

# Organizational Learning and Employee Performance. An Indirect Effect Model of Employee Loyalty

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**Abstract:** The purpose of this study was to determine the indirect effect of employee loyalty on organizational learning and employee performance. The study adopted a cross-sectional design and systematic random sampling techniques in collecting data from a sample of 411 sampled from a target population of 2433 bank employees in Kenya. Findings reveal that organizational learning affects employee performance and also influences employee loyalty. Additionally, results show that organizational learning has an indirect effect on employee performance via employee A loyalty, thus revealing a partial mediation process. Banks should improve on organizational learning strategies through enhancement of knowledge awareness, intellectual cultivation and information sharing which enhances their commitment/loyalty to their work, thus increasing employee performance. The findings of this study bring new insights into theory and literature through the indirect process by unveiling a partial mediation mechanism on the link between organizational learning and employee performance.

**Key words:** Organizational Learning, Employee Loyalty and Employee performance.

## I. INTRODUCTION

Employee performance is the job-related activities expected of an employee and how those activities are executed (Dugguh & Dennis, 2014). According to ul Hassan, Shaukat, Shakeel, and Imran (2012) high organizational performance is attained through enhanced employee performance. It is the behavior that accomplishes results in an organization (Balouch & Hassan, 2014). Employee performance is what people do that can be observed and measured in terms of each individual's experience or level of contribution (Pulakos, Arad, Donovan, & Plamondon, 2000). Jones and Zsidisin (2008) also state that performance can be viewed as an evaluation of the results of a person's behavior which includes determining how well or poorly a task has been completed.

Previous studies have indicated several determinants of employee performance. For example; Bagyo (2014) found that employee engagement and empowerment greatly influence employee performance. On the other hand, Elnaga and Imran (2013) argue that when employees are trained, their level of knowledge and commitment improves, which ultimately increases their performance on the job. Ologbo and Sofian (2013) also noted that engaged employees are aware of the business context in which they work and work with colleagues to improve performance within the job for the benefit of the

organization. Similarly, Truss, Shantz, Soane, Alfes, and Delbridge (2013) stated that loyal employees are characterized by energy, involvement, efficacy, dedication and enthusiasm which increase their productivity and satisfaction. The results of Yusuf (2012) and Del Giudice, Maggioni, Cheng, Niu, and Niu (2014) have shown that organizational learning has a significant positive influence on employee performance. This means that as organizational learning increases, employee's performance tends to increase too.

However, other studies found different outcomes, such as Sadasa (2013) which found a weak relationship between organizational learning and employee performance, and Shahzad, Iqbal, and Gulzar (2013) found a moderate correlation between organizational learning and employee performance. While the relationship between organizational learning and employee performance has been highlighted in the literature (Aftab, Rana, & Sarwar, 2012; Basten & Haamann, 2018; Del Giudice et al., 2014; Sadasa, 2013; K. Wang & Lin, 2012), little is known about the mediating mechanism underlying this relationship. In addition, Popova-Nowak and Cseh (2015), argue that the mechanism for improving employee performance in organizational learning requires additional parameters. Hence this study seeks to fill this gap by examining the indirect effect of organizational learning on employee performance via employee loyalty.

Employee performance is vital to the future growth and efficiency of an organization, and staff are the most valuable commodity to any organization as they can make or break the credibility of the company which can negatively impact productivity (Leonard & Thompson, 2019). Furthermore, the success of any business is directly affected by the performance of the employees within the organization whether or not they are dealing directly with customers. Employee performance can decrease or increase a company's competitive advantage in the business environment (Elnaga & Imran, 2013). Thus, employee performance has an impact to the organizational goals either positively or negatively. Employee are the blood stream of any business and the accomplishment or disaster of a firm depends on employee performance (Mankins & Garton, 2017). In today's competitive business environment, high employee performance is the key objective of most organizations which does not just happen in workplaces but has to be motivated by series of factors which includes their commitment and

loyalty(Hobel, 2006). Performing employees are those who are physically energized, emotionally connected, mentally focused, and feel aligned with the purpose of the organization (Loehr & Schwartz, 2003)

