

The Effect of Organizational Learning on Knowledge Management, Capability and Performance of Organization (Case Study in University of Brawijaya, Malang)

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ABSTRACT

The purpose of this study is to analyze and explain: 1) The direct effect of the Organizational Learning on Knowledge Management, 2) The direct effect of the Knowledge Management on Capability of Organizational, 3) The direct effect of the Organizational Learning on Capability of Organizations, 4) The direct effect of Organizational Performance on Capability of Organizations, 5) The direct effect of Organizational Performance on Organizational Learning, 6) The direct effect of Knowledge Management on Organizational Performance, 7) The indirect effect of Knowledge Management on Organizational Performance, 8) The indirect effect of Organizational Learning on Capability of Organizations, 9) The indirect effect of the Organizational Learning on Organizational Performance. This type of research is explanatory research with path analysis and descriptive statistics research methods. The research was conducted at UB (University of Brawijaya) Malang. The results showed that the effect of Organizational Learning, directly or indirectly on Capability of Organizations through Knowledge Management, and directly affects Organizational Performance, as well as indirect effect on Organizational Performance through Knowledge Management and Capability of Organizations. Knowledge Management is not directly affect the Organizational Performance, but the indirect affect through Capability of Organizational. Capability of Organizations directly affects Organizational Performance.

KEYWORDS: Organizational Learning, Knowledge Management, Capability of Organizations, Organizational Performance.

INTRODUCTION

Nadler (1992) in Faozan Haris [1] believes that there are 4 (four) critical success factors for organizations to be able to compete effectively on: 1) Strategy, 2). Quality, 3) Organizational Design, and 4) Organizational Learning. Organizational Learning (Organizational Learning) is the spearheading for the success of the organization's strategy, therefore it's normal if the organizational learning is a critical success factor, which will lead the organization in possession of a competitive advantages. Organizations that do the Organizational Learning is an organization that has expertise in creating, retrieving, and transferring knowledge and modifying its behaviour to reflect new knowledge and experience. Organizations that conduct experiments and learn from its experiences will be more successful than others that do not do it. In order to achieve and maintain competitive advantage in a business environment that is rapidly changing, organizations must be able to enhance the learning capacity. Successful organizations are organizations that consistently create new knowledge and spread it throughout the whole of the organization, and quickly adapt to its technologies, products and services. Saw its role which is so important for an organization, then all the knowledge possessed by an organization must be well managed, so that knowledge can contribute optimally to the organization.

The development of technology and science which grow rapidly nowadays has changed the university paradigm that was originally rely on a resources based to be knowledge based, as such knowledge in the university must be managed to become a university asset. Problems that arise in the university are the number of knowledge of individuals within the university is not documented and well-ordered or even the university itself does not realize that the members have knowledge that can enhance competitive advantage.

Successes and failures of knowledge management implementation at a university depends on the process of establishing an organizational culture that produced by social interaction, effective communication, and mutual trust among individuals within the university, in other words there is desire of individuals in the universities to share their knowledge. Knowledge management is most effectively applied to the learning management, because learning management is a management that has the ability to create, add and pass the knowledge or information and modify its behaviour to reflect new knowledge and insights.

Formulation of the problem in this study as follows: (1) Is Organizational Learning directly affects Knowledge Management (2) Is Knowledge Management directly affects Capability of Organizations. (3) Is the Organizational Learning directly affects Capability of Organizations. (4) Is the Capability of Organizations directly affects Organizational Performance. (5) Is the Organizational Learning directly affects Organizational

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Performance. (6) Is the Knowledge Management directly affects Organizational Performance. (7) Is Knowledge Management indirectly affects the Organizational Performance through Capability of Organizations. (8) Is the Organizational Learning indirectly affects Capability of Organizations through Knowledge Management. (9) Is the Organizational Learning indirectly affects Organizational Performance through Knowledge Management and Capability of Organizations

THEORETICAL REVIEW AND HYPOTHESIS

Learning is a process of processing information to be a competence, behavioural, and performance [2]. The effectiveness of learning really depends on effectiveness in accessing source of knowledge or experience and in transforming knowledge and experience into competence and achievement. Hall [3] states that in the short term of learning will change one's attitude and performance, while in the long run can grow a person's identity and adaptability that is essential for success. Mumford [2] also stated that the outcome of learning is the ability to act in a way of knowing, doing and understanding about why things are going. Burgoyne and Hodgson [4] define learning as someone's learning process to an incident they experienced themselves or from others' experiences they know, so it will minimize the same error on a similar process or negate the same error as well as continuous improvement efforts. Some of the above definitions are definition of learning in general, while the Organizational Learning is the process of improving actions through better knowledge and better understanding [5]. Garvin [6] defines organizational learning as organizational skills to create, acquire, interpret, transfer and share knowledge, aimed to modify its behaviour to describe the knowledge and new insights. Pedler *et.al.* [7] defines organizational learning as an organization that facilitates the learning for all members of the organization and continuously transforms themselves.

