

# Antecedents Of Copability And Its Effect On Learning Organization (An Empirical Study At a Life Insurance Company)

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**Abstract**—This research is focused on the role of copability (cope-ability), namely the ability to cope with internal problems, on the development or the transformation of organizations into learning organizations. Building learning organizations, researchers usually link organizational adaptability and the dynamic organizational routines, that is formed from ostensive and performative routines. This research investigates the impact of adaptability, ostensive routines, and performative routines on the copability of the firm and how their copability affects learning organization. With the participation of 205 respondents of the middle-top management team, taken from a life insurance company and its agencies, this study reveals that ostensive routines and performative routines are the antecedents of copability, and copability has a positive effect on the building and/or transforming organizations into learning organizations. But organizational adaptability does not have a positive effect on the copability of the firm.

**Index Terms**—Copability, Adaptability, Dynamic organizational routines, Ostensive routines, Performative routines, Learning organization

## I. INTRODUCTION

Why do some firms survive and even prosper while they are facing fast environmental change, turbulence, and uncertainty which are caused by globalization, new technology, and greater transparency while others are not? ([1], [2]). It raises attention from the management on how to cope with continuous and rapid change. Adaptability, organizational routines, learning organization are acknowledged by many scholars and researchers as the answer to the question. Adaptability is recognized as organizations' response toward changing the environment, the better the adaptability, the longer the firms survive [3], [4], [5], [6], [7]. Organizational routines can be created or acquired from other organization or combined with forms and/or practices in order to survive or prosper [8], [9], [10], meanwhile Learning organization provides circumstance for individuals to learn, unlearn, and relearn from the past, now, and future, organization survives through fast amending individual behaviors [11], [12], [13], [14], [8]. Inability to cope with change, to be adaptable, and to be learnable, firms as well as their employees and the communities in which the firms operate, may suffer severe consequences [1].

However, when the business world was still stable and predictable, ([15], accessed from [18]) points out that "adaptation is not enough", followed by Motamedi [5], [6], he discovers

the unbalance between the organization's internal and external environment; moreover, inability to deal with internal problems can influence organization to learn and to be adaptive. Besides that, an adaptive organization does not always mean a successful learning organization, Jankowicz [7] argues that due to this complex, changing and turbulent environment, organizations need the ability to address and resolve problems presented by the environment, proper organization's behaviour change that can ensure a survival organization.

Organizational routines seem to link with stabilization and inertia; nevertheless, scholars and researchers argue that organizational routines themselves are sources of internal change. With its internal dynamics, organizational routines have two aspects, ostensive aspect of routine that leads to standardization, such as regulations and stability; and performative aspect of routine that relates to the individuals' performance and leads to change. Pentland and Feldman [16] further concluded that organizational routines are dynamic, it is critical for organizations to pursue stability, implement change, be flexible, learn, and transfer knowledge.

The ability to cope with internal problems is called copability (cope-ability), it is an abbreviation of cope-ability, it is defined by Motamedi [5], [6] as "a social system's ability to maintain its identity and overcome the problem of change internally". It is what Barnard ([17], accessed from [19]) calls "internal adaptation" which is the ability to sustain organization's survival when organizations confront with a continuously fluctuating environment; it requires the readjustment of processes internal to the organization. In contrast with adaptability, copability is the organization's ability to deal with change internally and disruption of the internal component parts [20]; it is the ability to conserve organization's integrity—brings the systems subunits into a functioning one [5], [6], it is the capacity that a system must have to meet and encounter new change [5]; it is the ability to deal with and reduce the emotional effects which are caused by change [20], [21], [6].

In this modern world, change brings magnificent influences on organizational functioning and their managers; those managers would fail if they neglect the necessity of adaptation and fail to introduce changes to their organizations and their methods of management; hence force, no matter what the

roles and types of organizations are, besides their response to external changes, they require internal changes and need to cope with them [22], [23]. Since there are changes, especially internal changes, such as human resource problems [24], they need copability which is an ability that could control the pace of internal change. In short, it seems that in order to ensure the survival of the organization, it requires both the adaptability that deals with the problems from external environment and copability that deals with the problems from the internal environment which are constructed by the response to external environment and organizational routines.

## II. CONCEPTUAL FRAMEWORK AND HYPOTHESES

When managers put great efforts into achieving great and continuous internal integration, their attentions are enormously focusing on internal change needs only while they neglect or pay less attention to the company's external environment. Reversely, some organizations are doing very well in relations to their competitors and their external environment; however, they are falling apart internally and facing identity problems. Therefore, Motamedi [6] concludes that in order to survive well, an organization needs to find a balance between adaptability and copability. The former one deals with external task environmental and remains environmentally relevant, whilst the later one deals with and maintains the internal environment. The relationship between adaptability and copability becomes interrelated and interdependent. Moreover, Adaptation is leading to and correspondent with internal change. If the organization is unable to cope with the necessary internal change that is needed for adaptation [5].

