

**A STUDY OF THE PRACTICE OF THE LEARNING
ORGANISATION AND ITS RELATIONSHIP TO PERFORMANCE
AMONG KENYAN COMMERCIAL BANKS**

BY

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DECLARATION

This management research project is my original work and has not been presented for a degree in any other university.

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This management project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

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CHAPTER ONE: INTRODUCTION

1.1 Background

The great Chinese philosopher, Confucius(551-479 BC) made the following profound statements with regard to learning, "Without learning, the wise become foolish; by learning, the foolish become wise". He also advised that individuals should "learn as if you could never have enough of learning, as if you might miss something". The important thing to note from this, is that, even that long ago, the importance of learning had been identified as being crucial, for any improvement to take place in all aspects of societal life. To move forward society must appreciate the need to learn.

The interest in the learning organisation has been stimulated by the need to attain sustainable competitive advantage in an ever increasingly changing global business environment. The changes within the global business environment which include great advancements in information technology, increased competition as the world becomes a global village, a more informed and demanding global population, an increasingly complex global financial system, the current global recession just to mention a few has meant that organisations must redefine the manner in which they conduct business to ensure that they survive. Currently learning is considered to be the only way of obtaining and keeping a competitive edge. Edmonson and Moingenon (1998) state that, "to remain viable in an environment characterised by uncertainty and change, organisations and individuals alike depend upon an ability to learn".

1.1.1 Learning Organisation

The concept of a learning organisation is a recent phenomenon that was first introduced in organisational theory literature, in the late 1980's. The concept was introduced as a response to poor organisational performance. Pedler et al (1989) postulate that it was a way of overcoming, "sluggishness, an excess of bureaucracy and over- control, of organisations as straitjackets frustrating the self-development efforts of individual members and failing to capitalise on their potential".

The concept of the learning organisation has at its heart the whole company perspective on learning and development. It links the development of the potential of each and every member of the organisation to the development of the company as a whole. It emphasises the importance of organisational flexibility, responsiveness, adaptability and conscious approach to change (Senge, 1990) and underlines the importance of breaking down outmoded ideas, attitudes and practices before building new skills, structures and values (Pettigrew and Whip, 1991). It is about a 'systemic' approach that sees everything as being interconnected, rather than a 'systematic' approach that is usually based on a simplistic cause and effect perspective.

Pedler, Burgoyne and Boydell (1991, 1997) explained that central to the learning company was the release of the "massive underdeveloped potential in our organisations"(1997:3) and to differentiate this type of learning as one that happens "at the whole organisational level"(1997:3). It is about being "an organisation that facilitates the learning of all its members and consciously transforms itself and context" (1997:3) and is about "understanding and mastering the art of cooperate learning.....as learning is the key to survival and development for the companies of today"(1997:6).

1.1.2 Organisational Performance

Performance is at the core of all activities in any institution. How an organisation performs determines whether it sinks or it floats in any given economy. Mackie (2008) defines Organisational performance as “the effectiveness of the organisation in fulfilling its purpose”. Performance as defined by the Delta Organisation (2008) is used to describe three things namely, “evidence of previous decisions and behaviours”, secondly, “evidence, such as strategic behaviours, that we are currently engaged in decisions that directly impact current and near–future outcomes” and finally “evidence of current decisions and behaviours that intentionally target the advancement of capabilities of the organisation in the future’. It is therefore important that every organisation should come up with appropriate means or methods for achieving targeted performance levels as well as appropriate performance assessment measures. These have to be designed within the context of a changing global business environment that is increasingly changing the manner in which business is conducted.

In assessing their performance organisations must consider key performance indicators. Performance indicators are usually developed in line with the organisations framework, strategies and objectives. Key performance indicators play a crucial role in determining an organisations level of performance and can be either financial or non financial. Examples of key performance indicators include measures of customer growth, sales, finances, staff turnover, efficiency ratios etc. Key performance indicators are crucial in evaluating an organisations overall performance.

In an increasingly competitive global business environment, it is only those organisations that strive to improve their overall performance at all levels by ensuring

sustainable competitive advantage over their competition that will survive. As argued by Edmonson & Moigenon (1998) to survive in an environment characterised by uncertainty and change, organisations and individuals must increasingly rely on the ability to learn.

Improving performance or ensuring sustained levels of great performance involves developing the right strategies that involve several factors such as developing proper information technology resources, acquiring and retaining the right calibre or quality of human capital, developing policies which encourage innovation and experimentation, creating new markets and promoting team work as well as developing appropriate performance measures. All of these strategies are central to the concept of a learning organisation, hence the increasing focus on the concept as a means of responding to the many new challenges that organisations face in the business world today.

1.1.3 The Learning Organisation and Organisational Performance

The learning organisation as a concept was developed with a view to improving overall organisational performance. The philosophy underpinning the concept of the learning organisation as argued by Garvin (1993) is that learning is an essential ingredient if organisations are to survive. Indeed in his definition of a learning organisation, Senge (1990), stated that a learning organisation is one in which "people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together". According to Senge, the notion of the learning organisation is all about creating organisational results from individual learning. Wick and Leon (1995) defined a learning organisation as one that "continually improves by rapidly creating

and refining the capabilities for future success". Central to these definitions is the fact that the learning organisation is a means of improving organisational performance. Garvin (1993), argued that learning organisations ensure that they learn from experience, develop continuous improvement programmes, use systematic problem solving techniques, and transfer knowledge quickly and efficiently throughout the organisation by means of formal training programmes linked to implementation. The key principles of the learning organisation as espoused by Miller and Stewart (1999) are aimed at ensuring improved organisational performance through the individuals within the organisation. The principles are that learning and business strategy are closely linked, that the organisation consciously learns from business opportunities and threats, that individuals, groups and the organisation are not only learning but also learning how to learn, that information systems and technology serve to support learning rather than control it, that there are well defined processes for defining creating, capturing, sharing and acting on knowledge and finally that these various systems and dimensions are balanced and managed as a whole.

1.1.4 The Kenyan Commercial Banking Sector

The Kenyan banking sector is currently made up of forty three banks all under the supervision of the Central Bank of Kenya. The sector has experienced very many radical changes especially in respect to the last eleven years (1998 – 2009). There was the period in the late 1990s and as recently as 2003 when several banks were placed under statutory liquidation due to performance and regulatory issues. It was also in this period that the bank workers strike had an adverse effect on the performance of the banking sector. The period has also been marked by great technological advancements as banks moved from manual to wholly automated systems with the advent of the automated teller machines, banking technology

software and the concept of internet banking. The period has also been marked by increased competition among banks as they seek to provide an ever increasingly informed and demanding customer base with more innovative products. Banks have also been forced to become more creative in income generation especially with the decline in the Treasury bill interest rates, especially after the year 2003. They have been forced to focus more on non-funded sources of income as well as to come up with innovative loan products for their customers. The closure of banks towards the end of the 1990s also resulted in more stringent supervision of banks by the Central Bank of Kenya that requires that banking practice be in line with standard banking practice worldwide.

Other more recent changes include the proposed requirement that banks increase their capital base from the current requirement of Kes 250 million to Kes 1 billion over a three year period from 2008 to 2011 as provided for in the Kenyan budget for the year 2008. This has resulted in mergers and acquisitions in the banking sector, the largest being the merger of CFC and Stanbic Banks and the take over of East African Building Society by Ecobank. The other changes involve the entry of other players into the banking sector with huge amounts of capital such as the entry of Ecobank and more recently United Bank of Africa. There is also the introduction of sharia banking with the entry of banks such as the Gulf African Bank and the First Community Bank.

Other challenges that have arisen include competition from outside the financial sector such as the development of "M-pesa" and the "zap" products introduced by Safaricom and Zain in the telecommunications sector. M-pesa has especially given banks a run for their money as it has provided a cost effective and efficient means of transferring money and holding accounts that do not involve as complicated and

expensive a process as would otherwise be required by the banks. This particular service has opened up the massive potential of the unbanked population of about 17 million people within Kenya (The Banking Survey Kenya 2008).

There is also the added fact that many more investment options are currently available to discerning Kenyans such as within the Nairobi Stock Exchange, pension fund schemes and real estate investment to mention but a few. This means that banks must not only compete against each other but with other new players to ensure that they remain a viable investment option for the Kenyan market.

Banks have been forced to reinvent themselves in order to ensure that they are able to continue to operate and compete in this increasingly volatile and ever changing environment. The big players in the market namely Kenya Commercial Bank, Barclays Bank and Standard Chartered banks have been forced to revise their strategies as previously small banks like Equity, NIC, CFC Stanbic have risen to become major players and a threat to their market share. While some banks have flourished and experienced phenomenal growth, others have been unable to make any progress and have instead experienced a steady decline in their performance over the years. To establish the reasons for this disparity it is important to examine the manner in which these different banks in the sector have evolved and whether those that have succeeded as determined using key performance indicators, are indeed closer to possessing the attributes of a learning organisation than those that are not success stories.

1.2 The Research Problem

Case studies undertaken by Richard Karash in the 1980's and early 1990's in the developed world, have shown that the acceptance and establishment of the concept and the practice of the learning organisation has been crucial in directing

organisations down the path of success. This is especially so given the ever changing global business environment within which organisations operate. The organisations studied by Karash that have introduced the concept in their organisational culture with a modicum of success are the Motorola University, Apple Japan and Yacimientos Petroliferos Fiscales (YPF) an oil company in Argentina. Apple Japan managed to grow its market share to 15% in 1995 from 1% in 1989. Annual sales soared to US\$ 1.3 billion in 1994 with the sale of 52,000 computers. In Kenya however, the researcher is not aware of studies that have been done on the concept and practice of the learning organisation. Studies done in the past have focused on total quality management (TQM) and team work all of which form an important basis for the concept and practice of the learning organisation. Examples of such studies in relation to the banking sector include the works of Oloko (1999), Obstacles in the implementation of TQM in banking sector: A case study of Standard Chartered Bank, and Githaiga (2003), Survey of TQM practice in Kenyan commercial banks.

This study focuses on the Kenyan banking sector because this is a dynamic sector that has been forced to adjust to the major changes that are taking place both globally and locally in a bid to survive and remain competitively viable organisations. Change implies the adoption and implementation of new practices, it implies a new way of doing things and a change of perspective. Change therefore implies that the individuals within the organisation and the organisation itself must learn to accept that change is indeed inevitable and to accept the resultant effects of change. These changes imply that banks and their employees have had to focus on learning a new way of doing things in order to remain competitively viable institutions. The key to success does not depend on leveraging technology and financial might, but on the

quality of human resources that an organisation has. That human resource must be trainable and have a capacity for life long learning for the organisation to succeed. The organisation itself must focus on providing an enabling environment for their employees to learn.

Learning a new way of doing things in this changing environment has had a significant impact on the performance of commercial banks in Kenya. While others have experienced phenomenal growth, others have stagnated, and others have experienced tremendous decline. It is important to compare the performance of the different commercial banks with respect to key performance indicators such as asset quality, capital adequacy ratios, profits , efficiency and liquidity ratios.

The study seeks to establish the extent to which if any, that the concept and practice of the learning organisation has been adopted in the Kenyan commercial banking sector as a response to these changes and if so whether it has had any impact in regard to performance for the organisations concerned.

1.2.1 Research Objective

- a) To establish the extent of the practice of the learning organisation within the Kenyan Commercial Banking sector.
- b) To determine the relationship between the practice of the learning organisation and performance.

1.2.2 Importance of the study

The study is of importance because it will provide a greater understanding of the concept and practice of the learning organisation from a Kenyan perspective.

The beneficiaries of this particular study will be

- The banking sector. It will provide insight as to whether transforming the Kenyan banks into learning organisations will mean improved performance

and sustainable competitive advantage for those that choose to rise to the challenge.

- Academic research. The study will help identify whether the concept and practice of the learning organisations has been introduced into the business arena within the Kenyan economy.
- Kenyan Business Sector. This is because it will bring focus on the issue of developing the human resource on the basis that this is the key to achieving sustainable competitive advantage. It will provide insight into how organisations can ensure that they survive in the ever changing business arena both locally and globally.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of the Learning Organisation

There is no consensus on the definition of a learning organisation. The descriptions of a learning organisation are as divergent as there are scholars on the subject. Senge (1990), defines a learning organisation as one "where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together". Central to Senge's definition was the argument that the dimension that distinguishes learning organisations from traditional organisations was the mastery of certain basic disciplines or "component technologies", namely, systems thinking, personal mastery, mental models, shared vision and team learning.

Pedler et. al.(1991) state that "the learning company is a vision of what might be possible. It is not brought about simply by training individuals; it can only happen as a result of learning at the whole organisation level. A learning company is an organisation that facilitates the learning of all its members and continuously transforms itself". Watkins and Marsick (1992) defined learning organisations as "characterized by total employee involvement in a process of collaboratively conducted, collaboratively accountable change directed towards shared values or principles".

According to Gavin (1993), "a learning organisation is one skilled at creating, acquiring and transforming knowledge and modifying its behaviour to reflect the new knowledge and characteristics". Lastly, Work and Lean(1995) define a learning

organisation as "one that continually improves the organisation by rapidly creating and refining the capabilities required for future success".

There is a lot that is common in these definitions and there are also some contrasts.

The common thread in these definitions is the assumption that learning is valuable, continuous, and most effective when shared and that every experience is an opportunity to learn. The contrast arises in the fact that some writers such as Pedler et. al. (1991) view a learning organisation as something that is initiated and developed by senior management, that is to say, it involves a top-down managerial imposed vision. Some writers on the other hand, as hinted by the definition given by Watkins and Marsick (1992), consider it as a bottom-up or democratic approach.

It was pointed out in the introduction that the banking sector in Kenya has witnessed a lot of changes take place in the past eleven years due to rapid changes in technology, globalisation, a more knowledgeable work force, changes in Central Bank of Kenya regulatory practices, an increasingly more informed client base, changes in tradition and practice of banks, mergers among banks to increase their capital base, increased competition and the development of a more sophisticated economy among a myriad of other changes.

The implication of these changes is that the banks have to adjust and change, if they are to survive. In the process certain banks such as Equity Bank have flourished and experienced phenomenal growth. The traditional big three banks, namely Kenya Commercial Bank, Barclays Bank of Kenya and Standard Chartered Bank have been forced to re-examine their practices and change them, to ensure that they remain at the top of the game, given the stiff competition from the growing smaller banks. Other banks that have emerged as success stories are National Industrial Credit (NIC), Cooperative Bank of Kenya, CFC Stanbic Bank and Prime

Bank to mention but a few. While other banks have flourished, others have stagnated, whereas others have been forced to close down shop and withdraw from the sector altogether.

The question then that arises is whether, the success of the flourishing banks can be related to the fact that they have learned from their experiences and have institutionalised that which they have learned to become the success stories that they are today. Can they really be defined as learning organisations, whether or not they have institutionalised the concept and practice of the learning organisation? Do they fit the definitions of a learning organisation as given by the different scholars? On the other end of the spectrum, for the banks that have stagnated in terms of growth, could their failure be attributed to their inability to learn and continually improve themselves? Could the adoption of the concept and practice of the learning organisation change their circumstances and put them on the path to success?

2.2 The Learning Company Profile

Diagnostic tools are quite popular in the literature of learning organisations. These tools are intended as a structure for a gap analysis to establish the journey that a business must make between where it is now and where it wants to be. The models serve as a guide for what the ideal of a learning organisation should be. Pedler, Burgoyne and Boydell (1991, 1997) developed an 11 point diagnostic jigsaw. Honey and Mumford (1989) generated an 11 point checklist and Bartram et al. (1993) a 70 item questionnaire centred around seven broad categories, namely supportive management style, time pressures, degree of autonomy, encouraging time pressures, encouraging team style, opportunities to develop, availability of written guidelines and an atmosphere of satisfaction.