Organizational learning process is critical to creativity in the organization as learning is directly related to utilization of new ideas and information (P. Senge, 2004). Further, this concept represents a knowledge-based view (KBV) of the firm that recognizes knowledge as a major determinant of sustainable competitive advantage and performance (Hung, Yang, Lien, McLean, & Kuo, 2010). Furthermore, this knowledge is an intangible and valuable resource (Wilkins, Menzel, & Pawlowsky, 2004). Organizational learning involves several concepts and aims to involve information development and acquisition as characteristic processes(Popova-Nowak & Cseh, 2015). The common processes in organizational learning definitions are knowledge creation and knowledge acquisition (Flores, Zheng, Rau, & Thomas, 2012) and also includes the processes of creating, retaining and transferring knowledge (Argote & Hora, 2017).

Organizational learning involves systematic ability to engage in creative processes, experiment, apply new approaches and techniques, then generate new ideas(Odoardi, Battistelli, & Montani, 2010). Knowledge has become critical in the context of global economy, in times of radical changes and hyper competition (Broekel & Brenner, 2011; Cho & Pucik, 2005). Therefore, it is important to identify and stimulate factors determining its development and growth in organizations like financial institutions. In a hyper competitive environment, there is need to change the organization's ways of learning to be more supportive to technology, while, at the same time, finding ways of retaining talent or making them remain loyal to the firm.

The global environment and the concept of global village have brought tremendous changes in the organizational learning (Argyris, 2004; Odor, 2018). According to Hart, Gilstrap, and Bolino (2016), organizational learning has become one of the most important strategic business topics globally as it drives people's behavior, customer service and a potential competitive advantage. The authors further indicate that learning determines success or failure of an organization during times of change. Mergers, acquisitions, growth, and even product cycles can either succeed or fail depending on the alignment of learning within the business.

The next section of the paper is organized as follows. The section begins by providing an overview of the theories guiding the study, literature review, conceptual model, methodology, and analysis, discussion of findings, conclusion, implications, limitations and recommendations for further studies.

## II.THEORETICAL AND LITERATURE REVIEW

### *Knowledge Management Theory*

This study was guided by Knowledge Management Theory which has been recognized as one of the core aspects of

corporate performance and of sustainability in both local and global contexts (Behringer & Sassenberg, 2015; Pawlowski & Bick, 2015). This theory is related to the application of methods, tools , techniques and values of the organization that encourage the flow of knowledge between individuals and the retrieval, processing and use of knowledge in the improvement and innovation of activities(Gonzalez, Claro, & Palmatier, 2014). Knowledge management means learning from each other and developing new knowledge and exploring a range of fields that can be put together to concentrate on meta-knowledge and its relevance to personal and organizational success. Bennett and Bennett (2014)also indicates that Knowledge management theories are learning tools. This theory is used in this study because of organizational learning and employee performance as it is related to individual and group learning, thus equipping employees with relevant knowledge and skills thus improving their performance.

According to Nowacki and Bachnik (2016), Knowledge management comprises a range of management practices to create, identify, store, diffuse, replicate and apply knowledge within organizations. Knowledge management (KM) continues to be a fundamental ingredient in creating sustainable competitive advantage (Paulsen & Hernes, 2003). Like any other organizations, banks are highly dependent on KM behavior among their employees for their overall successful performance (Kashim, Mat Kasim, & Abd Rahman, 2018; Ramachandran, Chong, & Wong, 2013).

### *Organizational Learning and Employee performance*

Organizational learning is essential for growing understanding, improving knowledge and skills that improve employee productivity at work(Hakala, 2011). According Chung, Lee, and Choi (2015)organizational learning positivelyinfluences employee performance which ultimately affects organizational performance. The results of a study conducted by Rose, Kumar, and Pak (2009)suggest that organizational learning has a positive,moderate linear association with employee performance.