Those two notions, adaptability and performative routine are the causes of internal instability and changes; adaptability calls for organization's internal ability to work together with it and balance the pressures that raise from both the external and internal environment; therefore, in the organization that is learnable and committed to life-long learning is able to cope with this internal stress and change. In this case, the author argues that adaptability and performative routine bring positive effect on copability. A performative routine that is explicit makes adaptation easier in the dynamic environment and it calls for change [16].

Although ostensive routine produces the conflicts due to the different perceptions of members in the organization, its main function still remains to keep stability; therefore, the authors argue that ostensive routine brings a negative effect on copability (Becker, 2004). However, the author disagrees or doubts that learning organization is the direct solution in dealing with internal and external disharmonies, conflicts, and changes. Therefore, the authors doubt that as the direct solution to all the internal problems that have mentioned before, copability is the effect from all the causes. Thus:

- Hypothesis 1: adaptability poses positive effect on copability.
- Hypothesis 2: ostensive routine poses negative effect copability.

- Hypothesis 3: performative routine poses positive effect on copability.

Besides that, the authors also doubt the influence between copability and learning organization. Although no present researches have examined their relationships, the authors argue that copability positively influences the learning organization. It means that organizations that have copability to deal with their internal problems, such as change, conflict, and stress can better help to build learning organizations or better help transform the old organizations into learning organizations. Thus:

- Hypothesis 4: copability poses a positive influence on the learning organization.

As new as the concept of copability is, few researchers and scholars have paid their attention to incorporate this notion—copability into the field of management; therefore, three antecedents, that is, adaptability, ostensive routine, and performative routine have been chosen by the author because they are the most suitable representatives in the theory of copability, it seems that there are strong relations among them based on the literature review. Besides that, the author also would exam the influence of copability on learning organization in the research; in the previous section of literature review, a strong relationship between these two notions has been found in many aspects, such as time thrust, boundary, issue of internal change, and integrity. Senge [25] further argues that in order to apply learning disciplines, only seeing the entire organization is not enough to understand all the organization issues, it is very important for people to exam those interactions among major functions, such as manufacturing and marketing. Therefore, it requires members of the organization to enforce an internal division that eliminates across divisional boundaries, especially among those major functions. However, no researcher or scholar has ever directly examined their interrelationship. In this case, the theoretical model is shown in Figure 1.

## III. RESEARCH METHOD AND FINDINGS

The theoretical model is tested in the context of a life insurance company in Indonesia. It is interesting to study the notion of copability in this industry in Indonesia since Indonesian insurance markets in Asia have huge growth potential. It has been growing steadily since the pre-Asian crisis period of 1996, but the market size of the industry remains small; its penetration in the population is the least. As of 2010, based on the data of population census, Indonesia has a population of more than 237 million people while only less than 15% [26] Indonesian are holding life insurance. The insurance market of Indonesia is highly attractive and highly untapped. In comparison with other sectors in the insurance industry, the life insurance segment has the largest total assets and largest gross premium; it also has several other life insurance companies as competitors, but the numbers are decreasing due to the 2008 government regulation on a minimum capital requirement. Thus, setting the study in life insurance company can help

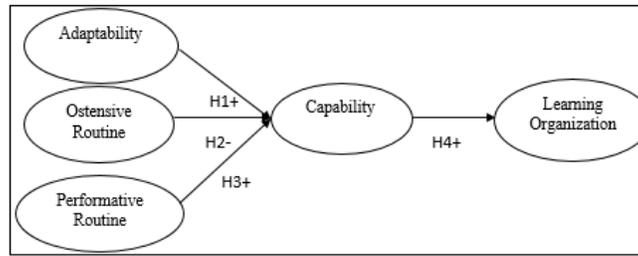


FIGURE 1

TABLE I

The influences among latent variables	t-value	Coefficient	Conclusion
H1: Adaptability increases copability.	0.87	0.06	H1 is rejected. Data does not support the research model.
H2: Ostensive routine decreases copability.	-2.7	-0.25	H2 is accepted. Data supports the research model.
H3: Performative routine increases copability.	2.51	0.28	H3 is accepted. Data supports the research model.
H4: Copability positively influences the learning organization.	4.14	1.25	H4 is accepted. Data supports the research model.

Source: Output from LISREL

to test its adaptability to the changing external environment, how external environment influence its internal environment and their interrelationship, the role of dynamic organizational routines in influencing internal environment, and finally how to shape an organization into a learning organization so that it can grow stably and survive through crises and fast-changing business environment.

