMSEA= root mean square error of approximation

Table 2 presents the mean, standard deviation and correlations for the study constructs. The results reveal that the majority of the constructs are significantly correlated with each other as correlation regressions range from $-.024$ to $.869$. However, all correlations are less than $.9$, thus suggesting there is no multi-collinearity between these constructs (Tabachnick & Fidell, 2012).

Table 2. Descriptive statistics and correlation matrix for the study constructs

	M	SD	1	2	3	4	5	6	7
1. Participative leadership	2.68	.853							
2. Supportive leadership	3.07	.826	.423**						
3. Instrumental leadership	3.11	.737	.643**	.634**					
4. Social Capital	3.84	.711	.028	.190*	.038				
5. Knowledge acquisition	2.60	1.00	.767**	.374**	.348**	-.015			
6. Knowledge distribution	3.75	.758	.058	.175	.065	.927**	.014		
7. Knowledge interpretation	4.05	.751	-.024	.162	.006	.869**	-.056	.643**	
8. Organizational memory	3.97	.735	.013	.089	.036	.850**	-.013	.856**	.695**

* $p < .05$. ** $p < .01$

The total, indirect and direct effects of leadership styles, as independent variables, upon organizational learning, as the dependent variable, were examined. As shown in Table 3, the total relationship between participative leadership and organizational learning was significant ($p < .001$). The direct effect of participative leadership upon organizational learning is higher than other styles. The direct effects of activity upon career engagement were significant ($p < 0.5$) as well. Therefore, it can be concluded that the social capital partially mediated the relationship between participative leadership and organizational learning. However, the total relationship between all three leadership styles and organizational learning are significant, but social capital better mediates the indirect effects of supportive leadership style upon organizational learning ($p < 0.1$), whereas the total effect of instrumental leadership upon organizational learning was the least effect between the different styles of leadership.

Table 3. Direct and indirect effects of independent factors (styles mediated by social capital) on organizational learning

Independent Variable	Standardized Total Effect	Standardized Indirect Effect	Standardized Direct Effect	t
Participative leadership	.236	.015	.220	3.89
Supportive leadership	.210	.109	.101	3.52
Instrumental leadership	.145	.025	.120	2.61

4. Discussion and Conclusion

This study was aimed at investigating the relationship between managers' leadership style and organizational learning through the mediating role of social capital. Investigating the findings based on structural equation model indicates that the mediating role of social capital in the relationship between leadership styles and organizational learning has been confirmed. The result of this study was in line with the results of studies conducted by Garvin, Edmondson, and Gino (2008), Slater and Narver (1993), Kurland, Peretz and Hertz-Lazarowitz (2010), Leithwood and Jantzi (2005), Silins and Mulford (2002), thus evolutionary leadership style can predict the processes of organizational learning and the perspective developed by the leader and other employees. In fact, the most powerful factor in developing organizational learning is evolutionary leadership style and it is considered as the main element of human resources. Leadership is the main tool of improving organizations and leading them to efficiency. In organizations with high social capital and collective identity, due to their educational networks and communications, the members both learn and teach, thus organizational learning is at a high level. Today, organizations need to

increase knowledge about the environment and create vast organizational developments in order to survive and improve. The role of leaders, who guide the organizations, identify environmental needs and facilitate appropriate developments, gains importance. In fact, the organizations are created in order to achieve particular goals. Efficiency in educational organizations is of great importance and is determined by means of achieving goals. In an efficient organization, the results of its activities are equal or more than organizational goals (Miskel & Hoy, 2012). Lussier (2006) in his study, believes that leadership style is a combination of characteristics, skills and behavior that the managers uses them in order to interact with his employees. The leaders, who stimulate innovation through creating modern perspectives, developing insights and inspiring, motivate the followers and give them responsibility and commitment, will guarantee the organization's survival and promote its growth. These leaders are able to cope with dangerous situations, face possible challenges and opportunities, inspire their inferiors to commitment, voluntary cooperation and great attempt through accountability and imagination and finally transform the organizations into learning organizations (Mortazavi, Nazemi & Mahmoodi, 2005).

Generally, it can be stated that leadership style may increase organizational learning and pave the way for achieving the goals of an organization. A leader of an organization can improve the organizational learning and social capital of employees through adopting different leadership styles and increase self-confidence, innovation and mental stimulation in his group. For future studies, it is recommended that this research be investigated through different dimensions of organizational learning in different organizational structures and cultures.

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