Prior studies have shown that employees who are open to learning are more pleased with their work and eventually display more better results than others(Tsai, Yen, Huang, & Huang, 2007). Thus, learning that is driven by training has a positive impact on employee efficiency and is a key element in the achievement of organizational objectives (Harrison, 2000; Tsai et al., 2007). Organizational learning is a strategic variable for companies seeking to introduce new products or to create new markets because of the need to innovate continuously in order to survive intense competition (Cefis & Marsili, 2005). It is therefore necessary to stimulate the development of factors that lead to creativity and to allow new innovations, goods , services and systems to be implemented before other competitors in the same industry (Montes, Moreno, & Morales, 2005). Organizational learning supports creativity, inspires new knowledge and ideas and increases the

potential to understand and apply them, favors organizational intelligence and forms a background for orientation to organizational innovation (García-Morales, Ruiz-Moreno, & Llorens-Montes, 2007). The secret to the success of organizations is learning, not individual learning itself, but emerging learning within the enterprise.

Continuity in creative efforts is also the concept put forward by Kenny and Reedy (2006) who argue that 'innovative organizational culture is one in which continuous development throughout the organization is the norm. Innovation is not only derived from a limited group of workers who carry out unique activities such as research and development, but is a concept that is ingrained in the company and is present in all staff (C. L. Wang & Ahmed, 2004).

Organizations that have adopted learning are those who correctly use incentives, tolerate failure and uphold principles such as openness to new ideas, creativity, improvement, continual development, collaboration, versatility and informal communication (Amabile, 1998; Hurley & Hult, 1998). The purpose of organizational learning is to share useful information that contributes to increased efficiency and sustainable competitiveness (Perez Lopez, Montes Peon, & Vazquez Ordas, 2005). Organizational learning primarily refers to the attributes and behavior of knowledge and how it can bring about improvements in the processes and activities of an entity and its persons (P. M. Senge, 2006). Based on this discussion we propose:

H1: Organizational learning significantly influences employee performance

#### *Organizational Learning and Employee Loyalty*

The influence of organizational learning on employee loyalty has been well documented in literature. According to Waqas et al. (2014) an employee is committed to his or her employer because he or she has demonstrated loyalty and believes that it is the best decision for him or her to work for the organization. Nongo and Ikyanyon (2012) state that organizational learning increases the sense of responsibility of employees, provides a sense of organizational identity and helps to reduce turnover. According to Mayangsari, Irianto, and Eliyana (2015) organizational learning affects and promotes employee loyalty, while, Wibawa (2014) points out that organizational learning has no major effect on employee loyalty.

Organizational learning is a source of sustainable competitive advantage (Barney, 1991), it has also been found to be an important engine of creativity (Avanti, 2009) and observational evidence shows that it is a critical force for corporate performance and commitment (Gordon & DiTomaso, 1992). Comprehensive understanding and experience of organizational learning would serve to enhance the ability to evaluate the actions of the group that helps control and maintain the enterprise (Brooks, 2009). In a study conducted by Eketu and Ogbu Edeh (2015) among hospitality employees,

it was found that the loyalty of personnel, expressed in their constant, emotional and moral commitment, is profoundly rooted in the organizational learning pattern.

Nowadays, the environments under which workers work are continuously evolving, consumers expect more than just a primary commodity, and so companies ensure that staff use their specific group and individual talents to boost productivity and efficiency (de Souza Bispo & Cavalcante, 2019). According to Rupcic (2019), if organizational learning is higher, workplace motivation, involvement and dedication are increased, leading to enhanced employee loyalty. This is further affirmed by Tran and Pham (2019) who suggests that employee participation in decision-making process will influence the overall company unity and lead to greater motivation for improved loyalty, and this process should be followed by attempts to maximize organizational learning. We therefore propose our second hypothesis:

H2: Organizational learning significantly and influences employee loyalty

#### *Employee Loyalty and Performance*

According to Preko and Adjetej (2013) employee loyalty is a major contributor to workplace success or performance. The authors define the word "loyalty" as workers who are committed to the good of the company and feel that working for the company is their best choice. This is also supported by Danish et al. (2019) who argues that employee loyalty happens when one has attachment to the organization. Loyalty is thought to be closely tied to improved quality performance (Heskett, Sasser, & Schlesinger, 1997).

A sense of loyalty to the company helps employees work with greater enthusiasm and interest, meaning that their performance will be greater and the efficiency of the workplace will increase (Esmaeilpour & Ranjbar, 2018). Loyal workers sincerely believe in the values of the company and work tirelessly to ensure the business's well-being and work harder at the workplace to accomplish the targets set by the company (Farrukh, Kalimuthuan, & Farrukh, 2019).