Survey is used as source of data, based on the consideration of population sampling and its importance to avoid invalid or misleading data, the population of relationships studied here are middle-top management team including supervisors, assistant managers, managers, senior managers, assistant vice presidents, vice presidents, senior vice presidents and Board of Directors. Based on the rule of thumb [27], observation is carried out by spreading out 250 questionnaires directly to the targeted population in the life insurance company and its agencies. At the end of three weeks, 205 questionnaires have been returned with a final return rate of 82%.

The method that is used inside this research is the model of causality or relationships or influences. All hypotheses are tested in the context of a structural equation modeling (SEM) which is operated by using the program LISREL 8.8 student version, it well-represents the simultaneous relationships among adaptation, dynamic organizational routines, copability, and learning organization. It also allows testing the relationship in the theoretical framework that accounts for the direct and indirect relationships between these variables. Based on the t-value and the coefficient, the result of testing hypotheses is shown in Table I.

Motamedi [5], [6] has argued that the relationship between these two concepts is complicated and contains dilemma. He argues that the failure of many organizations is due to the imbalance between adaptability and copability. Thus the assumption that adaptability poses positive effect on copability is not supported may due to the reasons that organization lacks copability due to lack of resource internally; or lack of adaptability due to large organizational size, high integration, or

high resistance to change; or organization deals with internal change too slow, organization might fall if the internal change is slower than external change [5], [6]; or there might be a mismatch between adaptability and copability.

More interestingly, adaptability and copability pose conflict based upon their definitions. In contrast with the definition of copability that is to conserve organization's identity [5], [6], adaptability requires every individual inside the organization to see things with new eyes and new angles, to break the individual and organizational identities of what once was appropriate, but not good enough for today [28], instead of conserving the organization's identity, adaptability brings organization's identity that is distinctively flexible, fresh, and having the willingness to adapt.

Besides that, the external environment causes low adaptability, the life insurance industry in Indonesia is considered to be stable even after experiencing financial crises and it still has large business growth potential and positive profitability growth. Therefore, a stable environment creates fewer change problems that organizations need to deal with. Furthermore, inside the organization, the internal environment also produces high stability, as shown by the result that ostensive routine is shown to be far more significant in influencing copability. Vermeulen [23] argue that highly relying on routines can kill organization and/or individual's ability to manage change. Doing the same things and same working procedures repetitively eventually kill the ability to adapt to external changes. Henceforce, the life insurance company's total environment produces stability that prevents adaptability or individuals inside the organization to adapt to change.

Lack of innovation seems to be another element that reduces organization as well as individuals' adaptability. Research shows that in developed countries, such as Denmark, population are encouraged to welcome change, in doing so, an individual's skill can be enhanced, collective social learning are promoted, possible innovation can be realized, eventually, it leads to successful adaptation to the new market environment

[29]. Meanwhile, with the elimination of the R&D department in the life insurance company, it reduces the innovation performance within the organization and may pose some negative effects on the organization as well as the individual's adaptability.

From the aspect of copability, respondents show that they acknowledge the existence of internal problems, and they take actions to stop the development of the internal problems; nevertheless, they lack the ability to identify internal problems and the ability to better solve these internal problems. Based on Motamedi [5], if the system is not able to cope with internal changes which are needed for adaptation, the system will degenerate and die.

The assumption that adaptability may pose a positive effect on copability is not supported by data can also be viewed from the aspect of management, it is very critical to mention the manager's role in the organization. Since it is managers' job to deal with change [3], management must create and maintain organizational structure, it must understand and learn to deal with the complexity of the total environment, which is becoming more and more turbulent today [30]. Since both adaptability and copability are dynamic capabilities, as Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece, and Winter [31] mention that coordinating and adapting effectively to changing environment are elements of a firm's dynamic capabilities, they are also important managerial function. Thus, in order to better manage the organization's dynamic capabilities, it requires dynamic managerial capabilities. Therefore, this assumption is not supported by data may due to the managers in life insurance company lack of dynamic managerial capability; it may also due to the reason that leaders and/or managers are ineffective in introducing change and reducing levels of stress which are brought by changes, thus it creates condition for less sustained growth and adaptability [32]. Hence, in contrast with the idea that adaptability leads to copability, they might pose a very weak linkage to one another. Adaptability is not the antecedent of copability.

The overall results show that in the life insurance company, ostensive routine plays a very important role in managers' daily working life. Results show that both operational employees and employees of agencies perform highly routine-based work, respondents show a good understanding of their work, products, services, and their customers' needs. Thus, on one hand, work is highly based on routines; the entire working procedures show high stability inside the organization. Also, it is shown from the result that few managers are willed to change their old pattern of work. On the other hand, highly comprehension reduces conflicts that might happen inside the organization; therefore, it can be concluded that the ostensive routine poses a negative effect on copability.