Meanwhile, according to Swan in Knowledge Management and Abdelmeguid Hafez [8] is a process or practice to create, acquire, capture, sharing and using knowledge wherever knowledge is to enhance learning and organizational performance. According to Watson [9], Knowledge Management is Sembel and Santoso [11] is a directed and formatted process in digesting the information that has been owned by a company and find what is needed by each individual in the company and then to facilitate it for an easy access and always available when needed. Capability of Organizational concept is generally defined as the ability of an organization to spread the tangible and intangible assets, in order to perform a task or activity and improve performance [12][13]. Shalley [14] defines the capabilities of the knowledge which the individual do the work and the skills needed to process information creatively to the renewal of information and appropriateness of responses. According to the definition proposed by Baker and Sinkula [15], "Capabilities are bundles of more specific skills, procedures, and processes that can leverage resources into competitive advantage." The meaning of capable or capability is able; skilful; clever; afford. Thus, the capability is the ability or power to make the resource into a competitive advantage. Makadok [16], Barney and Clark [17] state that the capability is a special type of resource that organization strongly attached to the company as a specific resource that can not be transferred (non-transferable) to recover the productivity of other resources.

Performance is often identified or equated as the effectiveness and efficiency [18]. Performance in the industrial sector is equated with competitiveness, cost reduction, value and job creation, growth, and ability to survive in the long run. Performance or work achievements come from a meaning of performance. The definition of performance is do a job and its results achieved from the job. Performance related to what worked and how to do it. Performance is the result of the work that has strong ties with the organization's strategic goals, customer satisfaction and economic contribution [19]. The purpose of each organization is vary greatly depending on the type of organization. In general, the type of organization is often simply grouped into 2 (two), which are Profit Organization / Business and Non-profit Organization Sector Organization / Public Sector Organization. Performance of the business sector is measured from three (3) perspectives, namely: (1) Financial Perspective, (2) Marketing Perspective; (3) Operational Perspective. Public sector performance is measured through the following aspects: (1) Input, (2) Process, (3) Output, (4) Outcome, (5) Benefits; (6) Impact. The hypothesis in this study were (1) Organizational Learning directly affects Knowledge Management (2) Knowledge management directly affects the Organization Capability. (3) Organizational Learning Capability directly affects the Organization. (4) Capability of the Organization directly affects Organizational Performance. (5) Organizational Learning directly affects Organizational Performance. (6) Knowledge Management directly affect Organizational Performance. (7) There is no direct influence between Knowledge Management on Organizational Performance through Capability of Organizational. (8) There is no direct influence between the Organizational Learning on Organizational Capabilities through Knowledge Management. (9) There is no direct influence between the Organizational Learning on Organizational Performance through Knowledge Management and Capability of Organizational.

MATERIALS AND METHODS

This type of research is *explanatory research* using sample of 112 people, consisting of the Chief of the Bureau, Deputy Chief Financial Officer and Human Resources, Head of Sub Academic Section, Head of Sub Part of Student Affairs, and Head of Sub Common parts and equipment in all work units in UB. Research variables: (1) Organizational Learning indicators: experimentation, risk taking, interaction with the external environment, dialogue and participatory decision-making. (2) Knowledge Management with indicators of knowledge accumulation, knowledge sharing and use of knowledge. (3) Capability of Organizational indicators: HR Capability, Marketing Capability, Capability Information Systems and Innovation Capability. (4) Organizational Performance indicators: Input, Process, Output, Outcome, Benefits and Impacts. Variables were measured using 5-level Likert scale to measure the response of the respondent's answer. The results demonstrate the validity and reliability of all variables are valid and reliable. Furthermore, the data were processed using path analysis (path analysis) to test the hypothesis.

RESULTS

Description of Respondents

Characteristics of respondents: by gender, the percentage of male respondents 62.5% and 37.5% of female respondents. Characteristics of respondents by education included the percentage of educated Diploma III of 8.04%, degree of 66.96%, and a graduate of 25.0%. Characteristics based on age, 35-40 years of 0.89%, 41-45 years 4.46%, 46-50 years 36.61%, 51-56 years 58.04%.