Furthermore, Yao, Qiu, and Wei (2019) and Esmaeilpour and Ranjbar (2018) affirms that loyal employees are more likely to make a lot of commitment to strengthen the performance of an organization. The findings of Esmaeilpour and Ranjbar (2018) on the effect of the commitment, satisfaction and loyalty of employees on the delivery of high-quality customer service, their results suggest that the organizational loyalty of employees has a strong and important impact on enhancing the level of customer service. Several other studies (Gholampoor & Zaree, 2016; Murali, Poddar, & Seema, 2017; Tomic, Tesic, Kuzmanovic, & Tomic, 2018; Yee, Yeung, & Cheng, 2010) have also revealed that employee loyalty has positive and significant influence on employee productivity and organization performance and profitability. Nonetheless, Silvestro and Cross (2000) have acknowledged the reverse relationship between workplace

loyalty and performance in the field they have studied. Thus, we propose:

*H3: Employee loyalty positively influences their performance*

*Employee loyalty as a mediator*

Despite the above discussions of employee loyalty having an influence on employee performance, there is little evidence from the literature on the indirect mechanism underlying this relationship. Hence, the current study tries to fill this gap by the use of conceptual model indicated as **Figure 1**. Literature records a few studies that have used employee loyalty with different variables and different contexts. For

example, Jigjiddorj, Tsogbadrakh, Choijil, and Zanabazar (2019) used employee loyalty as a mediator on the link between job satisfaction and organization performance. The authors argue that maintaining loyalty and retention of skilled and experienced workers is one of the main reasons for improving the operational success of any organization. A few other studies have also used employee loyalty as a mediator in their studies (Janjua & Gulzar, 2014; Jen, Chou, Lin, & Tsai, 2012). Based on these discussions, we propose:

*H4: Organizational learning has an indirect effect on employee performance via employee loyalty*

C'

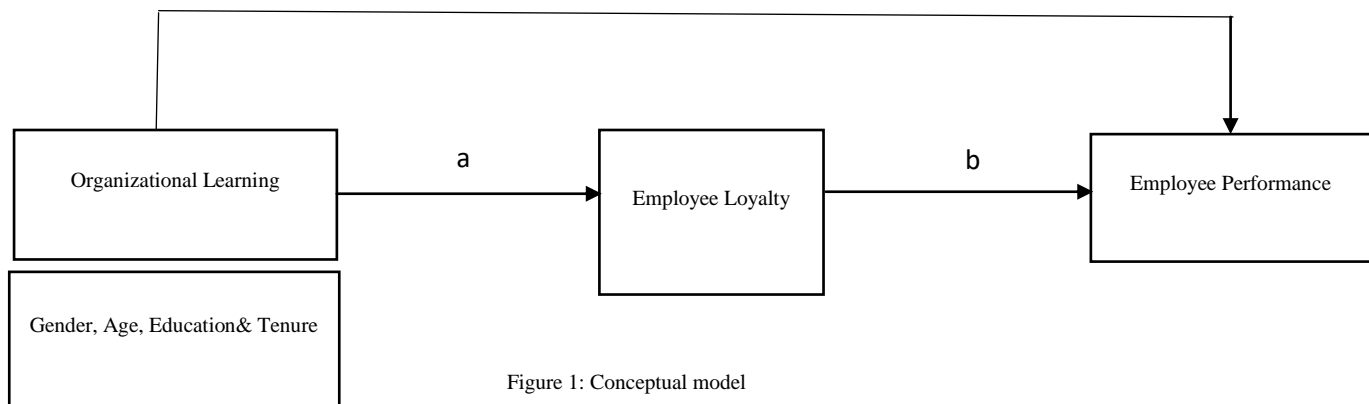


Figure 1: Conceptual model

### III. METHODOLOGY

The study was undertaken using a quantitative analysis of data obtained using 411 questionnaires designed to analyze the significance of the main components of the identified variables. A cross-section survey design and systematic sampling techniques were applied in collecting data from a target population of 2433 bank workers from 40 banks in Nairobi, Kenya.