In this paper we focus on the 11 point diagnostic jigsaw model as given by Pedler, Burgoyne and Boydell (1991). The eleven points are

2.2.1 The learning approach to strategy. The company regularly takes stock and modifies directions and strategy as appropriate. Policy and strategy formulation is structured as a learning process. Managerial acts are seen as conscious experiments. Business plans are evolved and modified as the organisation progresses and deliberate small scale experiments and feedback loops are built into the planning process to enable continuous improvement. Strategy is developed based on organisational circumstances, and to incorporate that which has been learned by strategy developers within and without the organisation

2.2.2 Participative policy making. All members of the company take part in policy and strategy formulation. The policies of the organisation are significantly influenced by the views of the stakeholders. There is a commitment to airing differences and working through conflicts. The company policies reflect the values of all members not just those of top management.

2.2.3 Information systems are designed to inform & empower. Information is used for understanding, not reward or punishment. Information technology is used to create databases and communication systems that help everyone understand what is going on and to make sound and informed decisions. Feedback on the performance of a section or department of the organisation is available at the touch of a button.

2.2.4 Formative accounting and control. Systems of accounting, budgeting and reporting are structured to assist learning. Everyone feels part of a department or unit responsible for its own resources. Accountants and finance people act as consultants and advisers as well as score keepers and bean counters. The financial

systems, encourages departments and individuals to take risks with venture capital. Control systems are designed and run to suit customer needs.

2.2.5 Internal exchange. Departments see each other as customers and suppliers, discuss and come to agreements on quality, cost and delivery. Each department strives to delight internal customers and remains aware of the company needs as a whole. Departments speak freely and candidly with each other, both to challenge and to give help. Managers facilitate communication, negotiation and contracting rather than exerting a top down control. Departments, sections and units are able to act on their own initiatives.

2.2.6 Reward flexibility. The basic assumptions and values underpinning reward systems are explored and shared. The nature of 'reward' is examined in depth. Alternative reward systems are examined, discussed and tried out. Flexible work patterns allow people to make different contributions and draw different rewards. We are all involved in determining the nature and share of reward systems.

2.2.7 Enabling structures. The roles and careers are flexibly structured to allow for experimentation, growth and adaptation. Appraisals are geared more to learning and development than to reward and punishment. The organisation has rules and procedures but they are frequently changed after review and discussion.

Departmental and other boundaries are seen as temporary structures that can flex in response to changes. The organisation experiments with new forms of structures.

2.2.8 Boundary workers as environmental scanners. It is part of the work of all staff to collect, bring back, and report information about what's going on outside the company. All meetings in the company regularly include a review of what's going on in the business environment. The organisation meets regularly with representative groups of customers, suppliers, community members and so on to find out what's

important to them. There are systems and procedures for receiving, collating and sharing information from outside the company. The organisation receives regular intelligence reports on the economy, markets, technological developments, socio-political events, world trends, and examines how these affect the organisations business.

2.2.9 Inter-company learning. The organisation regularly meets with its competitors to share ideas and information. People from the company go on attachments to business partners, including suppliers, customers and competitors. The organisation engages in joint ventures with suppliers, customers and competitors to develop new products and markets. The organisation participates in joint learning events with suppliers, customers and other stakeholders. It also involves the use of benchmarking in order to learn from the best practice in other industries.

2.2.10 Learning climate. If something goes wrong within the organisation you can expect help, support and interest in learning lessons from the mistake. People make time to question their own practice, to analyse, discuss and learn from what happens. There is a general attitude of continuous improvement- always trying to learn and do better. When you do not know something it is normal to ask around until you get the required help or information. Differences of all sorts, between young and old, women and men, black and white, etc are recognised and positively valued as essential to learning and creativity.

2.2.11 Self – development opportunities for all. Organisational members have their own self-development budgets – they decide what training and development they want, and what to pay for it. There are lots of opportunities, materials and resources available for learning on an 'open access' basis around the company. With appropriate guidance people are encouraged to take responsibility. Self-

development resources are available to external stakeholders. The exploration of an individual's learning needs is the central focus of appraisal and career planning.

Pedler, Burgoyne and Boydell (1991, 1997), explain that the diagnostic jigsaw ought to be used by organisations to test how they measure against the concept of the learning organisation. The jigsaw is to be applied within an organisational context to establish to what extent the organisation reflects the profile of a learning company. The jigsaw can be applied to Kenyan commercial banks to establish the extent to which they reflect the practice of the learning organisation. It can also be used to understand the extent to which the banks have operationalized the concept of the learning organisation. How far have they gone down the path of becoming learning organisations and how far do they still have to go? It will also help in establishing whether there is a link between improved performance and the more a company becomes or adopts the profile of a learning organisation. It is also crucial in the examination of the challenges that the banks face in the operationalization of the concept.

2.3 Cornerstones of a Learning Organisation – The Core Disciplines

According to Senge (1990), the dimension that distinguishes learning from the traditional organisations is the mastery of certain basic disciplines or “component technologies”. These disciplines constitute the cornerstone of a learning organisation, which he identifies as converging to innovate learning organisations. These disciplines as postulated by Peter Senge are, systems thinking, personal mastery, mental models, building a shared vision and team learning.

A discipline is viewed by Peter Senge as a series of principles and practices which we study, master and integrate into our lives. Each discipline provides a vital dimension and each is necessary to the others if the organisation is to learn.

2.3.1 Systems Thinking

Systems theory refers to the ability to comprehend and address the whole and to examine the interrelationship between the parts. Senge (1990), states that systems thinking is essential for the development of the effective learning organisation by arguing that, "at the heart of a learning organisation is a shift of mind- from seeing ourselves as separate from the world to connected to the world, from seeing problems as caused by someone or something 'out there' to seeing how our own actions create the problems we experience". The problem in the past Senge(1990) has argued is the fact that organisations tended to focus on the parts rather than seeing the whole and failed to see the organisation as a dynamic entity. He argued that a better appreciation of systems will lead to more appropriate action. The systems viewpoint is generally oriented towards the long term view. Systems - thinking involves, learning to see the bigger picture, and this involves understanding the complex inter-relationships rather than linear cause-effect chains and seeing processes of change as a whole rather than as snapshots. Systems think is crucial to individual learning because it helps employees focus on the whole system and by providing them with the skills and tools necessary to derive observable patterns of behaviour from the whole systems they see at work.

2.3.2 Personal Mastery

Senge (1990) postulated that, "Organisations learn only through individuals who learn. Individual learning does not guarantee organisational learning, but without it no organisational learning occurs". Personal mastery is the discipline of continually

clarifying and defining our personal vision, of focusing our energies, of developing patience and seeing the reality objectively. People with a high level of personal mastery live in a continual learning mode. Personal mastery is not something one can possess but is instead a process, a life long discipline. Personal mastery is one of the core disciplines needed to build a learning organisation. Personal learning goes beyond competence and skills and refers to people who are continually expanding their ability to create the results they truly seek in their lives.

2.3.3 Mental Models

Senge (1990) defined mental models as “deeply ingrained assumptions, generalisations or even pictures and images that influence how we understand the world and how we take action”. People are usually not aware of the impact of such assumptions on their behaviour. Mental models begin with turning the mirror inwards, learning to unearth our internal pictures of the world, to bring them to the surface and hold them rigorously to scrutiny. Developing a capacity to work with mental models makes it necessary for people to learn new skills and develop new orientations and for there to be institutional changes that foster change. It involves working to rise above the sorts of internal politics and game playing that characterise traditional organisations. It means fostering openness, seeking to distribute business responsibility far more widely while retaining coordination and control. Mental models are the processes of testing and refining the assumptions and theories that guide action and learning.

2.3.4 Building Shared Vision

This is critical in building a learning organisation. The capacity to hold a shared picture of the future we seek to create has the power to be uplifting and to encourage experimentation and innovation. When there is a genuine vision people excel and

learn not because they have been told to but because they want to. The vision cannot be sold to organisational members but rather they should be enrolled into the vision. Through enrolment, the members of the organisation choose to participate. The organisation members will therefore pull together in one direction with a view to achieving organisational goals and objectives.

2.3.5 Team learning

This is viewed as the process of aligning and developing the capacities of a team to create the results its members truly desire. It builds on personal mastery and shared vision – but these are not enough. People need to be able to act together. When teams learn together, not only will there be good results for the organisation but members will grow more rapidly than could have happened otherwise. In team learning, members learn from each other in different ways. Firstly they learn from one another in the process of sharing their different perspectives in terms of knowledge, skill and experience. Secondly, they learn together by testing their shared vision. It enables them to examine assumptions, search for and test different policy alternatives to enhance organisational performance.

The question then in regard to the Kenyan commercial banking sector, is to what extent these five disciplines as put forward by Senge (1990), have been understood, applied and implemented within the various banks. Has it made a difference in terms of performance for the organisation and if they have not been applied, whether they believe it would make a difference to their performance. A further question would be whether the banks have taken any steps towards mastering these core disciplines or “component technologies” and whether they do indeed appreciate their value or implied value.

2.4 Practice of the Learning Organisation

According to Gavin (1993), a learning organisation should exhibit five basic characteristics. These are systematic problem solving, experimentation, learning from past experience, innovative thinking and learning through communication.

2.4.1 Systematic problem solving

Systems and policies which ensure that the learning takes place by design and not by chance are put in place. This simply means that very orderly and scientific methods of investigation, using facts and statistical tools for analysis are employed.

2.4.2 Experimentation

This involves a systematic search for and testing of new knowledge. This is utilised as a way of transforming new knowledge into products and systematically trying new ideas. These experiments may take the form of either being a part of continuous programmes, which are designed to generate a steady flow of ideas from many sources, or specific pilot projects with a specific time frame.

2.4.3 Learning from past experience

This is where an organisation recognises the importance of its history and taps into it for lessons learnt. It encourages management to learn from the experiences gained from past failures or successes. This process of learning from the past is based on the "Santayana principle" based on the quote from the philosopher George Santayana who stated that "those who cannot remember the past are condemned to repeat it". It is important to note that sometimes the most powerful insights come from looking into the past and outside one's immediate environment to gain new perspectives.

2.4.4 Innovative thinking

The organisation encourages thinking outside the box and practices benchmarking with the best in its class or the best in the industry. In order for it to be open to new ideas, the learning organisation cultivates the art of open and attentive listening.

2.4.5 Learning through communication

Mechanisms are put in place for sharing knowledge throughout the organisation. All possible means of communication are utilised to spread the scope of knowledge in the organisation in order to ensure that the generated knowledge is shared throughout the organisation and incentives are put in place to reward successful application of learnt knowledge and that all ideas are tried and implemented.

The focus is on to what extent Kenyan commercial banks exhibit the practices of the learning organisation. Most banks it can be argued, especially the successful ones, exhibit these practices and this is what has enabled them to survive in the volatile and rapidly changing environment of the banking sector. The key then would be establishing whether these characteristics are part of a programme of creating the learning organisation or whether they are just measures that were adopted to meet the changing environment of banking. For the banks that do not display these characteristics could it be an explanation for their failure to adjust and remain competitively viable organisations in the banking sector.

2.5 Building a Learning Organisation

Building a learning organisation according to Gekonge (2005) involves several steps. The first of these steps involves fostering learning environment by involving each and every employee in the critical processes of strategic thinking and planning, analysis of customer needs and evaluation of current work systems. In this way they learn to perceive the organisational processes as a whole. They learn how their

respective functions fit into the whole organisational processes. Employees need to be empowered to be creative and to make mistakes. Employees should not be afraid to make mistakes because people learn a lot from genuine mistakes made in the work place.

The second step involves training employees in idea generation techniques. This will include techniques such as brainstorming, institutionalised teamwork and problem solving techniques across the board and lastly rewarding workable ideas.

Employees are encouraged to freely generate ideas that will be useful to the organisation, through their respective teams they learn from sharing their ideas, skills and experiences. Recognising the ideas that work by rewarding employees that are responsible for the generation of these ideas serves as a great motivator for individuals to learn.

The third step involves opening up boundaries and stimulate the exchange of ideas through the use of models such as horizontal tracking, multi-disciplinary teams and letting employees focus on business processes and not departmental functions.

Employees should be exposed to different duties within the organisation so that they learn what it is exactly that the different functions within the organisation do and how the actions of each functional area affect the entire organisation.

The fourth step involves making continuous employee training and development part of the character of the organisation. This can be achieved through formal programmes, e-learning, informal and tacit learning, action learning and reflective practice. In the formal learning programmes training must be done with great sensitivity by picking trainers who are alert to remedial training needs and people's fears about going back to class. E-learning developed from advancements in information technology has provided an opportunity for people to learn at their desks

rather than taking time out to study. Informal and tacit learning involves learning from others within the organisation as can be done through apprenticeship. Action learning stimulates learning through action as participants examine their underlying assumptions, demands reflection and draws on tacit knowledge. Reflective action is critical to learning and it involves considering the basis of existing knowledge and theories and how it could be changed, reframe it, experiment to identify the consequences and implications of this frame, listen to the situations talk back and if necessary reframe again. Effective professionals engage in reflective practice.

Garvin, Edmonson and Gino (2007), propose that to build a learning organisation one must first understand the three building blocks required for creating learning organisations namely

- 1) A supportive environment,
- 2) Concrete learning processes and
- 3) Leadership that reinforces learning as detailed in the table below.

Understanding the three building blocks of a learning organisation

BUILDING BLOCK	DISTINGUISHING CHARACTERISTICS
A supportive learning environment	Employees feel Feel safe disagreeing with others, asking naïve question, owning up to mistakes, and presenting minority view points Recognise the value of opposing ideas Take risks and explore the unknown Take time to review organisational processes
Concrete learning processes	A team or company has formal processes for Generating, collecting, interpreting and disseminating information Experimenting with new offerings Gathering intelligence on competitors, customers, and technological trends Identifying and solving problems Developing employee skills
Leadership that reinforces learning	The organisation's leaders Demonstrate willingness to entertain alternative view points Signal the importance of spending time on problem identification, knowledge transfer and reflection Engage in active questioning and listening

Figure 1 -Source Havard Business Review Article by David A Garvin, Amy C

Edmonson & Francesca Gino (2007)

In the struggle to remain head and shoulders above the rest of the pack, focus is on the extent to which Kenyan commercial banks have taken the above outlined steps to build a learning organisation. Creating a learning organisation clearly requires a great deal in terms of investment both monetarily and in respect to time. Banks have invested heavily in technology and expansion agendas, whether they have invested as much in the human resource factors of production that is increasingly the defining factor in achieving competitive advantage is yet to be established.

2.6 Leading the Learning Organisation

Leading the learning organisation requires a new view of leadership according to Peter Senge (1990). He acknowledges that he presents a very positive vision of what organisations can do and recognises that without the appropriate leadership it will not happen. There is a need to move away from the traditional view of leadership which is deeply individualistic and non-systemic that is based on an assumption of people's powerlessness, their lack of personal vision and their inability to master the forces of change, all of which are deficits that can be remedied only by a few great leaders.

According to Senge (1990) in a learning organisation a leader has to be three things namely

- A designer
- Steward
- Teacher

The leader as designer is supposed to design the governing ideas namely the purpose, vision and core values by which the organisation shall be run. The leaders'

task involves designing the learning process whereby people throughout the organisation can deal productively with the critical issues that they face and develop their mastery in the learning disciplines.

The leader as a steward involves more than just commitment to and responsibility for the vision. The leader does not own or possess the vision. They are stewards of the vision who are expected to manage it for the benefit of the others.