Description of Variables

(1) Organizational Learning Variable

From the total items in the variable declaration of Organizational Learning (X), the average of respondents said the trend toward the positive. This is indicated by the mean average of 3.78 items. So it means that the respondents gave a positive response to the variables of Organizational Learning. Average mean value for each item indicator can be seen in Table 1.

Table 1 Average of Mean Item values in variables Indicator of Organizational learning (X)

Num	Indicator	Mean
1	X1.Experiment	3.87
2	X2.Risk Taking	3.88
3	X3.Interaction with External Environment	3.80
4	X4.Dialogue	3.89
5	X5.Participatory Decision Taking	3.30
	Average	3.78

The mean average of Organizational Learning variable is 3.78 and lays in the interval 3.4 to 4.2 = agree, so it can be concluded that the respondents agreed with the items in the Organizational Learning.

(2). Knowledge Management Variable (Y1)

From the total items in the variable declaration Knowledge Management (Y1), the average of respondents said the trend toward the positive. This is indicated by the mean average of 3.97 items. So it means that the respondents gave a positive response to variable Knowledge Management. Average mean value item for each indicator can be seen in Table 2.

Table 2 Average of Mean Item values in variables Indicator of Knowledge Management (Y1)

No	Indicators	Mean
1	Y _{1.1} . Accumulation knowledge	3.99
2	Y _{1.2} . knowledge Sharing	3.94
3	Y _{1.3} .Using Knowledge	3.98
	Average	3.97

The average mean of Knowledge Management variable is 3.97 and lies in the interval 3.4 to 4.2 = agree, so it can be concluded that the respondents agreed with the items that are in Knowledge Management.

(3). Capability of Organizations Variable (Y2)

From the total items in the statement of Organization Capability variable (Y2), the average of respondents said the trend toward the positive. This is indicated by the mean average of 3.99 items. So that

means that the respondents gave a positive response to variable Capability of Organizational. Average mean value item for each indicator can be seen in Table 3.

Table 3 Average of Mean Item values in variables Indicator of Capability of Organizations (Y2)

No	Indicators	Mean
1	Y _{2.1} .HR Capabilities	3.76
2	Y _{2.2} .Marketing Capabilities	3.96
3	Y _{2.3} .Information System Capabilities	4.36
4	Y _{2.4} .Innovation Capabilities	3.85
	Average	3.99

Capability of Organizations variable mean average is 3.99 and lies in the interval 3.4 to 4.2 = agree, so it can be concluded that the respondents agreed with the items in the Capability of Organizations.

(4). Organizational Performance Variable (Y3)

From the total items in the variable declaration Organizational Performance (Y3), the average of respondents said the trend toward the positive. This is indicated by the mean average of 3.92 items. So that means that the respondents gave a positive response to the variable performance of the Organization. Average mean value item for each indicator can be seen in Table 4.

Table 4 Average of Mean Item values in variables Indicator of Organizational Performance (Y3)

No	Indicators	Mean
1	Y _{3.1} .Input	3.89
2	Y _{3.2} .Process	3.92
3	Y _{3.3} .Output	3.42
4	Y _{3.4} .Outcome	4.06
5	Y _{3.4} .Usefulness	4.42
6	Y _{3.4} .effect	4.00
	Average	3.92

Path Analysis Results

Estimating the path coefficients indicate the influence of variables on Organizational Learning on Knowledge Management, the Capability of Organizational and Organizational Performance performed using multiple linear regression analysis obtained by the equation $Y3 = 0.373 + 0.517 Y2$; $R^2 = 65.4\%$. The results of these tests clarify the influence of these two independent variables of the Organization Capability with the contribution of 65.4%, whereas the path coefficient estimates show the effect of variable Organizational Learning, Knowledge Management and Capability of Organizations on Organizational Performance analysis is done using multiple linear regression equation obtained $X1 Y2 = 0.367 - 0.044 Y1$; $R^2 = 58.8\%$. Results of testing the effect of three independent variables to the performance of the organization that there are three independent variables influence on Organizational Performance by a contribution of 58.8%. Estimation of all path coefficients are modelled in this study are summarized in Table 5.