#### *Measurement*

This study used measurements which were adopted from prior studies with few modifications. Employee performance was used as a dependent variable with eleven (11) items adopted from Toban, Gani, Gani, and Zakaria (2014). Organization learning which is used as the independent variable has fifteen (15) items adopted from P. Senge (2004). Finally, employee loyalty which is used as a mediator variable has eleven (11) items, all adopted from Preko and Adjetey (2013). The study has four control variables, namely; Gender, measured as “0” for Female and “1” for Male, Age was grouped in 5 categories, while Education and Tenure in 4 categories. The study used a five-point Likert scale for measuring all the variables that ranged from 1 (strongly disagree) to 5 (strongly agree).

### IV. DATA ANALYSIS

#### *Demographic Characteristics of Respondents*

The sample consisted of 331 respondents, of which 60.7% were female (n= 201) and 39.3% were male (n= 130). The findings of respondents' age indicate that majority of them 51.1 % ranged from 21 to 30 years of age (n= 169). The second group were those aged between 31 to 40 years with 34.7% (n= 115) while those above age 41 (10.9%, n= 36) and under 21 years of age (3.3%, n= 11) were the least respectively. Their education levels varied between secondary school certificate (0.3%; n=1), diplomas (1.5%; n= 5), with majority having university degree (95.8%, n= 317), and others (2.4%; n= 8). Finally, 16.9, (n=56) of the respondents had worked in banks for less than 5 years, while majority, 57.4%, (n= 190) had worked between 6 to 10 years. The study shows that 23%, (n=78) had worked for 11 to 15 years and lastly 2.1%, (n=7) had worked for above 16 years.

#### *Descriptive data, Reliability and Correlation Analyses*

Table:1 reveals results of the means, standard deviations, reliability and correlations of the variables in this study. Findings indicate that organizational learning had the highest mean of 4.4, SD= .404, employee performance, (M= 4.1, SD=.583), while employee loyalty had M = 4.1, SD =.710. Findings of reliability scale shows that all variables had Cronbach' Alpha above .800. Correlation results reveal that

employee loyalty has the strongest relationship with employee performance,  $r = .421$ ,  $p < .01$  while organization learning shows the weakest relationship with  $r = .311$ ,  $p < .01$ .

Table 1: Descriptive data, Reliability and Correlation

Variables n=331	M	SD	Reliability( $\alpha$ )	Correlation	
Employee Performance	4.1	.583	.890	1	
Organizational Learning	4.4	.404	.842	.311**	1
Employee Loyalty	4.1	.710	.863	.421**	.297**

\*\* . Correlation is significant at the 0.01 level (2-tailed).

### Factor Analysis

Principal component analysis with Varimax rotation was used in this study to check for construct validity of the variables before testing the hypotheses. Results from Table 2 reveals how thirty (37) items were factor analyzed and grouped into three components. Eight (8) items measuring employee performance loaded on component one (1) which explained 34.75% of the total variance. Three (3) items were dropped as they did not load. Component two (2) has eight (8) items measuring employee loyalty with three (3) items dropped from the study as they did not meet the criteria of loading above 0.05. The variance explained by the items measuring employee loyalty was 14.65%. Finally, seven (7) items measuring organization learning loaded on component three (3) as eight (8) of them were dropped as they did not load. These items explain 9.1% of the variance. The results further show 58.5% of the cumulative variance being accounted for by the three variables. Furthermore, the study shows a Kaiser-Meyer-Olkin Measure of sampling adequacy (KMO) of .700 with Bartlett's Test of Sphericity showing a Chi-Square of 7677.292 with  $df = 276$  significant at .000 which confirmed suitability of factor analysis.