The leader as a teacher is expected to define reality. The leader in a learning organisation is expected to help people achieve a more accurate, insightful and more empowering views of reality. Senge (1990) clearly defines the role of a leader as a teacher when he postulated that "leader as a teacher is not about teaching people how to achieve their vision. It is about fostering learning, for everyone. Such leaders help people throughout the organisation develop systemic understandings.

Accepting this responsibility is the antidote to one of the most common downfalls of otherwise gifted teachers- losing their commitment to the truth".

Garratt (1990) concentrates on the role that directors of an organisation have in encouraging a learning organisation and in overcoming learning blocks. He suggests that; the top team concentrate on strategy and policy and hold back from day to day operational issues; thinking time is needed for the top team to relate changes in the external environment to the internal working of the organisation; the creation of a top team, involving the development and deployment of the strengths of each member; the delegation of problem solving to staff close to the operation; acceptance that learning occurs at all levels of the organisation and that directors need to create a climate where this learning flows freely are the main roles of leadership within any organisation.

Leadership is key, especially in establishing a successful bank in the Kenyan context. The role that the management plays in defining the vision for the entire organisation cannot be understated. Focus is on finding out whether the chief executives of successful commercial banks can be defined in the ways provided by Senge (1990) and Garatt (1990). Can CEO's such as James Mwangi of Equity Bank, Terry Davidson formerly of Kenya Commercial Bank and Adan Mohammed of Barclays Bank of Kenya be defined as the new generation of business leaders as envisioned by Senge (1990)? Is it possible to link the success in terms of organisational performance of their respective institutions to their leadership styles and whether their leadership roles have a basis in the proposals put forward by Senge (1990) and Garatt (1990).

2.7 Examining Kenyan Commercial Banks as Learning Organisations

That the Kenyan commercial banking sector has undergone a lot of changes over the past eleven years is not in question. In response to these changes the Kenyan commercial banking sector has been forced to embrace change. To improve in light of these changes, they have been forced to learn a new way of doing things. In arguing that for an organisation to improve it must first learn something new Gavin (1993) states that "solving a problem, producing a product, and reengineering a process all require seeing the world in a new light and acting accordingly". Kenyan commercial banks have had to see things in a different light and act accordingly and this has resulted in fundamental changes and improvements and hence the need to study them in the context of learning organisations.

In examining Kenyan commercial banks as learning organisations it is important to conduct an analysis on the basis of the suppositions put forward by the various authors on the subject. The 11 point diagnostic jigsaw on the learning company

profile as put forward by Pedler, Burgoyne and Boydell (1991, 1997) would be a useful tool in establishing the extent to which Kenyan commercial banks fit this profile and how far they still have to go in terms of establishing themselves as learning organisations. The practices of a learning organisation as put forward by Gavin (1993) can provide a useful guideline for identifying the attributes that would define Kenyan commercial banks as learning organisations.

The core disciplines of the learning organisation as put forward by Senge (1990), namely systems thinking, personal mastery, mental models, shared vision and team working form a critical basis for understanding the process of building a learning organisation as espoused by Gekonge (2005) and Gavin, Edmonson & Gino (2007). These theories will be useful in determining the steps Kenyan commercial banks have taken if any with a view to become learning organisations.

The theories on leadership within a learning organisation as put forward by Senge (1990) and Garrat (1990) will be useful in examining the chief executives of the different Kenyan commercial banks and their leadership styles and comparing these with the attributes of a leader in a learning organisation and how closely they reflect the desired attributes.

Finally all these matters must be considered in respect to their impact on performance for the organisations concerned. It is important to point out at this juncture, that there are banks that experienced phenomenal growth in this period while others have shown little progress over the same period. Comparing these Kenyan banks on the basis of how closely they reflect the attributes of a learning organisation, will provide great insight on the effect on organisational performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study will use the descriptive research design relying on the survey questionnaire technique. Descriptive studies can be used to describe phenomena or characteristics associated with a subject population, to estimate the proportions of a population that have these characteristics and for the discovery of associations among different variables (Cooper & Schindler 2006).

3.2 Population of Study and Sample Design

This will be a census survey comprising all 43 banks licensed to operate in Kenya under the Banking Act. A census survey involves all elements of the population and is usually feasible when the population is small and when the elements are quite different. The sample frame will be the listing of all commercial banks as provided on the Central Bank of Kenya website, www.centralbank.go.ke.

3.3 Data Collection

Primary data for the study will be collected using a structured questionnaire. The questionnaire will consist of close ended questions divided into two main categories. The first section covering questions 1- 39 will primarily be concerned with determining the practices of the Kenyan commercial banks with respect to the learning organisation. The second section covering questions 40 – 47 will tackle the leadership aspect within the respective Kenyan commercial banks. A five point lickert scale will be used to measure the research objective. Respondents will chose one option against the following: Strongly Disagree, Disagree, Agree Somewhat, Agree and Strongly Agree.

The respondents to the study will Human Resource Managers in all the banks that are to be surveyed. The questionnaire will be administered on a drop and pick later basis, to ensure a high proportion of responses and a higher return rate. The primary data collected will be supplemented with secondary data from magazines, journals and other write ups focusing specifically on the performance of the commercial banks various surveyed.

3.4 Data Analysis

The raw data collected will be edited to ensure that data is accurate, consistent, uniformly entered, complete and arranged to simplify coding and tabulation. The data will be coded which involves the assignment of numbers to the answers so that responses can be grouped into a limited number of categories. Since the questionnaire to be used comprises of close ended questions with five options to select from, the answers a – e will be coded as 0-5. The data will be entered into the Statistical Package for Social Sciences (SPSS) to allow the information gathered through secondary or primary methods to be converted into a medium for viewing and manipulation.

Descriptive and inferential statistics will be used to analyse the data. Descriptive statistical measures are used to depict the centre, spread and shape of distributions and are usually helpful preliminary tools for data description (Cooper & Schindler 2009). Measures of central tendency and measures of variability will be used to describe the data. Inferential statistics on the other hand will be used for estimation of population values and for purposes of hypothesis testing.

The researcher proposes to use the Pearson Correlation Coefficient to analyse data to determine the relationship between the practice of the learning organisation and organisational performance. The correlation coefficient will be used to reveal the

magnitude and direction of the relationship. Magnitude refers to “the degree to which variables move in unison or opposition” (Cooper & Schindler 2006) and direction “tells us whether large values on one variable are associated with large values on the other and small values with small values” (Cooper & Schindler 2006).

CHAPTER FOUR: RESULTS AND FINDINGS

4.1 Introduction

This chapter represents and explains the data gathered in this research project. The data was gathered in quantitative form through a structured questionnaire administered to the respondents. The data is presented in the form of charts, graphs and tables.

The findings of this study are organised according to the specific research objectives. The analysis is focused on meeting the following specific objectives.

a) To establish the extent of use of the concept and practice of the learning organisation within the Kenyan commercial banking sector.

b) To determine the relationship between the practice of the learning organisation and organisational performance.

The data needed for the study was received from 30 commercial banks out of the total number of 43 commercial banks licensed to operate in Kenya.

4.2 Response Rates

A total of 43 questionnaires were sent out to all 43 banks with the expectation that HR managers in each of these institutions were to be the respondents on behalf of their respective institutions. The banks were divided into three categories namely Tier I, Tier II and Tier III based on the peer ranking of banks given in the Kenyan Banking Survey 2009. The responses received were categorised into these three groups.

TIER	NO OF BANKS IN TIER	RESPONSES RECEIVED PER TIER	RESPONSE RATE PERCENTAGE
TIER I	11	10	91%
TIER II	11	7	64%
TIER III	21	13	62%
TOTAL	43	30	70%

Table 1

In Tier I, 10 responses were received out of the possible 11 expected representing a 91% response rate for banks in Tier I. In Tier II, 7 responses were received out of the possible 11 expected representing a 64% response rate for banks in Tier II. For Tier III, 13 responses were received out of the possible 21 expected representing a 62% response rate for banks in Tier III. Finally out of the total 43 responses expected 30 were received, representing an overall response rate of 70%.

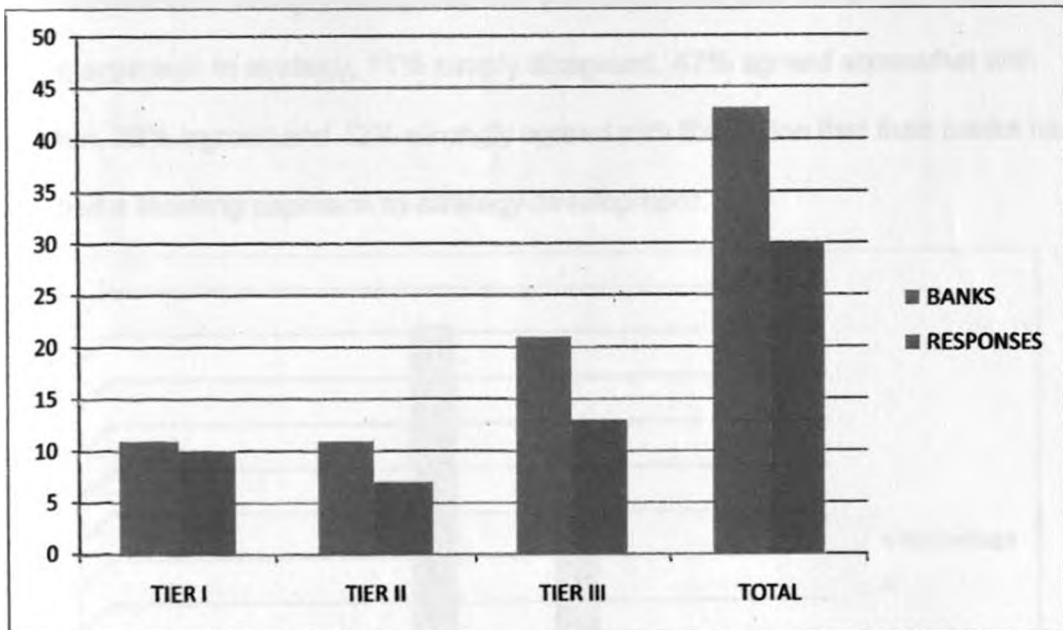


Figure 2 – Depiction of Survey Response Rates

4.3 Determining the extent of the practice of learning organisation among Kenyan Commercial Banks

The questions in the survey were formulated to identify the individual characteristics of Kenyan commercial banks as learning organisation. The questions were

formulated to identify the various attributes of the learning organisation as given in the 11 point diagnostic jigsaw developed by Pedler, Burgoyne and Boydell (1991,1997). This particular tool was used as a structure for gap analysis to establish how Kenyan commercial banks measured up against the practice of the learning organisation.

4.3.1 Learning Approach to Strategy.

This is the first measure provided in the diagnostic jigsaw developed by Pedler, Burgoyne and Boydell(1991, 1997). Questions 7, 12, 24, 25, 36 and 39 of the questionnaire were designed to determine to what extent the banks have developed a learning approach to strategy development.

1% stated that they strongly disagreed with the notion that their bank had adopted a learning approach to strategy, 11% simply disagreed, 47% agreed somewhat with the notion, 29% agreed and 12% strongly agreed with the notion that their banks had developed a learning approach to strategy development.

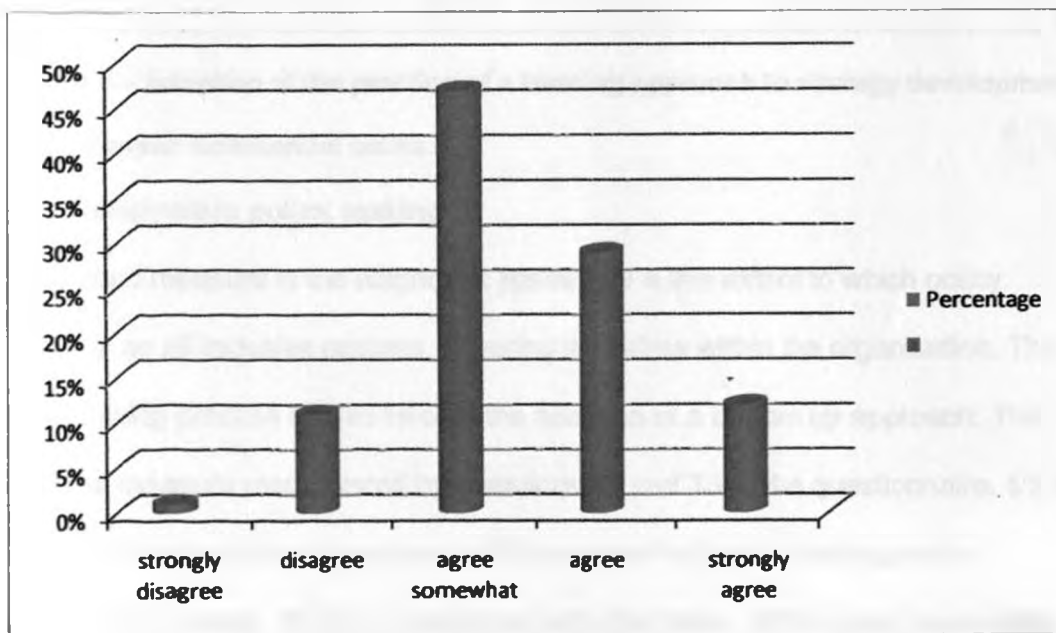


Figure 3 – Learning Approach to Strategy Development

Of the total 180 responses to the 6 questions as given by the 30 respondent banks, 21 responses were within the category of strongly disagree and disagree meaning that 12% of the banks have yet to adopt a learning approach to strategy development, while 159 responses representing 88% affirmed that their banks had more or less adopted a learning approach to strategy development.

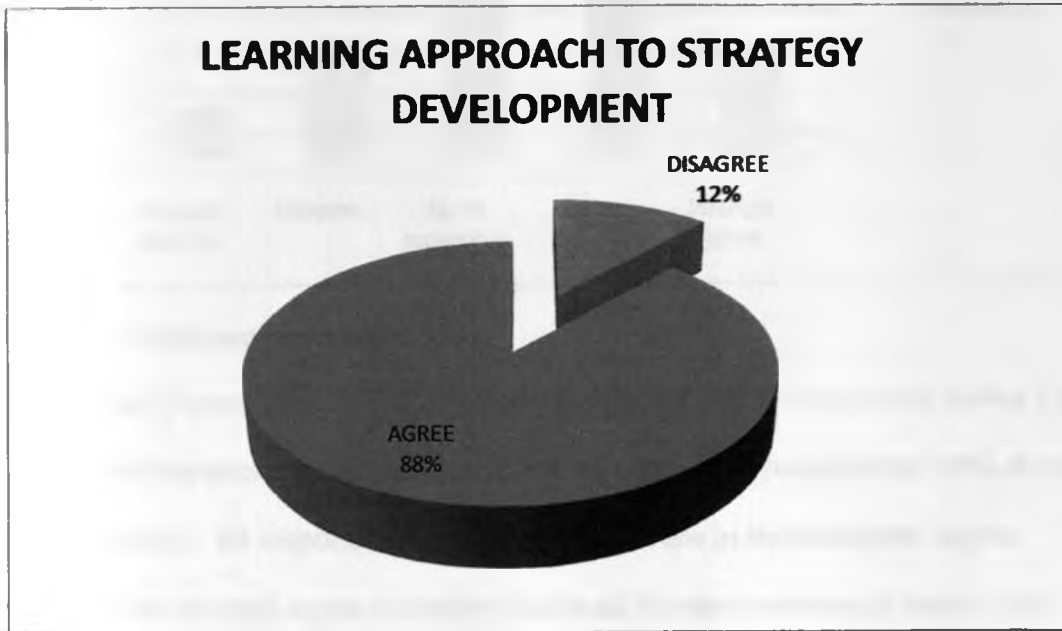


FIGURE 4 – Adoption of the practice of a learning approach to strategy development among Kenyan commercial banks.