Table 5 Summary of Path Coefficients

Independent Variables	Dependent Variables	Coefficient Beta	p-value
Organizational Learning	Knowledge Management	0.642	0.000
Knowledge Management	Capability of Organizations	0.517	0.000
Organizational Learning	Capability of Organizations	0.373	0.000
Capability of Organizations	Organizational Performance	0.498	0.000
Organizational Learning	Organizational Performance	0.367	0.000
Knowledge Management	Organizational Performance	-0.044	0.595

Sources: Primary Data Processed, 2011

Table 5 explains that from the six tracks on the hypothesis model is not the whole line that is significant. The dominant role of the Organization Capability sourced from Knowledge Management, while the dominant influence on Organizational Performance comes from Capability of Organizational. Particularly the dominant pathway is interesting because it also determines the high-Organizational Performance. For more details, the overall results of path analysis are presented in Figure 1.

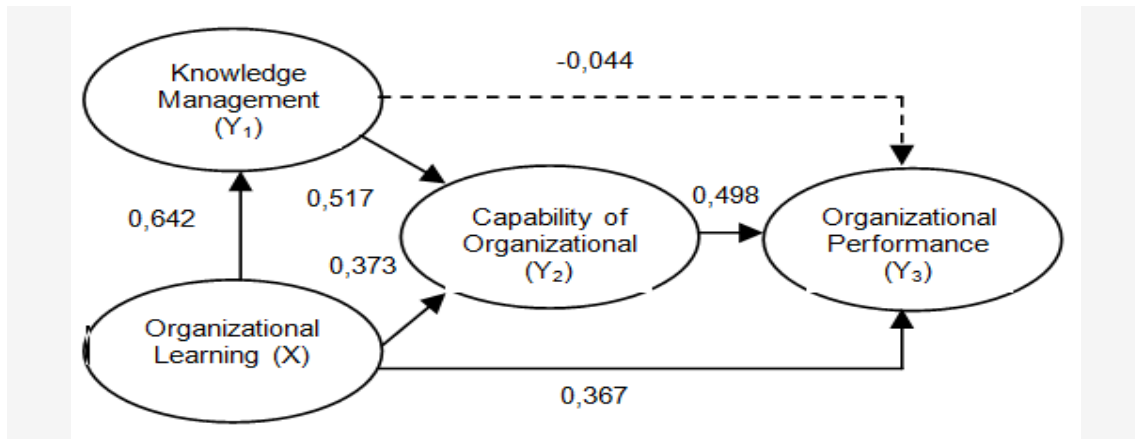


Figure 1 Path Analysis Results

Sources: Processed Primary Data, 2011

Description:

: Significant Influence

: Effect of No Significant

The accuracy of the Model

The accuracy of the model hypothesis of the research data measured from a two coefficients of determination (R^2) in both equations. In the first equation is obtained for the value of R^2_1 for 0.588 and R^2_2 for 0.654 the second equation. The results of the accuracy of the model are:

$$\begin{aligned}
 R^2_{\text{model}} &= 1 - (1 - R^2_1)(1 - R^2_2) \\
 &= 1 - (1 - 0.588)(1 - 0.654) \\
 &= 1 - 0.162 \\
 &= 0.838 \text{ or } 83.8\%
 \end{aligned}$$

The results of the model accuracy calculation 83.8% explained that the model contribution to explain the structural relationship of the four variables studied were at 83.8% and the rest explained by other variables that are not involved in the model.

Direct and Indirect Effect

Direct influence on the capability of Organizational is from Organizational Learning and Knowledge Management. There is also a direct influence on Organizational Learning, Knowledge Management and Capability of Organizational on Organizational Performance, so there are indirect effects of variables Organizational Learning and Knowledge Management on Organizational Performance through Capability of Organizational. The calculation result of the amount of direct and indirect effects is presented in Table 6.

Table 6 Direct and Indirect Effect

Independent Variables	Dependent Variables	Direct Effect	Indirect Effect
Organizational Learning	Knowledge Management	0.642	-
Organizational Learning	Capability of Organizations	0.373	$0.642 \times 0.517 = 0.332$
Organizational Learning	Organizational Performance	0.367	$0.373 \times 0.498 = 0.186$
Knowledge Management	Capability of Organizations	0.517	-
Knowledge Management	Organizational Performance	-0.044	$0.517 \times 0.498 = 0.257$
Capability of Organizations	Organizational Performance	0.498	-

Sources: Processed Primary Data, 2011

The table explains that the direct influence of the most powerful learning comes from the Organizational Learning on Knowledge Management with a coefficient of 0.642. The results of this analysis explain that the effective Organizational Learning will improve an organization's Knowledge Management. Organizational leanings also have an indirect influence on Organizational Performance through Capability of Organizational, that is through the Capability of Organizations then Organizational Performance would increased.