Table 2: Factor Analysis

Kaiser-Meyer-Olkin Measure of sampling Adequacy		.700	
Bartlett's Test of Sphericity		Approx. Chi-Square	7677.292
df		276	
Sig		.000	
Name of Variables		% variance	Cumulative %
1. Employee Performance		34.751	34.751
2. Employee Loyalty		14.645	49.396
3. Organizational Learning		9.079	58.476
Variable items	EP	EL	OL
Team work is encouraged by my employer			.580
In my organization, people help each other learn			.624
In my organization, people are given time to support learning.			.689
My organization recognizes people for			.653

taking initiative.			
My organization encourages people to think from a global perspective.			.682
My organ. measures the results of the time and resources spent on training			.775
In my organ. people view problems in their work as an opportunity to learn			.792
In my organization, people give open and honest feedback to each other			
I feel empowered to make decisions on matters affecting my job		.708	
I feel engaged by my employer in giving ideas.		.617	
I have high level of commitment on my job		.618	
I am a self-driven person in doing my job		.757	
I participate in decision making and idea generation.		.798	
I am prepared to go an extra mile for the company		.834	
I have sense of belonging in the organization		.757	
I have no plan of looking for another employer		.556	
I have knowledge of what I should deliver in my job	.648		
The quality of my job is appreciated by my employer	.777		
My performance gets better when am trained.	.780		
I am confident to deliver good performance if supported by my employer	.513		
It's my priority to produce quality work regardless of no. of tasks assigned	.554		
I accurately deliver on tasks assigned to me by my employer	.786		
I can use my potential fully in my work.	.828		
I can learn new things while doing my work at bank	.845		

Note: EP Employee Performance, EL- Employee Loyalty, OL, Organizational Learning

### Hypotheses Testing

To test the study hypotheses, SPSS vs.23, Hayes (2018) Process Macro (Model 4) was used to analyzed data. The study followed MacKinnon (2012) four procedures which entails;

- a significant relationship between organization learning and employee loyalty (path *a* of the conceptual model, H1)
- a significant relation between employee loyalty and employee performance (path *b* of the conceptual model, H2)
- A test of the relations between organization learning and employee performance while holding constant employee loyalty (path *C'* of the conceptual model, H3).
- a test of the indirect path between organization learning and employee performance through employee loyalty ( $a \times b$ ). In this case both the confidence intervals must be none zero to determine

if this last condition is met (H4). The study included all control variables in the analysis.

Table 3 reveals the findings of the analysis. Model 1 of the table indicates that gender ( $\beta = -.205$ ,  $p = .011$ ) and age ( $\beta = .193$ ,  $p = .000$ ) were found to have a significant effect on employee loyalty as education ( $\beta = -.012$ ,  $p = .940$ ) and tenure ( $\beta = .005$ ,  $p = .940$ ) were insignificant. Most importantly, results show a significant relation between organization learning and employee loyalty as indicated by  $\beta = .435$ ,  $p = .000$ . Further, the model explains 15.2% of variance in employee loyalty ( $R^2 = .152$ ,  $F = 11.679$ ,  $p = .000$ ). Due to the positive and significant results indicated by the  $\beta$ -coefficient of .435, hypotheses H1 is supported by the study.

Model 2 of the same table, shows results of H2 and H3. All control variables were found to be insignificant in this model. The findings show that the model accounts for 21.8% of the variance ( $R^2 = .218$ ,  $F = 15.063$ ,  $p = .000$ ) in employee performance. Additionally, results indicate that employee loyalty positively and significantly affects employee performance ( $\beta = .289$ ,  $p = .000$ ). These results support hypothesis H2. Furthermore, the findings reveal that organization learning (path C' of the conceptual model), has a direct effect on employee performance as indicated by  $\beta = .280$ ,  $p = .000$ , thus H3 is also supported by the study.

Finally, a percentile bootstrap estimation approach with 5000 samples was used to test for mediation effect of employee loyalty on the relationship between organization learning and employee performance (H4). Results reveal that the mediation process was found to be significant with the product of  $a \times b$  showing a positive effect,  $.435 \times .289 = .126$ ,  $SE = .057$ , 95% CI = [.027, .251]. Given the findings indicates that both confidence intervals are nonzero, H4 is also supported by the study.