4.3.2 Participative policy making

The second measure in the diagnostic jigsaw tool is the extent to which policy making is an all inclusive process, covering all cadres within the organisation. The policy making process should involve the adoption of a bottom up approach. This particular measure was covered by questions 10 and 33 of the questionnaire. 5% of the respondents strongly disagreed with the notion that policy making was a participative process, 13 simply disagreed with the notion, 45% agreed somewhat that policy making was a participative process, 25% simply agreed and 12% strongly agreed that policy making was indeed a participative process in their institutions.

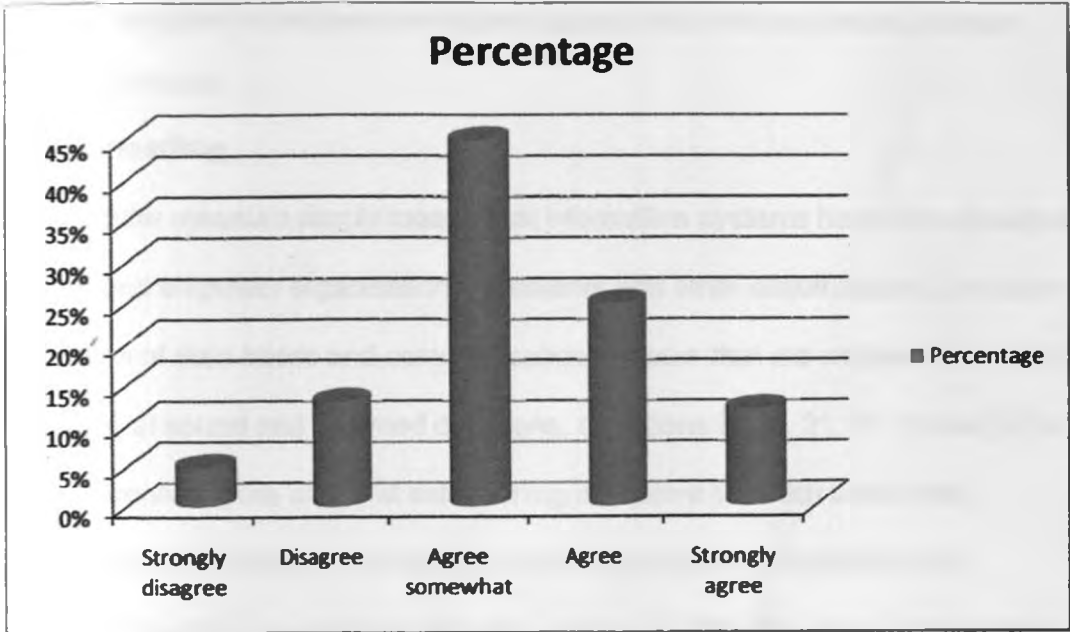


Figure 5 – Participative Policy Making

Of the total 60 responses to the 2 questions given by the 30 respondent banks 11 were within the strongly disagree and disagree categories representing 18% of the total responses. 49 responses representing 88% were in the categories agree somewhat to strongly agree indicating that most Kenyan commercial banks have adopted the practice of having a participative policy making process.

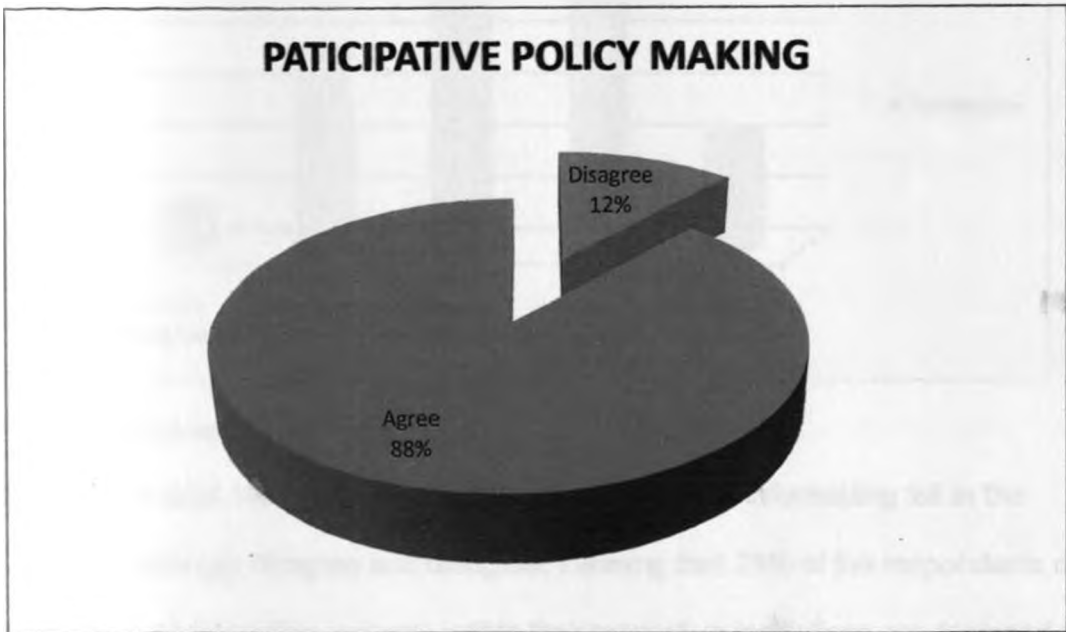


Figure 6 – Adoption of the practice of participative policy making among Kenyan Commercial Banks

4.3.3 Informatting

This particular measure simply means that information systems have to be designed to inform and empower organisational members and other stakeholders. It involves the creation of data bases and communication systems that aid understanding and the making of sound and informed decisions. Questions 6, 20, 21, 27, 28 and 37 of the questionnaire were aimed at establishing the extent to which banks had developed their information systems to inform and empower organisational members. 4% of the respondents strongly disagreed, 19% disagreed, 34% agreed somewhat, 31% agreed and 11% strongly agreed that information systems within their institutions were designed to inform and empower.

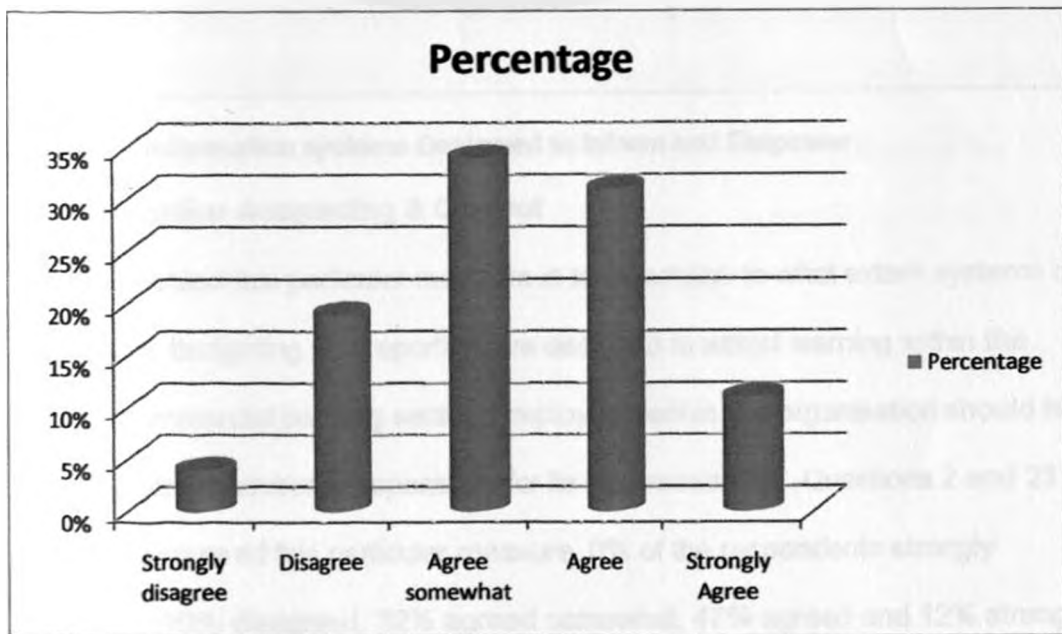


Figure 7 - Informatting

42 out of the total 160 responses from the 6 questions on informatting fell in the category of strongly disagree and disagree, meaning that 23% of the respondents do not agree that information systems within their respective institutions are designed to

inform and empower organisational members. 138 responses fell within the categories agree somewhat to strongly agree. This means 77% of the respondents agreed that information systems in their institutions were designed to inform and empower organisational members.

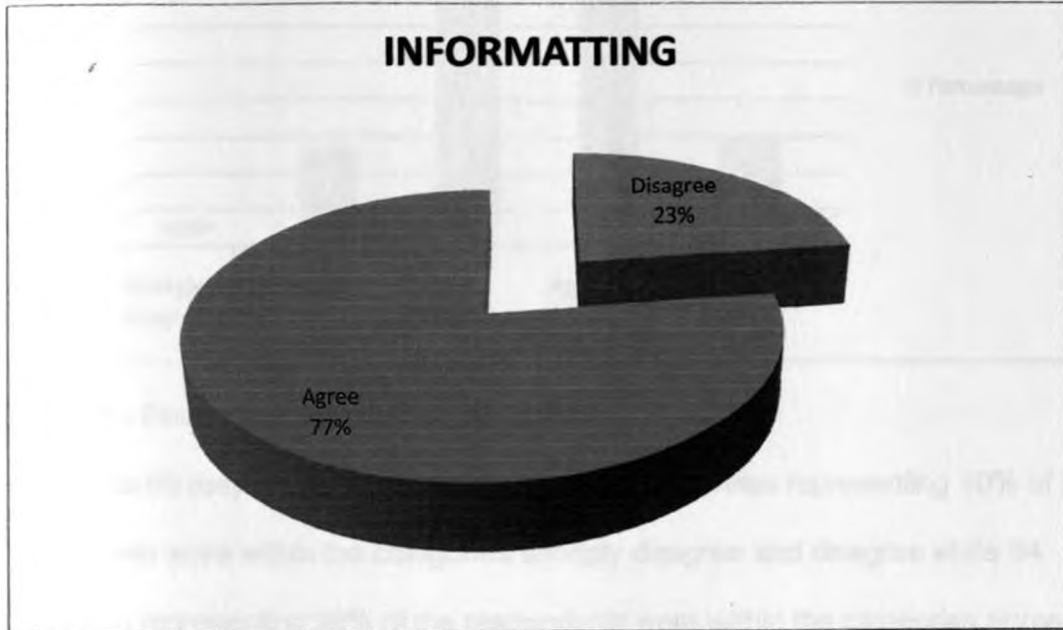


Figure 8 – Information systems Designed to Inform and Empower

4.3.4 Formative Accounting & Control

The idea behind this particular measure is to determine to what extent systems of accounting, budgeting and reporting are designed to assist learning within the Kenyan commercial banking sector. Employees within the organisation should feel part of a department/unit responsible for its own resources. Questions 2 and 23 of the survey covered this particular measure. 0% of the respondents strongly disagreed, 10% disagreed, 32% agreed somewhat, 47% agreed and 12% strongly agreed with the idea that systems of accounting, budgeting and reporting within their institutions were designed to assist learning.

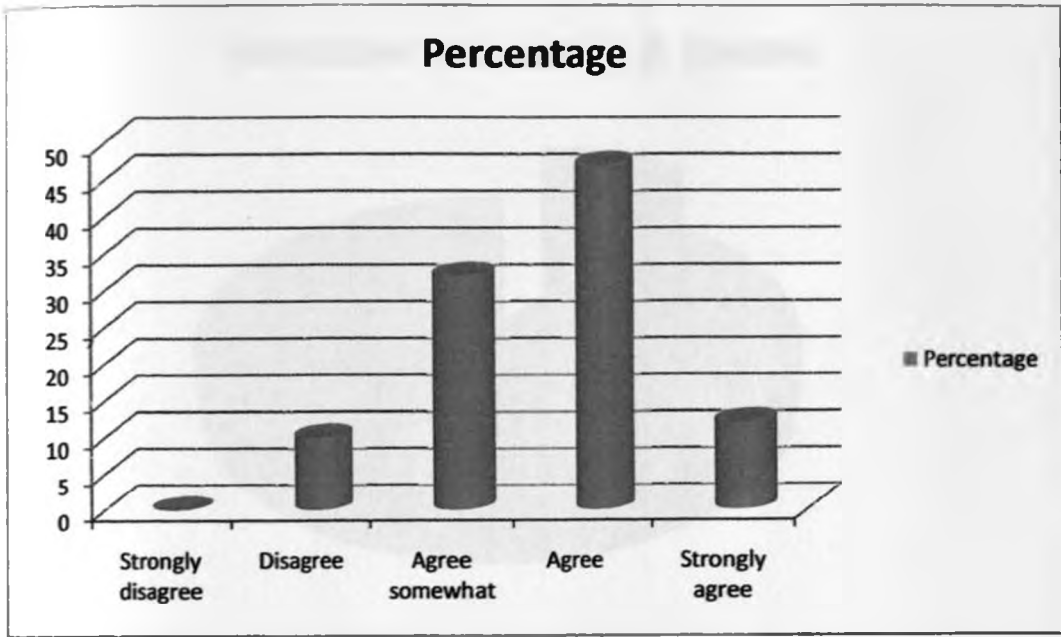


Figure 9 – Formative Accounting & Control

Of the total 60 responses to the two questions, 6 responses representing 10% of the respondents were within the categories strongly disagree and disagree while 54 responses representing 90% of the respondents were within the categories agree somewhat, agree and strongly agree. This means that a large majority of the respondents have ensured that systems of accounting, budgeting and reporting within their institutions are designed to support learning.

Formative Accounting & Control

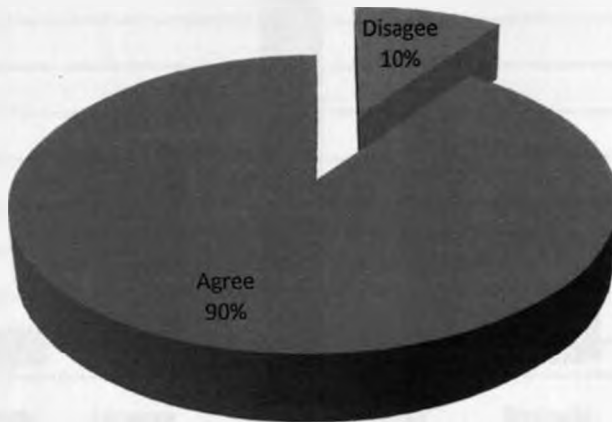


Figure 10 – Depiction of the practice of formative accounting and control amongst Kenyan commercial banks

4.3.5 Internal Exchange

This measure is aimed at establishing the extent to which employees within individual institutions consider themselves as part of a team, working closely with each other sharing and exchanging ideas in a bid to meet each others expectations.

Questions 4, 11, 13, 16, 30, 32, 35 and 38 of the questionnaire were designed to determine the extent to which internal exchange is a critical aspect among Kenyan commercial banks. 3% of the respondents strongly disagreed, 23% disagreed, 40% agreed somewhat, 27% agreed and 70%strongly agreed that internal exchange was an important aspect of organisational activities.