DISCUSSION

Effect of Organizational Learning on Knowledge Management

Hypothesises that explain about the Organizational Learning influence on Capability of organizational is reliable. This is evidenced by the results of the regression test in which the probability (p) is smaller than 0.05, which means significant. It means that Organizational leanings have a significant impact on Knowledge Management. The magnitude of path coefficients (beta) of 0.642 indicates Organizational Learning has a positive influence on Knowledge Management. This means that the higher the Organizational Learning, then the higher the organizational Knowledge Management.

From the results of questionnaires that were collected, the procedures for disseminating information from outside the organization (X3.2) are the highest factor perceived by employees. The 4.04 score on the procedures for disseminating information from the outside of the organization demonstrate the importance of procedure in response of employee perceptions to deliver the information obtained from outside of the organization. The high of the statement point score about procedure existence in distributing information from the outside indicated that the procedure of information conveying from outside of the organization is required and it will affects the Knowledge Management of organization. Path coefficients (beta) on a positive number indicate that the higher the Organizational learning the higher Knowledge Management of organization, procedures of disseminating information be an important thing in increasing the Knowledge Management of organization.

These results indicate that the Learning Organization affect Knowledge Management, thus supporting previous research that has been done by Dimitriades [20], entitled *Creating strategic capabilities, organizational learning and knowledge management in the new economy*, which concluded that effective learning requires the development of strategic learning abilities by linking Organizational Learning and Knowledge Management inside nor between organizations

Effect of Knowledge Management on Capability of Organizations

Hypothesises that explain about the Knowledge Management influence on Capability of Organizations is reliability. This is evidenced by the results of the regression test in which the probability (p) is smaller than 0.05, which means significant. This means that Knowledge Management has a significant influence on Capability of Organizations. The magnitude of path coefficients (beta) of 0.517 indicates a positive influence on the Knowledge Management to Capability of Organizations. This means that the higher the Knowledge Management the higher capability of Organizations.

From the results of questionnaires that were collected, culture of interaction between employees (Y1.2.3) is the highest factor perceived by employees. Score of 4.21 on the cultural interaction between employee shows the perception of employees in response to the importance of interaction cultural between employees. The high of interaction cultural score point between employee indicate that the cultures to interact between the employee is required and will affect the capability of the Organizational. Path coefficients (beta) on a positive number indicates that the higher the Knowledge Management is the higher the Capability of Organizational, the interaction culture between the employee becomes an important point in the growing the Capability of the Organizational.

These results indicate that the effect on the Knowledge Management to Capability of Organizational, thus supporting previous research that has been done by Theriou and Chatzogl [21], entitled *Exploring the best HRM practices-performance relationship: an empirical approach*, which concludes that knowledge management significantly influence of capability of organizational..

Effect of Organizational Learning on Capability of Organizations

Hypothesises that explain about the Organizational Learning influence on Capability of organizations is reliability. This is evidenced by the results of the regression test in which the probability (p) is smaller than 0.05, which means significant. It means that Organizational Leanings have a significant influence on Organizational Capabilities. The magnitude of path coefficients (beta) of 0.373 indicates a positive influence on Organizational Learning to Capability of Organizations. This means that the higher the Organizational Learning, then the higher the Capability of Organizations.

From the results of questionnaires that were collected, the procedures for disseminating information from outside the organization (Y1.3.2) are the highest factor perceived by employees. Score of 4.04 on the procedures existence for disseminating information from outside the organization demonstrate the employee perceptions to response the importance of the disseminating information obtained procedures from outside of the organisation. The high of procedure statement point score on distributing information from outside of the organization indicated that the procedures in conveying information from outside is required and will affect the capability of the Organization. Path coefficients (beta) on a positive number indicates that the higher the

Organizational Learning then the higher the capability of the Organization, information procedures has been an important points in the increasing capability of the Organization.

Effect of Capability of Organizations on Organizational Performance

Hypothesises that explain about the Capability of Organizational influence on Organizational Performance is reliability. This is evidenced by the results of the regression test in which the probability (p) is smaller than 0.05, which means significant. It means that Capability of Organizations have a significant influence on Organizational Performance. The magnitude of path coefficients (beta) of 0.498 indicates a positive influence on Organizational Performance to Capability of Organizational. This means that the higher the capability of the Organization, it will be the higher the performance of the Organization.

From the results of questionnaires that were collected, the ability to develop hardware, software, and personnel (Y2.3.3) is the highest factor that perceived by employees. Score of 4.46 on the ability to develop hardware, software, and personnel demonstrate the employee perceptions to perceive the importance of the ability to develop hardware, software, and personnel. The high of the statements of ability to develop hardware, software, and personnel indicate an ability to develop hardware, software, and personnel are required and would affect the Organizational Performance. Path coefficients (beta) on a positive number indicates that the higher capability of organizational the higher the performance of the Organization, the ability to develop hardware, software, and personnel into key important points in the increasing Organization performance.