Table 3: Regression Results

Name of Variables	Model 1 (EL)		Model 2 (EP)	
	$\beta$	$p$ -v	$\beta$	$p$ -v
Gender	-.205**	.011	-.036	.570
Age	.193	.000	.023	.605
Education	-.012	.940	-.009	.945
Tenure	.005	.940	-.036	.476
Organizational Learning	$a = .435$ ***	.000	$C' = .280$	.000
Employee loyalty	-	-	$b = .289$ ***	.000
$R^2$	.152		.218	
F	15.063***		15.063***	
Mediation $a \times b$	Effect	SE	LLCI	ULCI
$.435 \times .289 =$	.126	.057	.027	.251

Note: \*\* $p < .01$ , \*\*\* $p < .001$ . Dependent variable: EP = Employee Performance, EL = Employee Loyalty

## V. DISCUSSION

### *Organizational learning and employee performance*

The findings of this study are in line with the results of Rose et al. (2009) who confirmed that organization learning has a positive moderate linear relationship with employee performance. Specifically, with an improvement in organizational learning, there is an increase in knowledge, improved capabilities and skills which in turn enhances employee performance. Moreover, the findings corroborate that of Gonzales, (2001) which suggested that organizational learning is key in improving performance.

This is further supported by Chung et al. (2015) whose study revealed that organizational learning has a positive influence on the productivity of employees which ultimately affects organizational performance. Further support to the study findings is noted by Shahzad et al., (2013) who gave the conclusion that organizational learning culture has a significant positive impact on employee performance.

Our findings indicate that workers who are open to learning are more pleased with their jobs and eventually produce better outcomes than others (Tsai et al., 2007). In line with Tsai et al. (2007) and Harrison (2000), it has been established that learning that is driven by training has a positive impact on employee performance and is a key element in the achievement of organizational objectives. Organizational learning is a competitive vector for businesses seeking to introduce new products or build new markets because of the need to evolve constantly in order to sustain extreme competition which significantly influences performance (Cefis & Marsili, 2005). It is therefore necessary to stimulate the development of factors that lead to creativity and to allow new innovations, goods, services and systems to be implemented before other competitors in the same industry (Hakala, 2011; Montes et al., 2005; Rupic, 2019).

### *Organizational learning and employee loyalty*

The study findings reveal that organizational learning influences employee performance as shown by  $\beta = .435$ ,  $p < .05$ . The above results are consistent with the findings of Nongo and Ikyanyon (2012) and Malik (2014) who state that organizational learning culture affects the sense of loyalty in employees. This findings supports the argument put forward by prior studies which indicate that organizational learning is a cultural shift that facilitates the development of knowledge, dissemination and exchange of information, improves and encourages continuous learning and its application to organizational progress or performance (Bates & Khasawneh, 2005). This learning culture enhances not only employee performance but also their loyalty to the organization that invests in their knowledge and carrier development.

According to Basten and Haamann (2018), organizational learning enables the company to transform individual knowledge into organizational knowledge, as well as a mechanism through which organizations change or

reconfigure their mental models, regulations, processes or knowledge while maintaining or enhancing the performance of its employees. These processes make employees feel valued and cared, thus influencing their loyalty.

Our findings also support a study conducted by Eketu and Ogbu Edeh (2015) among hospitality staff, who found that workers' loyalty, reflected in their constant, emotional and moral loyalty, is deeply embedded in the organizational learning pattern. Based on our findings, we can conclude that when a company improves employee's learning capacity through enhancing knowledge awareness, intellectual development and exchange of ideas, it builds successful employee loyalty in its workforce (Eketu & Ogbu Edeh, 2015). However, our findings are in contrast to Wibawa (2014) study which indicated that organizational learning culture does not significantly affect employee loyalty.

#### *Employee loyalty positively influences their performance*

The findings of our third hypothesis reveals that employee loyalty influences their performance as shown by  $\beta = .289$ ,  $p < .05$ . Cognate to the findings, Preko and Adjetey (2013) established that there is a significant linear relationship among employee loyalty, engagement and employee performance in the area of study. The findings also corroborate that of Ahmad and Bakar (2003) which indicated that employee loyalty is key in enhancing employee performance. Our study also is in line with the findings of a study conducted by Kim, Leong, and Lee (2005) who reported a strong positive association between workplace success and employee loyalty.