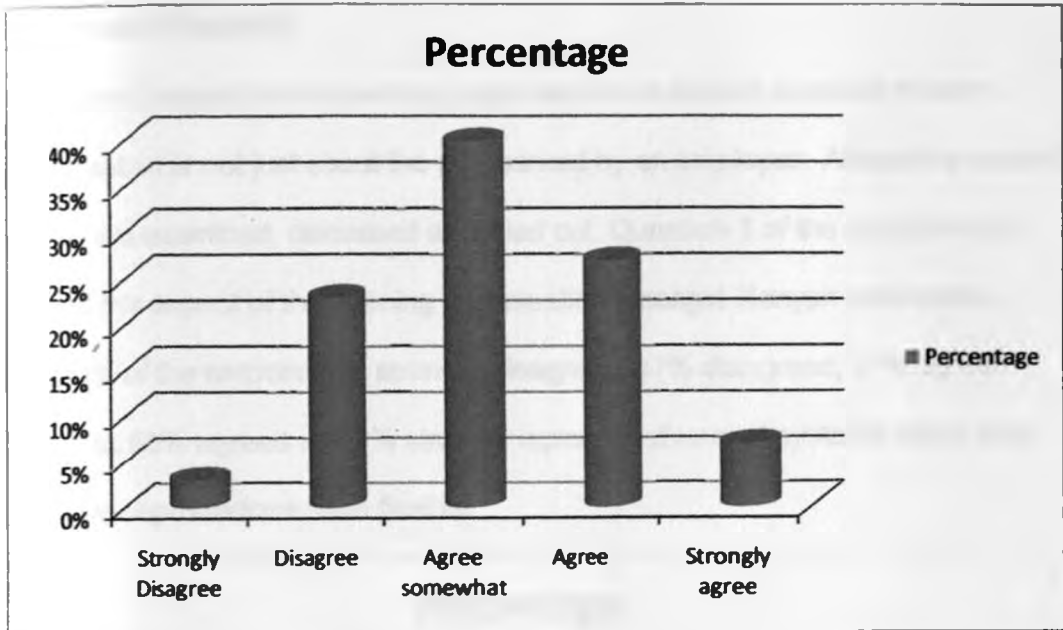


Figure 11 – Internal Exchange

Of the total 240 responses to the 8 questions in this category, 63 responses representing 26% of the respondents fell within the categories strongly disagree and disagree while 177 responses representing 74% of the respondents fell within the categories agree somewhat, agree and strongly disagree.

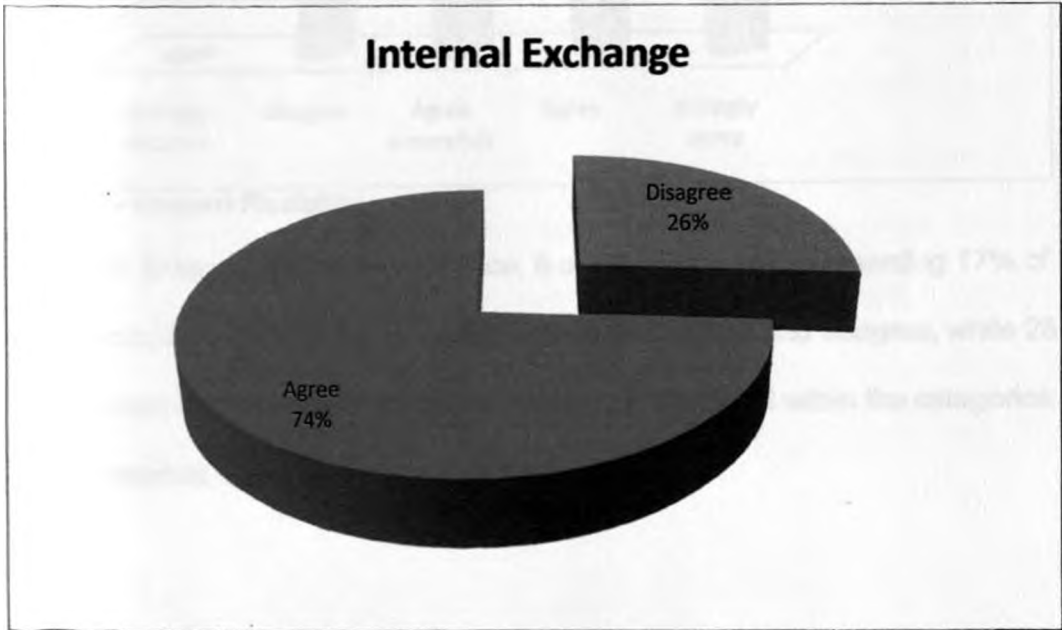


Figure 12 – Practice of Internal Exchange amongst Kenyan commercial Banks

4.3.6 Reward Flexibility

The nature of reward within learning organisations is usually explored in depth. Compensation is not just about the pay earned by an employee. Alternative reward systems are examined, discussed and tried out. Question 1 of the questionnaire explored this aspect of the learning organisation amongst Kenyan commercial banks. 0% of the respondents strongly disagreed, 17% disagreed, 27% agreed somewhat, 50% agreed and 7% strongly agreed that reward systems within their respective organisations were flexible.

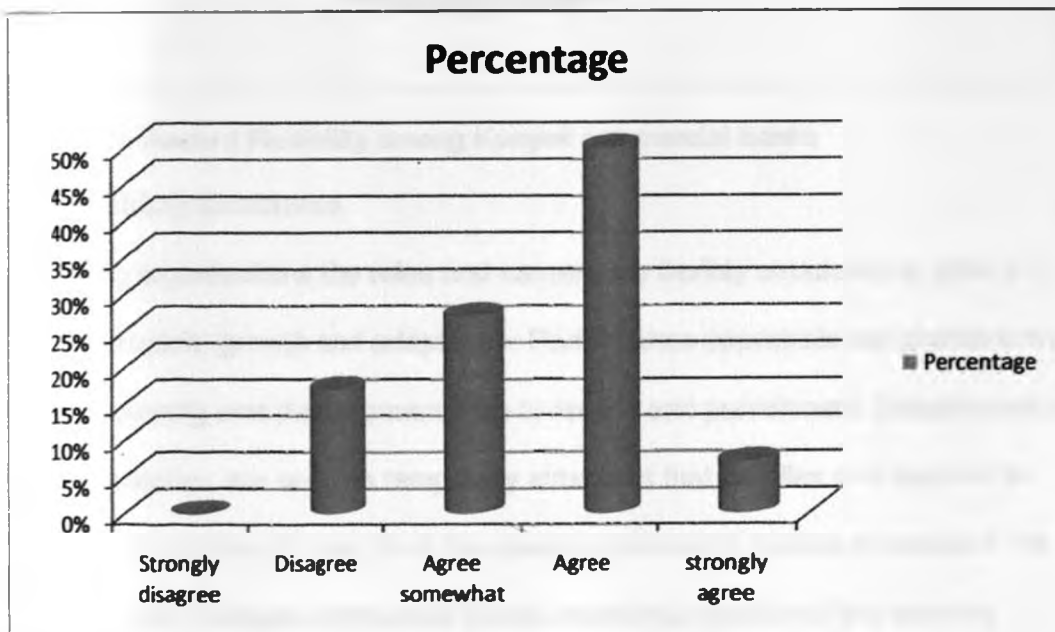


Figure 13 – Reward Flexibility

Of the total 30 responses to the question, 5 of the responses representing 17% of the respondents fell within the categories strongly disagree and disagree, while 25 of the responses representing 83% of the total respondents fell within the categories agree somewhat, agree and strongly agree.

Reward Flexibility

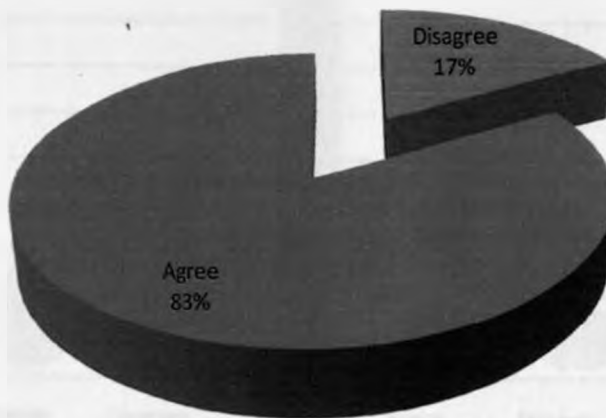


Figure 14 – Reward Flexibility among Kenyan commercial banks

4.3.7 Enabling structures

In learning organisations the roles and careers are flexibly structured to allow for experimentation, growth and adaptation. Performance appraisals are geared more towards learning and development than to reward and punishment. Departments and other boundaries are seen as temporary structures that can flex and respond to changes. Questions 22 and 26 of the questionnaire were geared to establish the extent to which Kenyan commercial banks reflect this practice of the learning organisation. 10% of the respondents strongly disagreed, 22% disagreed, 40% somewhat agreed, 23% agreed and 5% strongly agreed that their institutions encouraged the growth and development of enabling structures.

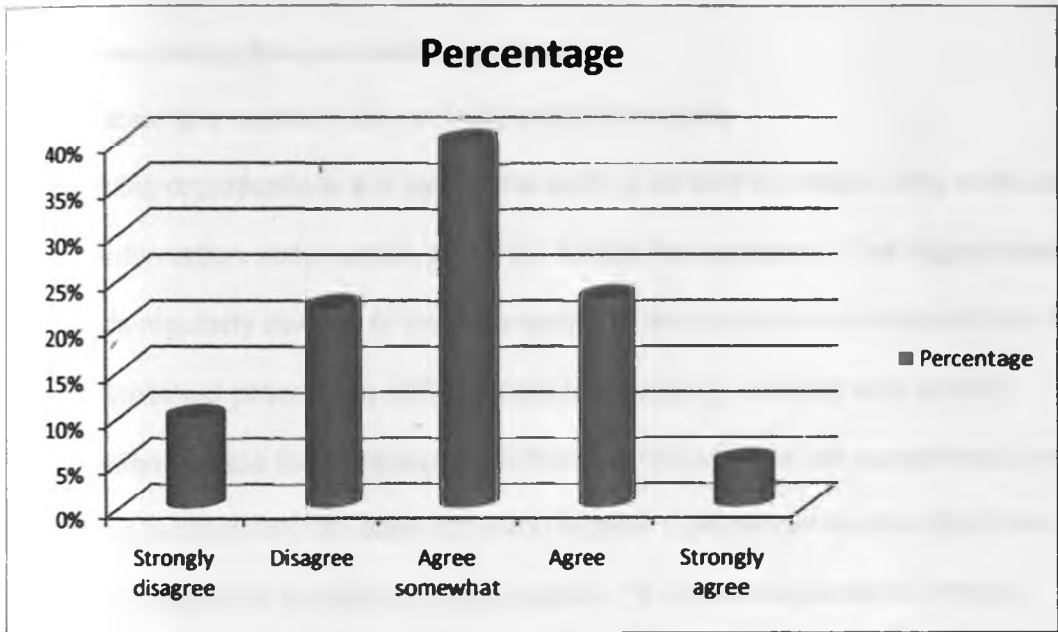


Figure 15 – Enabling Structures

Of the total 60 responses to the 2 questions, 19 responses representing 32% of the respondents fell within the categories strongly disagree and disagree while 41 responses representing 68% of the total respondents fell within the categories agree somewhat, agree and strongly agree.

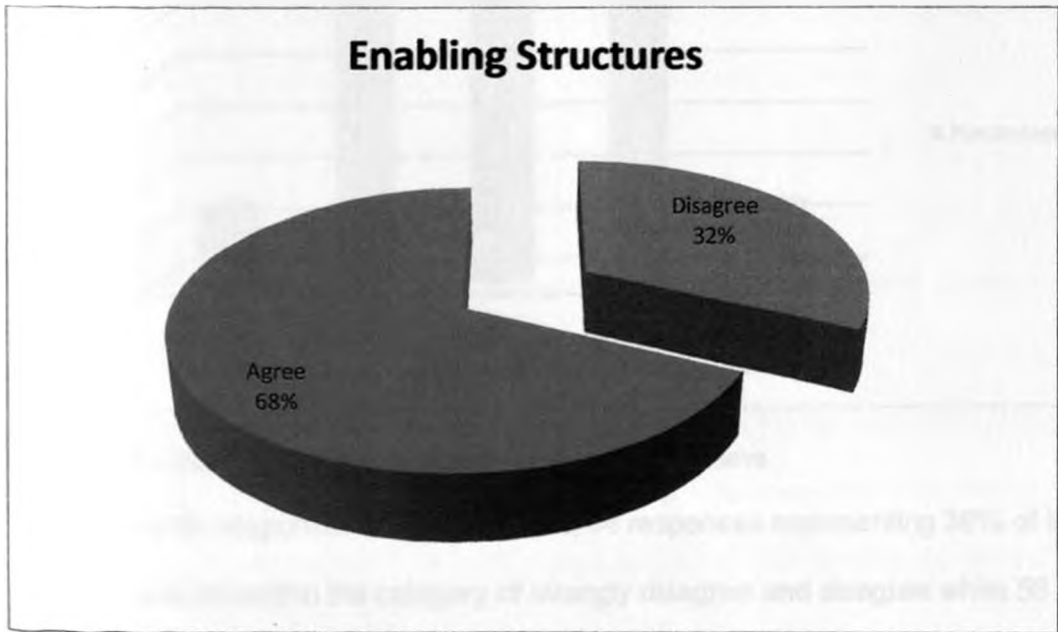


Figure 16 – Representation of the adoption of the practice of developing enabling structures among Kenyan commercial banks.

4.3.8 Boundary workers as environmental scanners

In learning organisations it is part of the work of all staff to collect, bring back and report information about what’s going on outside the company. The organisation conducts regularly reviews of the happenings in the business environment and has well established procedures and systems for receiving, collating and sharing information outside the company. Questions 3, 19 and 29 of the questionnaire were designed to establish the extent to which Kenyan commercial banks reflect this particular aspect of the learning organisation. 7% of the respondents strongly disagreed, 31% disagreed, 30% agreed somewhat, 26% agreed and 7% strongly agreed.

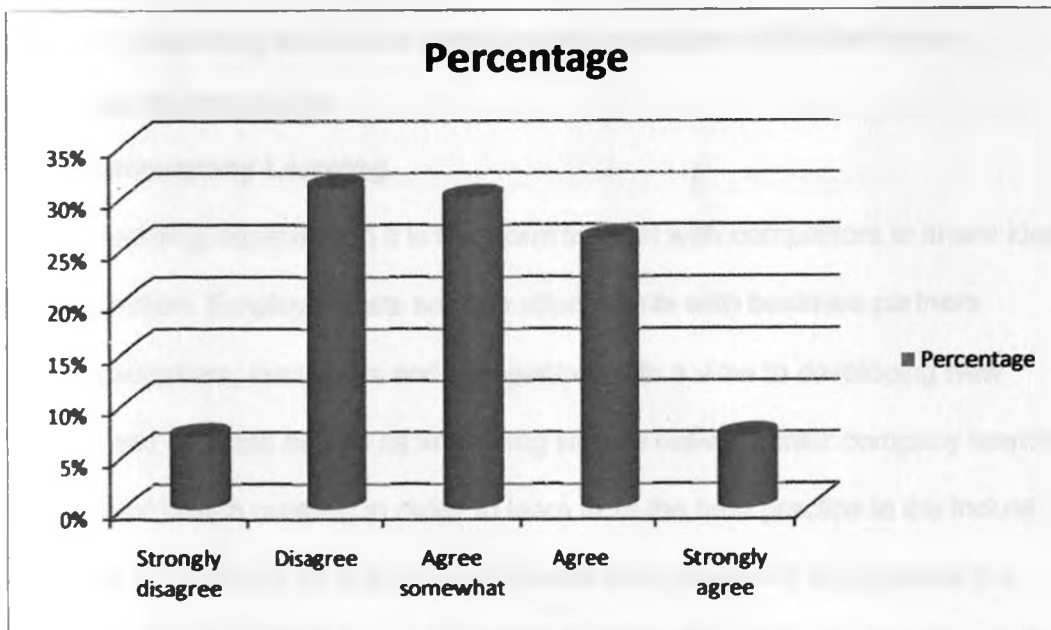


Figure 17 – Boundary workers as environmental scanners

Of the total 90 responses to the questions, 34 responses representing 38% of the respondents fell within the category of strongly disagree and disagree while 56 of the

responses representing 62% of the respondents were within the categories agree somewhat, agree and strongly agree.