These results indicate that Capability of Organizations effect the Organizational Performance, thus support the previous research that has been done by O'Regan and Ghobadian [22], entitled *The Important of capabilities for strategic direction and performance* which concluded that organizational generic capabilities is one of the main determinants of the Organizational Performance, while also support Theriou and Chatzogl's [21], research entitled *Exploring the best practices of HRM-performance relationship: an empirical approach*, which concluded that the HR Practices achieve better performance through interaction with knowledge management, organizational learning capability and the creation of organizational capabilities

Effect of Organizational Learning on Organizational Performance

Hypothesises that explain about the Organizational Learning influence on Organizational Performance is reliability. This is evidenced by the results of the regression test in which the probability (p) is smaller than 0.05, which means significant. It means that Organizational leanings have a significant influence on Organizational Performance. The magnitude of path coefficients (beta) of 0.367 indicates a positive influence on Organizational Learning to Organizational Performance. This means that the higher the Organizational Learning, then the higher the performance of the Organization.

From the results of questionnaires that were collected, the procedures for information disseminating from outside the organization (X3.2) is the highest factor perceived by employees. Score of 4.04 on the procedures existence for information disseminating from outside the organization demonstrate the employee perceptions to perceive the importance of disseminating information procedure that obtained from outside of organization. The high of statement point score of the procedures existence to disseminating information from outside the organization indicated that the procedures in conveying information from outside the organization are required and would affect the Organizational Performance. Path coefficients (beta) on a positive number indicates that the higher Organizational Learning the higher organizational performance, procedures of disseminating information be the important point in increasing Organizational Performance.

These results indicate that the Organizational Learning affect Organizational Performance, thus supporting research that has been done previously by Correa at.al. [23], entitled *Leadership and organizational learning's role on innovation and performance: Lessons from Spain*, which concluded that the Organizational Learning directly influence on Organizational Performance.

Effect of Knowledge Management on Organizational Performance

The results of the hypothetical effect from the Knowledge Management to Organizational performance indicate that the effect of Knowledge Management was not significant. This is demonstrated by the results of the regression test in which the probability (p) is greater than 0.05, which means not significant. This means that Knowledge Management has no significant influence on Organizational Performance. The magnitude of path coefficients (beta) of -0.044 indicates that the organizational performance cannot be explained by the Knowledge Management. High-Organizational Performances do not always appear from Knowledge Management. This indicates that in order to improve organizational performance is not enough with only managing knowledge, but also must be supported by the organization's ability to integrate the critical components that exist in knowledge management, the competent person as a source of knowledge, adequate facilities and infrastructure, and knowledge that will be discussed. In addition, a method of delivering knowledge also be considered, in this case the role of IT (information technology) is truly needed, because IT enables the discussion without the presence of a person physically, thus saving time and place.

There are two (2) items in Knowledge Management, which is the same problem in the daily operational activities (Y1.1.3) and ease of access to personal skills (Y1.2.1) who get low scores from respondents. This indicates that both have a low perception of the employee. Employees do not see any similar problems in the daily operations because of the increasing number of variations in activity, so the problems encountered will vary as well, while for ease of access to personal skills, there are still many obstacles facing such a data base of the employee nor personal skills lecturers that are not always updated, even though information technology is sufficient, or is caused also by a lack of personal skills in the field of information technology until get the constraints in accessing data. By looking at this, the organization should immediately conduct a remedial action is to update the personal skills database to be always updated, and identify a wider variety of problems to find the solution. Thus, this study did not support previous research that has been done by Marques and Simon [24], entitled *The effect of knowledge management practices on firm performance*, which concluded that the companies which is adopt knowledge management practices have better performance than its competitors.

Indirect Effect of Knowledge Management on Organizational Performance through Capability of Organizations

The results of path coefficient analysis of the influence of Knowledge Management on Organizational Performance through Capability of Organizations obtained from result times of the direct effect path coefficients between the variables of the Knowledge Management on Capability of Organizations of 0.517 (significant) with a direct effect path coefficients between variables of Capability of Organizational on Organizational Performance of 0.498 (significant), thus obtained the indirect effect of 0.257. Because of two direct effect is significant, then the indirect effect is also significant. So there is enough empirical evidence to accept the hypothesis that Knowledge Management has indirect effect on Organizational Performance through Capability of Organizational.