Flory, Bonet, Guillon, and Cezanne (2014) in their study also found a significant relationship between employees' loyalty and their performance. For organizations to achieve their major goals like profit maximization employee loyalty is vital. It is a value addition concept for organizations and an indicator through which the outcomes such as employee performance is improved (Anitha, 2014). Thus, the more loyal the employees are to the firm, the better or the higher their performance and their organization (Mohsan, Nawaz, Khan, Shaukat, & Aslam, 2011).

When the organizations loyalty level drops below the threshold, the behavioral scores drastically change and more employees will not consider recommending the organization as a great place to work and some employees will actively look for other opportunities outside the organization (Goodman, 2013; Rao, 2006). Based on the study findings, we conclude that employee loyalty is the intellectual commitment and affiliation for the organization where employees are emotionally and physically attached (Bedarkar & Pandita, 2014), which enhances their performance.

#### *The role of employee loyalty on organizational learning and employee performance*

The study hypothesized that employee loyalty mediates the link between organizational learning and employee performance. The findings reveal a partial mediation, thus H4

is substantiated. These results imply that organizational learning alone is not enough to propel workers performance. Employees need to be motivated. Training, job enrichment, recognition, rewards, and promotions can motivate employees to be committed to their tasks which ultimately improves individual performance and employee loyalty (Singh, Burgess, Heap, & Al Mehrzi, 2016; Trivellas, Kakkos, & Reklitis, 2010). Employee's loyalty inspires them to share knowledge, encourages team work and the willingness of an employee to invest in or sacrifice for the organization (Reichheld, 2003).

A loyal employee is less likely to pursue jobs elsewhere, wants to stay with the business both in the short and long term, would feel happy to work for the company, would suggest working for the company to others, would be involved in performing his / her best, and will make extra effort as needed – this contributes to the success of the actual employee and the commitment to the profitability of the company. In fact, a good employee maintains positive relationships with the organization, is engaged in enhancing his / her performance, is interested in offering feedback, is involved in engaging in various training and instructional programs, and has an attitude and conduct that is compatible with the company's principles, goals and priorities, thereby increasing the company's performance (Chang, Gong, & Shum, 2011).

Organizations need to recognize that workers play a crucial role in decision-making within the company and have the ability to fulfill their roles optimally. In turn, companies should put in place policies to ensure that engagement has been strengthened by involving workers in providing ideas and making it a priority for them to be actively engaged in the generation of ideas. The consequence is that workers will become more loyal to the company, because their feedback is important, and thus have excellent results.

## VI. CONCLUSION, IMPLICATIONS AND FUTURE RESEARCH DIRECTIONS

Our results suggest that organizational learning not only enhances the efficiency of workers, but also increases their loyalty. Enhancing organizational learning, growing awareness, enhancing abilities and capabilities among workers, which in effect improve their overall performance. In fact, workers who are dedicated to learning continue to be more successful, responsive and competitive. The mediation results contribute to knowledge and brings new insight in both theory and literature as it reveals that employee loyalty mediates the relationship between organizational learning and employee performance.

From a practical point of view, this research has significant consequences for management and organizations. Policy makers should come up with strategies and policies that can improve on organization learning through enhancing knowledge awareness, intellectual cultivation and information sharing to ensure effective employee loyalty. Moreover, the management needs to make it a priority to incorporate

organization learning in the vision and mission of the banks as this will improve the productivity, efficiency and effectiveness of the employees. Additionally, policies and strategies should be put in place to promote a culture that contributes to high retention of employees. Specifically, there should be reward policies for new ideas and innovations that are proposed employees. This will encourage innovativeness and at the same time enhance employee loyalty and satisfaction. In addition, the bank management needs to make it their priority that new knowledge is disseminated to all part of the organization and the employees are offered adequate training and development opportunities.

## VII. LIMITATIONS AND RECOMMENDATIONS FOR FUTURE STUDIES

In the first instance, this research demonstrated the important role played by organizational learning, employee loyalty in mediating the relationship between organizational learning and employee performance. A replication study in other sectors not covered by the study would be one of the directions for future research. In fact, this has opened up more areas of study to compare and contrast these findings with other business markets and financial institutions. In addition, the study adopted a cross-sectional research design using quantitative data, which gives future scholars to conduct a longitudinal study and to appreciate both the quantitative and qualitative aspects of the research.

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