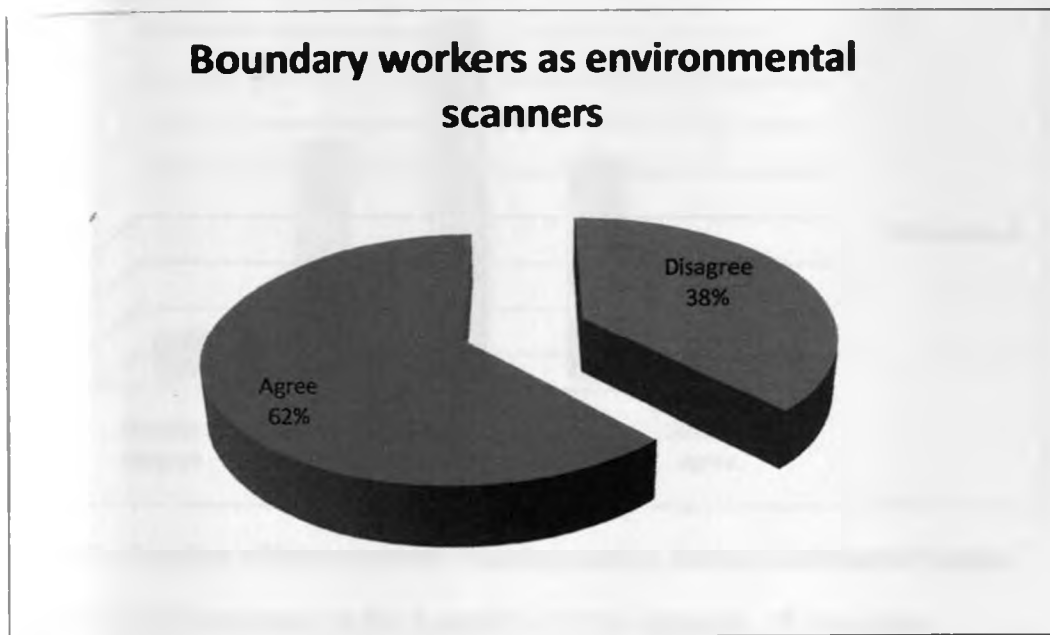


Figure 18 – Boundary workers as environmental scanners within the Kenyan commercial banking sector

4.3.9 Intercompany Learning

Within a learning organisation it is the norm to meet with competitors to share ideas and information. Employees are sent on attachments with business partners including suppliers, customers and competitors with a view to developing new products and markets as well as improving service delivery. Inter company learning is also about bench marking in order to learn from the best practice in the industry. Questions 8, 9, 14 and 34 of the questionnaire were designed to determine the prevalence of the practice of inter company learning among Kenyan commercial banks. 4% of the respondents strongly disagreed, 25% disagreed, 45% agreed somewhat, 23% agreed while 10% strongly agreed that their institutions promoted the practice of intercompany learning.

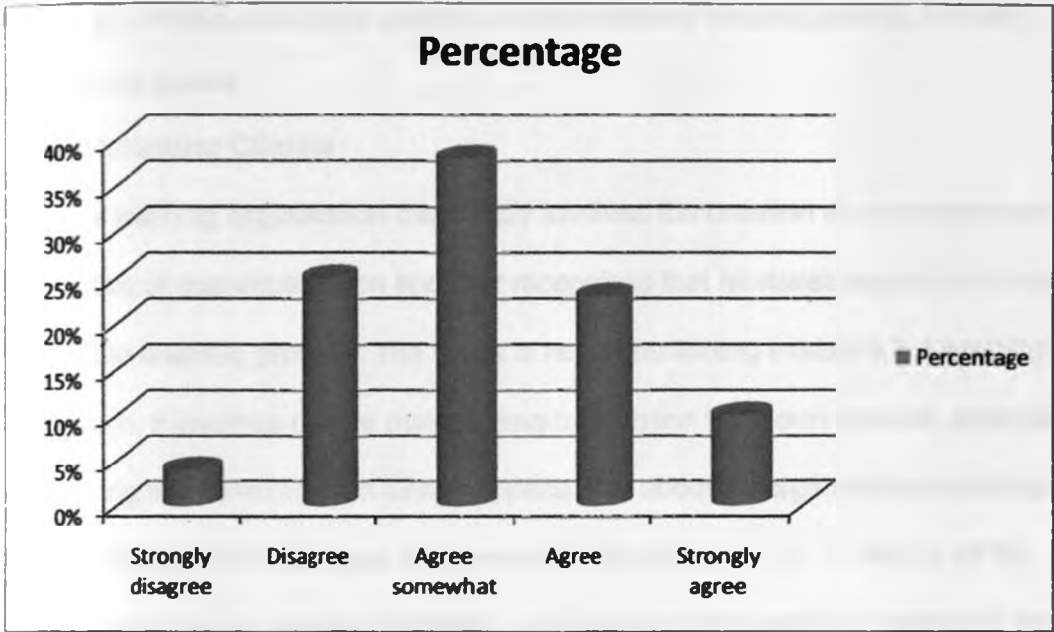


Figure 19 – Practice of intercompany learning among Kenyan commercial banks.

Of the total 120 responses to the questions in this category, 35 responses representing 29% of the total respondents were within the categories strongly disagree and disagree, while 85 responses representing 71% of the respondents were within the categories agree somewhat agree and strongly agree.

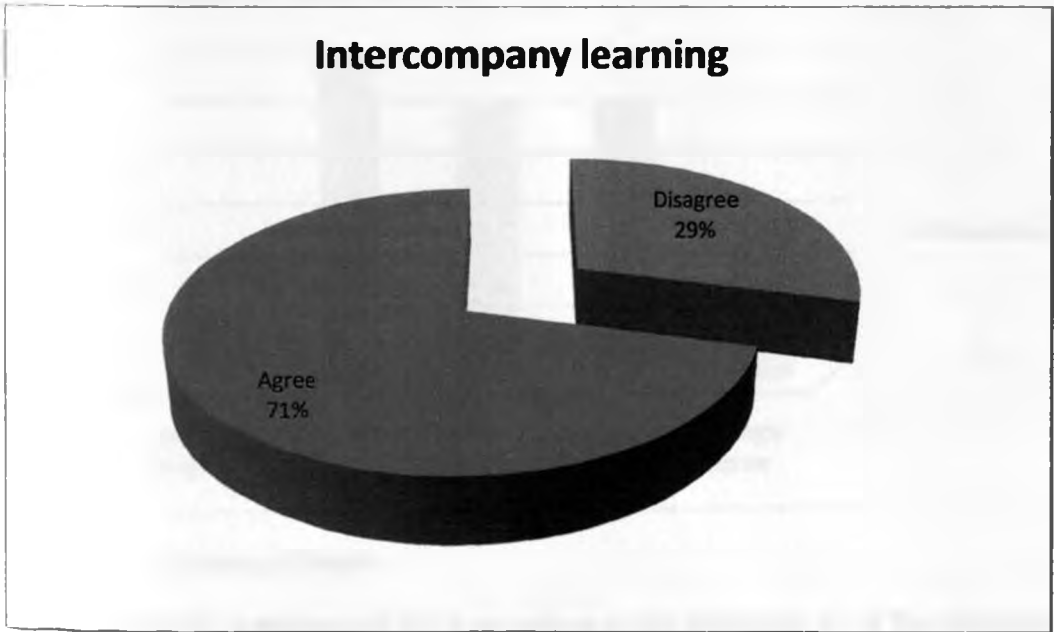


Figure 20 – Prevalence of the practice of intercompany learning among Kenyan commercial banks

4.3.10 Learning Climate

Within a learning organisation this simply involves the creation of an environment supportive of experimentation and that recognises that mistakes are an inevitable part of the learning process. The focus is not on punishing mistakes but learning from them. It involves people making time to question their own practice, analysing, discussing and learning from what happens. It is about an organisation adopting a general attitude of continuous improvement. Questions 5, 15, 17 and 18 of the questionnaire were intended to identify and measure this particular aspect of the learning organisation among Kenyan commercial banks. 5% strongly disagreed, 31% disagreed, 26% agreed somewhat, 26% agreed and 13% strongly agreed that their institutions actively promoted the development of a learning climate.

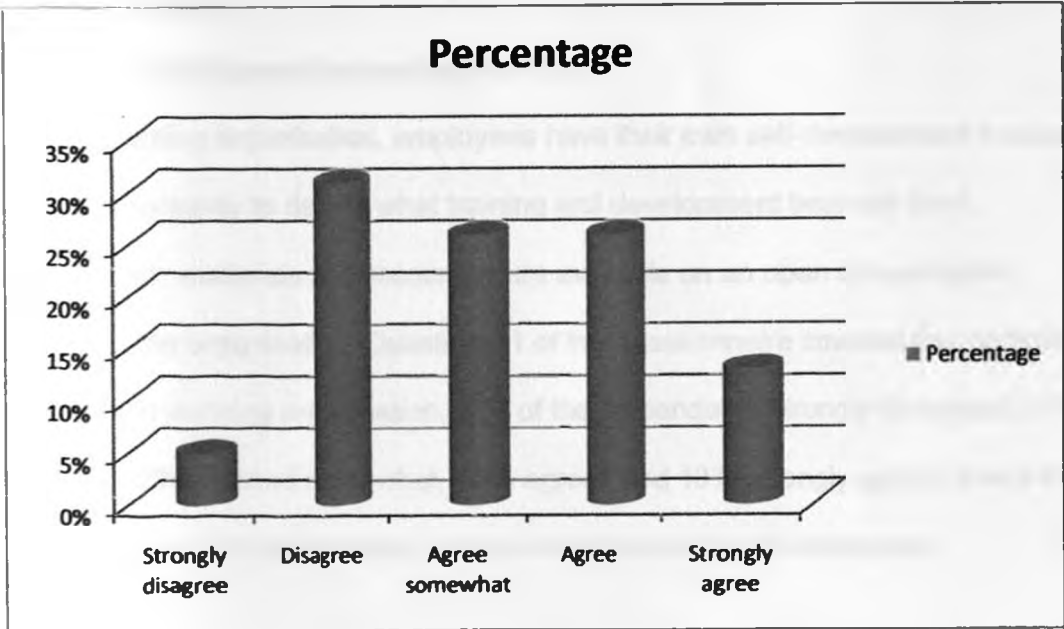


Figure 21 – Learning Climate

Of the total 120 responses to the 4 questions in this category, 43 of the responses representing 36% of the respondents were within the categories strongly disagree

and disagree, while 77 of the responses representing 64% of the respondents were within the categories agree somewhat, agree and strongly agree.

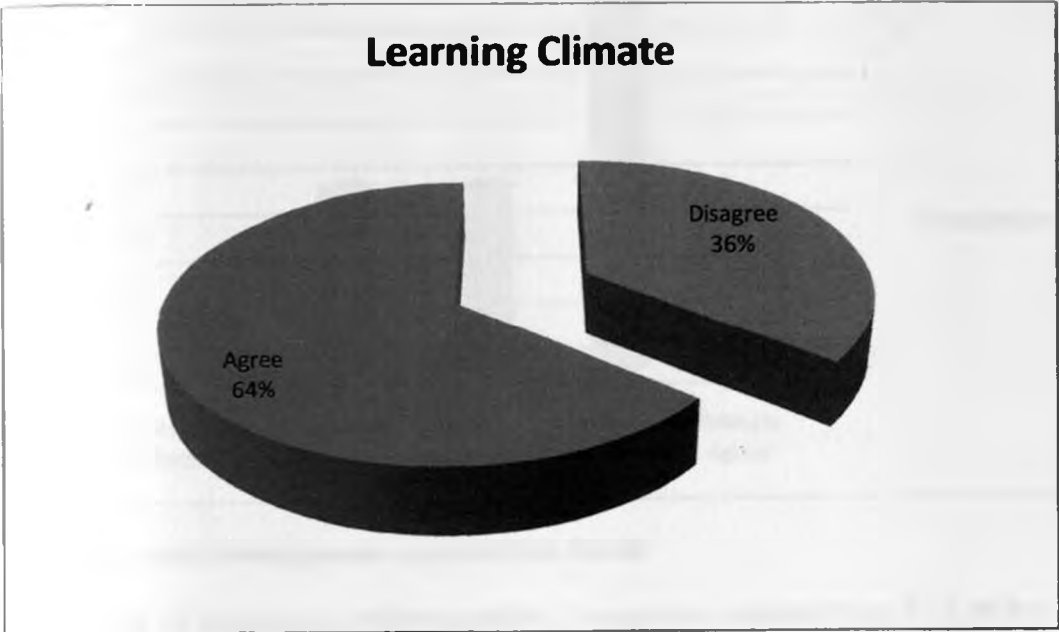


Figure 22 – Adoption of the practice of promoting a learning climate among Kenyan commercial banks.

4.3.11 Self-development opportunities for all

Within a learning organisation, employees have their own self-development budgets and the opportunity to decide what training and development best suit them.

Opportunities, materials and resources are available on an open access basis throughout the organisation. Question 31 of the questionnaire covered this particular aspect of the learning organisation. 7 % of the respondents strongly disagreed, 20% disagreed, 20% agreed somewhat, 40% agreed and 13% strongly agreed that within their institution self- development opportunities existed for all employees.

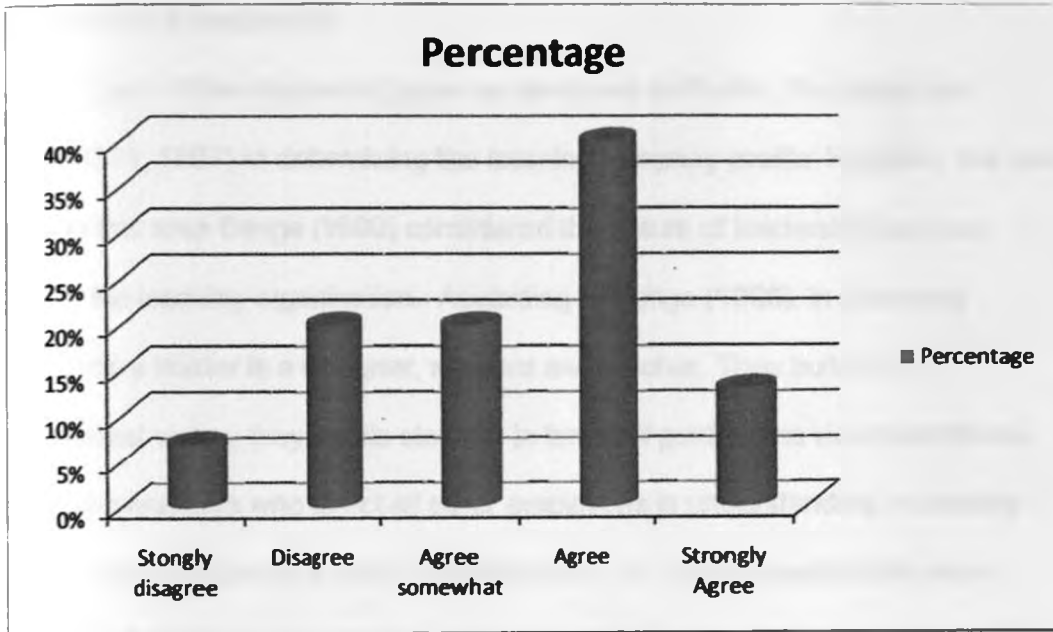


Figure 23 – Self development opportunities for all

Of the total 30 responses to this question, 8 responses representing 27% of the respondents were within the categories strongly disagree and disagree while 22 responses representing 73% of the respondents were within the categories agree somewhat, agree and strongly agree.