The magnitude of path coefficients (beta) directly influences Knowledge Management on Organizational Performance of -0.044 is smaller than the path coefficient (beta) the indirect effect of 0.257. This indicates that the organizational performance can not be explained directly by the Knowledge Management, but Knowledge Management would influence significantly on Organizational Performance when the Organization through the Capability of Organizational. In other words, high-Organizational Performances do not always appear from a high of Knowledge Management. The results of path analysis explained that the Organizational Performance is highly dependent on the quality of Capability of Organizational of the Organization.

Indirect Effect of Organizational Learning on Capability of Organization through Knowledge Management

The results of path coefficient analysis of the influence of Organizational Learning on Capabilities of Organizational through Knowledge Management obtained from the result times of the path coefficients of the direct influence of the Organizational Learning on Knowledge Management at 0.642 (significant) and a direct path coefficient between Knowledge Management for Capability of Organizational of 0.517 (significant), so obtained by the indirect effect of 0.332. Because of the two direct effect is significant, then the indirect effect path is also a significant. So there is enough empirical evidence to accept the hypothesis that the Organizational Learning influence indirectly on Capability of Organizational through Knowledge Management.

Effect of Organizational Learning on Capability of Organizational directly much more than indirect influence, Organizational Learning is the dominant influence on Knowledge Management directly, as well as the direct influence of the Knowledge Management on Capability of Organizational is also quite large, so the increase in Organizational Learning is high-potential increases Organizational Performance in the long run, meaning that organizations can improve performance by increasing the Organizational Learning and Knowledge Management so, Capability of Organizational will increase, and will ultimately have an impact on improving organizational performance.

Indirect Effect of Organizational Learning on Organizational Performance through Knowledge Management and Capability of Organizations

The results of path coefficient analysis of the influence of Organizational Learning on Organizational Performance through Knowledge Management and Capability of Organizations obtained from the result time of the path coefficients of the direct influence of the Organizational Learning on Knowledge Management at 0.642 (significant) with a direct path coefficient between Knowledge Management for Capability of Organizational of 0.517 (significant) and the path coefficients for Organizational Performance to Capability of Organizations of 0.498 (significant), thus obtained the indirect effect of 0.165. Because the three direct effect is significant, then the path is also a significant indirect effect. So there is enough empirical evidence to accept the hypothesis that the Organizational Learning has indirect effect on Organizational Performance through Knowledge Management and Capability of Organizational.

Although the influence of Organizational Learning on Organizational Performance is directly greater than the indirect effect, it is clear that Organizational Learning is the dominant influence on Knowledge Management directly, as well as the direct influence of the Knowledge Management on Capability of Organizational is also quite large, so the increase in Organizational Learning is high-potential increases Organizational Performance in the long run, meaning that organizations can improve performance by increasing the Organizational Learning and Knowledge Management so, Capability of Organizational will increase, and will ultimately have an impact on improving organization performance.

Empirical Model of the Effects of Organizational Learning on Capability of Organizations and Organizational Performance

From the results of this study can be seen that the direct influence of Organizational Learning on Organizational Performance is more powerful than the indirect effect through the Capability of Organizations, this show that elements within the Learning Organisation including the support of individuals in the organization to constantly evolve, issued new ideas and actively absorb information from outside the organization to the organization progress can directly improve the Organizational Performance. Unlike the Organizational Learning which has a direct influence on Organizational Performance, Knowledge Management does not directly affect Organizational performance, but it effect indirectly through the Capability of Organizations, that is to get high performance, knowledge must be managed properly so as to increase the exist components in the Capabilities of Organizational, including human resource capabilities, marketing capabilities, information system capabilities and innovation capabilities, which in turn will affect the organizational performance improvement.

The Capability of Organizations has been an intermediate variables (intervening variables) that theoretically strengthen the relationship between Knowledge Management variables as independent variables and dependent variable, namely Organizational Performance. Knowledge management does not directly affect the Organizational Performance, but with the Capability of Organizations variable caused an indirect relationship on Knowledge Management to Organizational Performance through Capability of Organizations.

Between Organizational Learning and Knowledge Management, Knowledge Management has a greater influence on Capability of Organizations, thereby increasing of the Organization Capability needs to be supported by the Knowledge Management aspects in addition to the aspects of the Learning Organization. From the results of this study then obtained a final model of the Organizational Learning's influence and Knowledge Management for Capability of Organizations and Organizational Performance.