The overall results show that in the life insurance company, managers and employees experience continuous improvement over time. Also, the result shows that performative routine indeed is the source of change in terms of incremental changes and tremendous changes. People work in an organization that poses continuous small-scale change while experiencing some

tremendous changes require higher individual capability to deal with those change problems and issues [33], organization itself must also have the ability to self-adjust and finding the fit between stability and changes, that is ostensive routine and performative routine [23]. In all, it can be concluded that performative routine poses positive effect on copability.

Results show that managers of life insurance company positively take actions to stop the development of internal problems in order to hold integration within the internal environment. High level of personal mastery [25] is achieved. Learning is considered one of the important priorities in the company. With high personal mastery, Reece [34] argues that employees' identities are integrated into the part of the organization. Also, respondents show good ability in system thinking [25], the company is perceived by respondents as one part of a larger economic and social system, it says the higher level of copability, the higher ability to conserve organization's identity and higher preservations on organization's boundary. Based on results, it shows that managers have enough ability to cope with internal change, internal culture are harmony and fewer problems have been found, teamwork is well-performed, thus they perform some levels of copability. Last but not least, results show that managers pay their attention to the coming future. Copability, as explained by Motamedi [5], [6], has time thrust from now to future, it only focus on now temporarily; Simonin [35] mentions the importance of today's working experience on tomorrow's behavior, Garvin [36] points out meaningful learning takes place when there is behavior change, seeing from the results, managers have the willingness to break old patterns and to experiment different ways in managing daily work. In all, it can be concluded that copability poses a positive influence on the developing and/or transformation of the learning organization.

#### IV. CONCLUSION AND FINAL REMARKS

In this fast-changing business environment, too many researchers and scholars have emphasized the importance of individuals as well as organizations in building their ability to adapt. However, few researches have shown the importance for both individuals and organizations to pay their attention to building their own copability (cope- ability). It is difficult for individuals and organizations to turn the mirror inward to exam themselves from internal, it is due to habits and ostensive routines that produce resistance to change and stability; thus it also calls for the find the balance of being stable at the same being changeable. Most importantly, not only does adaptability have the ability to help develop and transform organizations into learning organizations, copability as an ability that deals with change problems and issues internally also serves an important role in building and transforming organizations into learning organizations.

This research contributes to the strategic management literature at two distinct levels. First, this research is the first demonstration and important examination about the effects of adaptability, organizational routines on copability and the influence of copability on learning organization in Indonesia,

thereby providing supporting and extending from Motamedi's theory. The theme addressed in this research has added to knowledge of the importance of understanding individuals as well as organizations' abilities from copability perspective. This gives strategic management literature a more organized view of the use of the copability concept. Second, this study broadens managers' perspective on internal changes and provides valuable practical guidance on coping with internal problems, the role of adaptability and dynamic organizational routines in shaping copability and the role of copability in building or transforming organizations into learning organizations. It has been argued that understanding the internal source of change problems enables managers to tackle better the challenges involved in internal problems.

It also suggests the necessity of developing and improving both individual and organization's dynamic capability, namely, copability; since change is inevitable and copability determines the future success of organizations. The broadening of the scope of copability from simply dealing with internal changes towards influencing the development and transformation of learning organizations is thus an important managerial challenge for a company such as insurance company. Although adaptability is shown to be not significant in posing effect on copability, it does not mean that managers should neglect the importance of adaptability. As for a mature company, it has a long period of operating and market history, it benefits through marketing branding and recognition, strong financial resource, strong budget planning capability, exceptional risk management and extensive and well-developed company systems and management structure; it may have well-established patterns of investment and financing, resulting as organizational routines which lead to stable over time. It may also experience hierarchical and less-organic organization structure, high integration, large size, and less flexibility. However, competition in the markets remains intense. Thus, a mature company needs to maintain a competitive edge by anticipating market changes and adapting better and faster than its competitors. Just as Vermeulen et. al. [23] state that it is dangerous to rely on just one kind of change, which can lead to a deadening routine; similarly, it is also very dangerous for both individuals and organizations to only relying on just one kind of ability to deal with change, it may lead to misfit of the total environment of organizations, eventually fail to survive [5], [6]. Thus it requires managerial attention in exercising and implementing both adaptability and copability.

This research provides new insights into the life insurance industry in Indonesia. The life insurance industry as an industry that has huge potential and is continuously developing is one of the most suitable representatives in experience coping with change both externally and internally, while eager to transform into a learning organization. If these companies in this industry neglect the importance of copability, which can be functioned as the balance between ostensive routine and performative routine, which provides the ability to maintain internal integrity; which serves as one of the tools in help develop and transform organization into learning organization,

they might fail to survive during the long-run.

For the further research, the authors suggest that more antecedents of copability could be examined in the future; such as individual dynamic capabilities, dynamic managerial capabilities—managerial knowledge, managerial cognition, strategic alliance, leadership, and effective governance. It will be interested to test the relationship between copability and firm performance, or more specifically, organization's innovation performance.

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