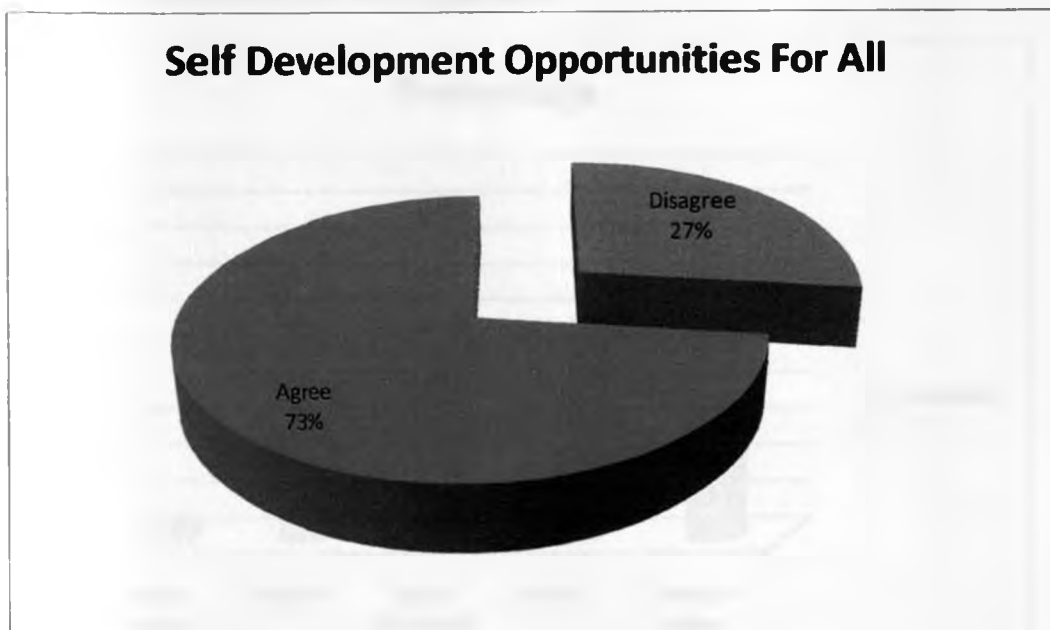


Figure 24 – Self development opportunities for all among Kenyan commercial banks

4.3.12 Nature of leadership

This is not part of the diagnostic jigsaw as designed by Pedlar, Burgoyne and Boydell (1991, 1997) in determining the learning company profile. However, the main scholar in this area Senge (1990) considered the nature of leadership as a key aspect of the learning organisation. According to Senge (1990), in a learning organisation a leader is a designer, steward and teacher. They build the organisational vision, they are its steward in terms of guiding the vision and finally they are the teachers who direct all other employees in understanding, accepting and creating the vision as a team. Questions 40 – 47 of the questionnaire were designed to establish the nature of leadership within Kenyan commercial banks and whether they are similar to the leadership traits expected within a learning organisation. 2% of the respondents strongly disagreed, 14% disagreed, 46% agreed somewhat, 27% agreed and 12% strongly agreed that the nature of leadership within their respective institutions were synonymous with the leadership traits expected within the learning organisation.

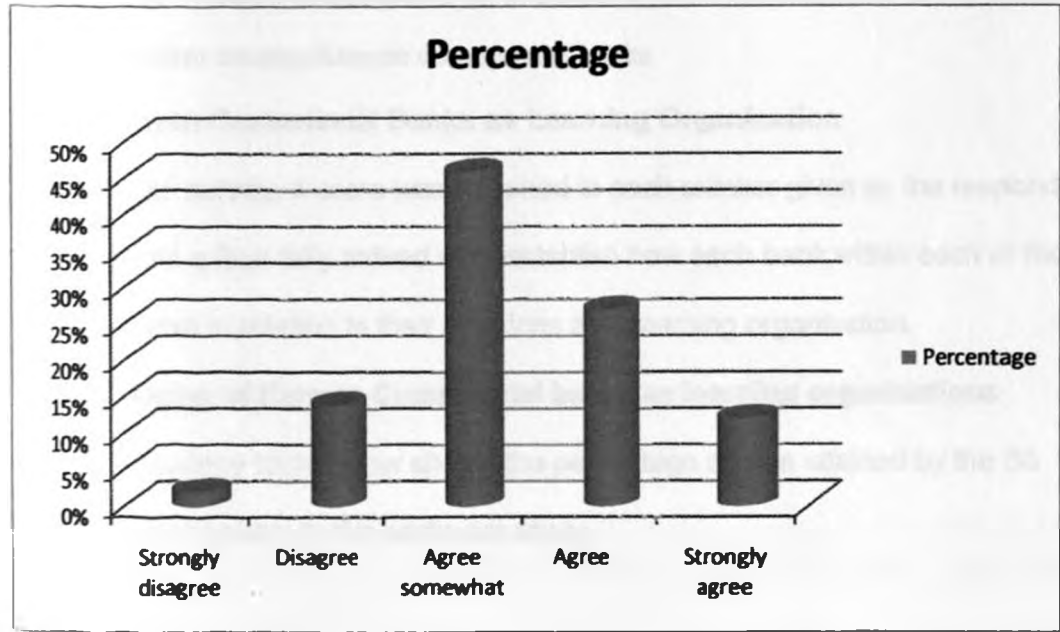


Figure 25 – Leadership as supportive of the development of a learning organisation

Of the total 240 responses to the 8 questions on leadership, 37 responses representing 15% of the total respondents were within the categories strongly disagree and disagree, while 203 responses representing 85% of the respondents were within the categories agree somewhat, agree and strongly agree.



Figure 26 – Nature of leadership as supportive of the development of the learning organisation among Kenyan commercial banks

4.4 Kenyan Commercial Banks as Learning Organisation

Within the survey, a score was attached to each answer given by the respondent banks and a final tally arrived at to establish how each bank within each of the three tiers scored in relation to their practices as a learning organisation.

4.4.1 Rating of Kenyan Commercial banks as learning organisations

The frequency table below shows the percentage scores attained by the 30 respondent banks, in this particular study.

Percentage Score	Frequency
1% - 10%	0
11% - 20%	0
21% - 30%	1
31% - 40%	0
41% - 50%	5
51% - 60%	10
61% - 70%	8
71% - 80%	4
81% - 90%	2
91% - 100%	0
Total	30

Table 2 – Frequency table showing scoring of Kenyan commercial banks as learning organisations

From the table above all 30 respondent banks scored between 21% and 90% with only one bank falling in the 21% - 30% category, 5 respondent banks within the 41% - 50% category, 10 respondent banks within the 51% - 60% category, 8 banks within the 61% - 70% category, 4 within the 71% - 80% category and 2 banks scoring within the 81% - 90% category.

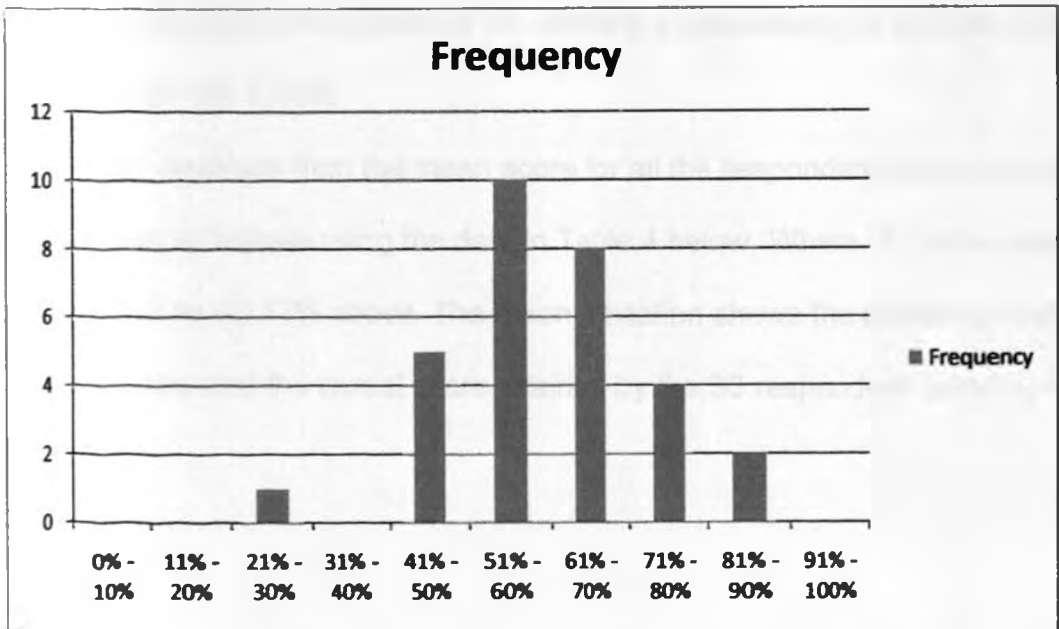


Figure 27 – Frequency polygon showing the scoring Kenyan commercial banks as learning organisation

The data collected above in Table 2 can be used to determine the average score in relation to the practice of the learning organisation within the Kenyan commercial banking sector.

CLASS INTERVAL	MID -POINT(x)	FREQUENCY(f)	Xf
1 – 10	5.5	0	0
11 – 20	15.5	0	0
21 – 30	25.5	1	25.5
31 – 40	35.5	0	0
41 – 50	45.5	5	227.5
51 - 60	55.5	10	555
61 - 70	65.5	8	524
71 – 80	75.5	4	302
81 – 90	85.5	2	171
91 – 100	95.5	0	0
		30	1805

Table 3 – Determining the average score of Kenyan commercial banks as learning organisations

The mean score for the 30 respondent banks within the Kenyan commercial banking sector in relation to the practice of the learning organisation can then be determined as; $1805/30 = 60.17\%$

The mean deviation from the mean score for all the respondent banks can be determined as follows using the data in Table 4 below. Where “A” is the mean score determined as 60.17% above. The mean deviation shows the difference between the highest score and the lowest score attained by the 30 respondent banks in the survey.

CLASS INTERVAL	MID – POINT (X)	FREQUENCY (F)	(X-A)	F(X-A)
1 – 10	5.5	0	-54.67	0
11 – 20	15.5	0	-44.67	0
21 – 30	25.5	1	-34.67	34.67
31 – 40	35.5	0	-24.67	0
41 – 50	45.5	5	-14.67	73.35
51 – 60	55.5	10	-4.67	46.7
61 – 70	65.5	8	5.33	42.64
71 – 80	75.5	4	15.33	61.32
81 – 90	85.5	2	25.33	50.66
91 – 100	95.5	0	35.33	0
		30		309.34

Table 4

The mean deviation from the mean score of 60.17% attained by the 30 respondent banks is then determined as 10.31% (309.34/30).

4.4.2 Rating of Kenyan commercial banks as learning organisations per tier

In the research study, banks were divided into three major categories namely Tier I, II and III as given in the peer ranking of banks in the Banking Survey 2009. Tier I banks represent the banks at the top of the Kenyan commercial banking sector by virtue of key performance indicators namely profit and balance sheet size. Tier II banks are those in the middle and Tier III banks are the small banks in the Kenyan commercial banking sector. The scores attained in each sector are given in Tables 5, 6 and 7 below. The mean score per tier is also given.

4.4.2.1 Rating of Tier I banks as learning organisations

PERCENTAGE CLASS INTERVAL	MID – POINT (X)	FREQUENCY (F)	(XF)
1% - 20%	10.5	0	0
21% - 40%	30.5	1	30.5
41% - 60%	50.5	3	151.5
61% - 80%	70.5	5	352.5
81% - 100%	90.5	1	90.5
		10	625

Table 5

Of the 10 respondent banks in Tier I none scored between 1% - 20%, 1 bank scored between 21% - 40%, 3 banks scored between 41% - 60%, 5 scored between 61% -

80% and only 1 scored between 81% - 90%. The average score for the banks in this tier was determined as 62.5% (625/10).

The mean deviation from the mean score of 62.5% attained by the banks in Tier can thus be determined based on the data provided in Table 6 below.

CLASS INTERVAL	MID – POINT (X)	FREQUENCY (F)	(X-A)	F(X-A)
1 – 20	10.5	0	-52	0
21 – 40	30.5	1	-32	32
41 – 60	50.5	3	-12	36
61 – 80	70.5	5	8	40
81 – 100	90.5	1	28	28
		10		136

Table 6

The mean deviation from the mean score for banks in Tier I is 13.6% (136/10).

4.4.2.2 Rating of Tier II banks as learning organisations

PERCENTAGE CLASS INTERVAL	MID – POINT (X)	FREQUENCY (F)	(XF)
1% - 20%	10.5	0	0
21% - 40%	30.5	0	0
41% - 60%	50.5	4	202
61% - 80%	70.5	3	211.5
81% - 100%	90.5	0	0
		7	413.5

Table 7

Of the 7 respondent banks in Tier II none scored within the range 1% - 20% and between 21% - 40%. 4 banks scored between 41% - 60%, 3 banks within the range 61% - 80% and none within the range 81% - 100%. The average score for banks in this tier as learning organisations was determined as 59.07% (413.5/7).

The mean deviation from the mean score of 59.07% attained by banks in Tier II can therefore be determined as provided below.

CLASS INTERVAL	MID – POINT (X)	FREQUENCY (F)	(X-A)	F(X-A)
1 – 20	10.5	0	-48.57	0
21 – 40	30.5	0	-28.57	0
41 – 60	50.5	4	-8.57	34.28
61 – 80	70.5	3	11.43	34.29
81 – 100	90.5	0	31.43	0
		7		68.57

Table 8

The mean deviation for the respondent banks in Tier II is thus 9.58% (68.57/7)

4.4.2.3 Rating of Tier III banks as learning organisations

PERCENTAGE CLASS INTERVAL	MID – POINT (X)	FREQUENCY (F)	(XF)
1% - 20%	10.5	0	0
21% - 40%	30.5	0	0
41% - 60%	50.5	8	404
61% - 80%	70.5	4	282
81% - 100%	90.5	1	90.5
		13	776.5

Table 9

Of the 13 respondent banks in Tier III none of the banks scored within the range 1% - 20% nor within the range 21% - 40%. 8 banks scored within 41% -60%, 4 banks scored within the range 61% - 80% and 1 bank scored within the range 81% - 100%.

The average score for banks in Tier III as learning organisations was determined as 59.73% (776.5/13).

The mean deviation from the mean score of 59.73% attained by Tier III banks would be provided as follows.

CLASS INTERVAL	MID – POINT (X)	FREQUENCY (F)	(X-A)	F(X-A)
1 – 20	10.5	0	-49.23	0
21 – 40	30.5	0	-29.23	0
41 – 60	50.5	8	-9.23	73.84
61 – 80	70.5	4	10.77	43.08
81 – 100	90.5	1	30.77	30.77
		13		147.69

Table 10

The mean deviation for the respondent banks in Tier III is 11.36% (147.69/13)

4.5 Determining the relationship between the practice of the learning organisation and its relationship to organisational performance.

The second objective of this research study was to determine the relationship between the practice of the learning organisation and organisational performance.

To achieve this particular purpose the key performance indicator used in this particular research study was the Efficiency Ratios for the year 2008 of the different respondent banks as given in The Banking Survey 2009. The efficiency ratio is determined by considering total organisational costs as a proportion of total income.

The higher the efficiency ratio is the more inefficient the institution.