The final model describes the relationship or influence between a variable with other variables, variables that have a strong influence is Organization Learning on Knowledge Management and Knowledge Management's influence on Capability of Organizations describe by thick arrows, while the variables that do not affect the other variables, that is Knowledge Management on Organizational Performance does not have a hyphen, as Figure 2. the following:

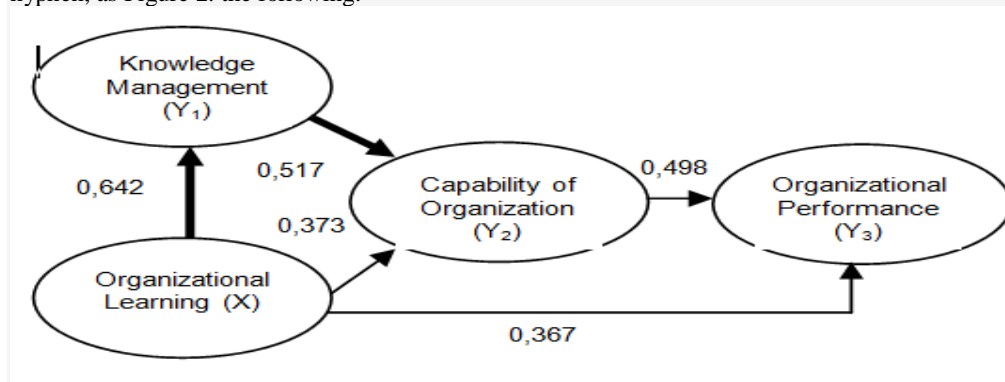


Figure 2 Path Analysis Results

CONCLUSION

1. Organizational Learning directly influences the Knowledge Management. This indicates that the Learning Organization has a significant effect on knowledge management, and there is a positive relationship between the two, which can be interpreted as increasing the Organizational Learning the higher the Knowledge Management.
2. Knowledge Management directly influence on Capability of Organizations. This shows that Knowledge Management has a significant effect on Capability of Organizations, and there is a positive

relationship between the two, which can be interpreted by the higher Knowledge Management then the higher the Capability of Organizations.

3. Organizational Learning directly influences the Capability of Organizations. This indicates that the Organizational Learning has a significant effect on Capabilities of Organizations, and there is a positive relationship between the two, which can be interpreted as increasing the Organizational Learning the higher the Capability of Organizations.
4. Capability of Organizations directly affects Organizational Performance. This indicates that the Capability of Organizations has significant affect on Organizational Performance, and there is a positive relationship between the two, which can be interpreted by increasing the Capability of Organizations then the higher the Organizational Performance.
5. Organizational Learning directly influences the Organizational Performance. This indicates that the Learning Organization has a direct impact on Organizational Performance, and there is a positive relationship between the two, which can be interpreted as increasing the Organizational Learning the higher the Organizational Performance.
6. Knowledge Management does not directly affect Organizational Performance, this suggests that Knowledge Management has no significant effect on Organizational Performance. This is caused by the low perception of responders to the two (2) existing items in the Knowledge Management variable that is the same problems in daily operational activities and easy access to personal skills. Respondents did not see any similar problems in daily activities, because the activities are always evolve over time, and there are difficulties in accessing personal skills, both in terms of data providers and data users.
7. Knowledge Management is an indirect effect on Organizational Performance through Capability of Organizations. This may imply that the Knowledge Management organization will affect the Organizational performance when through the Capability of Organizational.
8. Organizational Learning indirectly influences the Capability of Organizations through Knowledge Management. This may imply that the Organizational Learning will influence on Capability of Organizations when through Knowledge Management.
9. Organizational Learning indirectly effect on Organizational Performance through Knowledge Management and Capability of Organizations. This may imply that the Learning Organization will affect Organizational Performance through Knowledge Management and Capability of Organizations.

RECOMMENDATION

1. This study has found that the Organizational Learning has directly affects on the Organizational Performance, it is recommended to improve Organizational Performance to the top management and its employees to participate in the practice of learning organizations through participatory decision-making, support for innovation and interaction with the external environment. Involvement of all members of the organization starting from the bottom to up is needed to improve the effectiveness of the Learning Organization.
2. The study found that Knowledge Management is not directly influence the Organizational performance, but indirect effect through the Capability of Organizations, therefore, to improve Organizational Performance it is advisable to increase the Capabilities of Organizations, namely: human resource capabilities, marketing capabilities, capabilities and information systems innovation capability.
3. The study found that Knowledge Management is not directly influence the Organizational Performance, therefore it needs a space of freedom for further research and the flexibility and creativity in exploring other factors that have not been revealed in this study, including organizational innovation in relation to Knowledge Management and Organizational Performance

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