4.5.1 Determining overall mean efficiency ratio and mean deviation for the respondent banks

CLASS INTERVAL	MID -POINT(x)	FREQUENCY(f)	Xf
1 - 10	5.5	0	0
11 - 20	15.5	0	0
21 - 30	25.5	1	25.5
31 - 40	35.5	1	35.5
41 - 50	45.5	5	227.5
51 - 60	55.5	7	388.5
61 - 70	65.5	6	393
71 - 80	75.5	6	453
81 - 90	85.5	2	171
91 - 100	95.5	0	0
Over 100	105.5	2	211
		30	1905

Table 11

Of the 30 respondent banks only 1 bank had an efficiency ratio between 21% - 30%, 1 between 31% - 40%, 5 between 41% -50%, 7 banks between 51% - 60%, 6 between 61% - 70%, 6 between 71% - 80%, 2 between 81% - 90% and 2 over 100%. The mean efficiency ratio for the 30 respondent banks can be determined as 63.5% (1905/30).

The mean deviation for the 30 respondent banks from the mean efficiency score can be determined as per Table 12 below.

CLASS INTERVAL	MID – POINT (X)	FREQUENCY (F)	(X-A)	F(X-A)
1 – 10	5.5	0	-58	0
11 – 20	15.5	0	-48	0
21 – 30	25.5	1	-38	38
31 – 40	35.5	1	-28	28
41 – 50	45.5	5	-18	90
51 - 60	55.5	7	-8	56
61 - 70	65.5	6	2	12
71 – 80	75.5	6	12	72
81 – 90	85.5	2	22	44
91 – 100	95.5	0	32	0
Over 100		2	42	84
		30		424

Table 12

The mean deviation for the 30 respondent banks is 14.13 (424/30).

4.5.2 Mean efficiency ratio and mean deviation for Tier I banks

CLASS INTERVAL	MID –POINT(x)	FREQUENCY(f)	Xf
1 – 20	10.5	0	0
21 – 40	30.5	1	30.5
41 – 60	50.5	7	353.5
61 – 80	70.5	0	0
81 – 100	90.5	2	181
		10	565

Table 13

Among the 10 respondent banks in Tier I, only one had an efficiency ratio between 21% - 40%, 7 banks had efficiency ratios between 41% - 60%, none had efficiency ratios between 61% - 80% and 2 banks had efficiency ratios between 81% - 100%.

Using table 13 above the mean efficiency ratio for banks in this tier can be determined as 56.5% (565/10).

The mean deviation from the mean efficiency ratio scored by banks in Tier I using table 14 below was determined to be 13.6% (136/10).

CLASS INTERVAL	MID - POINT (X)	FREQUENCY (F)	(X-A)	F(X-A)
1 - 20	10.5	0	-46	0
21 - 40	30.5	1	-26	26
41 - 60	50.5	7	-6	42
61 - 80	70.5	0	14	0
81 - 100	90.5	2	34	68
		10		136

Table 14

4.5.3 Mean efficiency ratio and mean deviation for Tier II banks

CLASS INTERVAL	MID - POINT(x)	FREQUENCY(f)	Xf
1 - 20	10.5	0	0
21 - 40	30.5	1	30.5
41 - 60	50.5	2	101
61 - 80	70.5	3	211.5
81 - 100	90.5	1	90.5
		7	433.5

Table 15

Among the 7 respondent banks in Tier II, only one had an efficiency ratio between 21% - 40%, 2 banks had efficiency ratios between 41% - 60%, 3 banks had efficiency ratios between 61% - 80% and 1 bank had an efficiency ratio between 81% - 100%. Using table 16 above the mean efficiency ratio for banks in this tier can be determined as 61.93% (433.5/7).

The mean deviation from the mean efficiency ratio scored by banks in Tier II using table 16 below was determined to be 15.51% (108.57/7).

CLASS INTERVAL	MID - POINT (X)	FREQUENCY (F)	(X-A)	F(X-A)
1 - 20	10.5	0	-51.43	0
21 - 40	30.5	1	-31.43	31.43
41 - 60	50.5	2	-11.43	22.86
61 - 80	70.5	3	8.57	25.71
81 - 100	90.5	1	28.57	28.57
		7		108.57

Table 16

4.5.4 Mean efficiency ratio and mean deviation for Tier III banks

CLASS INTERVAL	MID -POINT(x)	FREQUENCY(f)	Xf
1 – 20	10.5	0	0
21 – 40	30.5	0	0
41 – 60	50.5	3	151.5
61 – 80	70.5	7	493.5
81 – 100	90.5	1	90.5
Over 100	110.5	2	221
		13	956.5

Table 17

Among the 13 respondent banks in Tier III, 3 banks had efficiency ratios between 41% - 60%, 7 had efficiency ratios between 61% - 80% and 1 bank had efficiency ratios between 81% - 100% and 2 banks had efficiency ratios of over 100%. Using table 18 above the mean efficiency ratio for banks in this tier can be determined as 73.58% (565/10).

The mean deviation from the mean efficiency ratio scored by banks in Tier III using table 18 below was determined to be 13.97% (181.56/13).

CLASS INTERVAL	MID - POINT (X)	FREQUENCY (F)	(X-A)	F(X-A)
1 – 20	10.5	0	-63.08	0
21 – 40	30.5	0	-43.08	0
41 – 60	50.5	3	-23.08	69.24
61 – 80	70.5	7	-3.08	21.56
81 – 100	90.5	1	16.92	16.92
Over 100	110.5	2	36.92	73.84
		13		181.56

Table 18

4.5.5 Graphical representation of mean scores on the practice of the learning organisation and efficiency ratios

Having determined the mean scores for the banks as learning organisations and their mean efficiency ratios as shown in table 20 below, these figures can then be used to develop a graphical representation of the two variables as shown in Figure 8 below.

	Tier I	Tier II	Tier III	Total Banks
Mean score as a Learning Org.	62.5%	59.07%	59.73%	60.17%
Mean Efficiency Ratio	56.5%	61.93%	73.58%	63.5%

Table 19

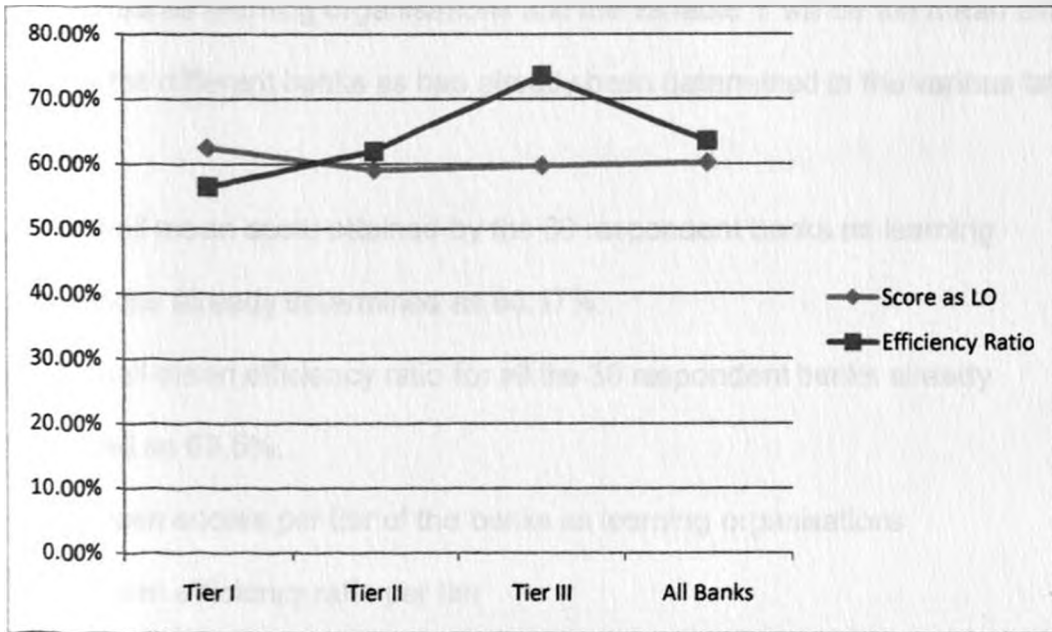


Figure 28 – Relationship btw the learning organization & performance

4.5.6 Using Pearsons Correlation Co-efficient to show the relationship between the practice of the learning organisation and organisational performance.

This is a statistical technique that is used to describe the degree to which one variable is related to another. The Pearson's product moment correlation coefficient is a pure number without units or dimensions and has a numerical value between +1 and -1. Positive values are indicative of a direct or positive correlation between the two variables, where if X increases then Y also increases and vice versa, meaning that the variables move in a similar direction. Negative values represent an inverse correlation meaning that an increase in X will result in a decrease in the variable Y and vice versa, the variables move in opposing directions. A zero correlation on the other hand means there is no association between the two variables.

For the purpose of this research study, variable X will be the mean scores attained by the banks as learning organisations and the variable Y will be the mean efficiency ratios for the different banks as has already been determined in the various tables above.

XA = overall mean score attained by the 30 respondent banks as learning organisations already determined as 60.17%.

YA = overall mean efficiency ratio for all the 30 respondent banks already determined as 63.5%.

X = the mean scores per tier of the banks as learning organisations

Y = the mean efficiency ratio per tier

X	Y	X=X-XA	Y=Y-YA	X ²	Y ²	XY
62.5	56.5	2.33	-7	5.4289	49	-16.31
59.07	61.93	-1.1	-1.57	1.21	2.4649	1.727
59.73	73.58	-0.44	10.08	0.1936	101.6064	-4.4352
Total				6.8325	153.0713	-19.0182

Table 21

To determine the correlation coefficient from Table 21, $r = \text{sum of } XY / (\text{square root of the sum of } X^2) \times (\text{square root of the sum of } Y^2)$.

$$r = -19.0182 / (\text{square root of } 6.8325) \times (\text{square root of } 153.0713)$$

$$= -19.0182 / (2.613 \times 12.3722)$$

$$= -19.0182 / 32.3285586$$

$$= -0.588278625$$

$$= -0.588$$

Given that the correlation coefficient between the practice of the learning organisation and organisational performance is -0.588, the relationship between the two variables is a negative or inverse relationship, meaning that the more an organisation adopts the practices and tenets of a learning organisation the more efficient it will become, represented by the decrease in the efficiency ratio in terms of organisational performance.

CHAPTER FIVE: DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the findings of the study and based on the findings makes conclusions and recommendations on the practice of the learning organisation and its relationship to organisational performance among Kenyan commercial banks. The chapter is organised into the following sections, namely a summary of the study, a discussion of the findings, conclusions and recommendations under each of the specific objectives and finally recommendations for further research.

5.2 Summary

The purpose of the study was to examine Kenyan commercial banks as learning organisations. The study was guided by the following specific objectives:

- 1) To establish the extent of the practice of the learning organisation within the Kenyan commercial banking sector.
- 2) To determine the relationship between the practice of the learning organisation and organisational performance.

The research design adopted for this particular study was a descriptive research design based on the survey questionnaire technique. This was a census survey comprising all 43 banks licensed to operate in Kenya under the Banking Act. The sample frame was the listing of all commercial banks as provided in the Central Bank of Kenya website. The 43 banks were further divided into 3 tiers based on profitability for the year 2008 as provided in the Banking Survey 2009.

The data used in the study was both primary and secondary. The primary data was collected using a structured questionnaire. The questionnaire was designed to cover the specific research objectives. Secondary data about the banks in terms of

organisational performance was obtained from the Banking Survey 2009. Data collected in the study was analysed using descriptive statistics in terms of frequency and percentage tabulations, cross tabulations and pearsons correlation coefficient to determine the relationship between the practice of the learning organisation and organisational performance. Statistical Package for Social Scientists (SSPS) was used to analyse the data. The data was presented in the form of charts, graphs and tables.

5.3 Discussion of Findings

5.3.1 The extent of the practice of the learning organisation among Kenyan commercial banks.

Garvin, Edmonson & Gino (2007) proposed that creating a learning organisation involves three basic blocks namely a supportive environment, concrete learning processes and a leadership that reinforces learning. The purpose of this study was to determine to what extent Kenyan commercial banks reflect these practices of the learning organisation. To do this, the 11 point diagnostic jigsaw developed by Pedlar, Burgoyne and Boydell (1991,1997), which provides 11 basic practices of the learning organisation was used to develop a questionnaire that aimed at identifying each of these practices among the Kenyan commercial banks.

The study established that most Kenyan commercial banks have to a large extent adopted the practices of the learning organisation. A large percentage of the respondents agreed that their organisations had adopted in one way or another, the practices of the learning organisation. Some practices had been adopted more than others or are more widely practiced than others. The practices most adopted were the development of information systems designed to inform and empower, formative accounting and control, learning approach to strategy, participative policy making,

reward flexibility and a supportive leadership. The practices least adopted were those of developing enabling structures, creating a learning climate and boundary workers as environmental scanners. What becomes clear from these findings is that more importance is attached to certain practices than to others, hence the reason why some practices are more widely practiced than others.

It can be argued that this is based on the belief that some practices are viewed as more important towards improving overall organisational performance, especially in the short term. For example strategy development is a critical area for Kenyan commercial banks given the competitive environment within which they work. It is important that they clearly define their strategy objectives and they must also learn to be flexible in view of the changes taking place within the sector. Another area of great importance to commercial banks within the Kenya is that of technological development, hence the focus on developing information systems that promote and improve bank performance so that better, more efficient services are provided to the customer.

The study established that less emphasis is placed on practices such as creating a learning climate or the development of enabling structures. The development of enabling structures is simply about having roles and careers flexibility structured to allow for experimentation, growth and adaptation. The reason why these practices are not that highly rated within the Kenyan commercial banking sector may reside in the fact that there is little room for experimentation in this highly competitive environment. Only those ideas that have been tried and tested before are readily adopted because most institutions do not want to make mistakes as these are viewed as extremely expensive. It would seem that employee development is not a priority area for Kenyan commercial banks at the present moment.

On the nature of leadership within Kenyan commercial banks, most respondents agreed that their leaders supported the development of the different aspects of the learning organisation. In this area it would seem most respondents defined their leadership in the context espoused by Senge (1990). Senge argued that leaders should be three things namely a designer, a steward and a teacher. It was established from the responses received that leadership within the Kenyan commercial banking sector reinforces learning, with organisational leaders demonstrating a willingness to entertain alternative view points, the importance of spending time on problem identification, knowledge transfer and reflection and finally engaging in active questioning and listening.

In the study banks were divided into three tiers namely I, II and III on the basis of their profit performance for the year 2008 as given in the Banking survey 2009. Tier I banks were better rated as learning organisation as they had taken more concrete steps towards becoming learning organisations. Tier II and III banks interestingly were rated more or less at the same levels as learning organisations with Tier III banks attaining a marginally higher score than Tier II banks as learning organisations. This would suggest that Tier I banks have taken more concrete steps towards becoming learning organisations than the banks in Tier II and III.

5.3.2 Determining the relationship between the practice of the learning organisation and performance.

A second objective of the study was to determine if there is indeed a relationship between the practice of the learning organisation and organisational performance. The key performance indicator used in this particular study was the efficiency ratios based on the performance for the year 2008, of each of the 30 respondent banks as given in the Banking Survey 2009. The efficiency ratio is determined by considering

total organisational costs as a proportion of total income. The higher the ratio the less efficient the organisation in terms of cost management vis – a – vis income. In the study the mean efficiency ratio per Tier was established and this compared against the mean rating received by each tier as a learning organisation. These figures were then used to determine the relationship between the two variables using the pearson correlation coefficient.

Tier I banks had a mean efficiency ratio of 56.5% and rating of 62.5% as learning organisations, Tier II banks had a mean efficiency ratio 61.93% and a rating of 59.07% as learning organisations and Tier III banks had a mean efficiency ratio of 73.58% against a mean rating of 59.73% as learning organisations. Using pearsons correlation coefficient it was dertermined that the correlation coefficient between the practice of the learning organisation and organisational performance is -0.588. This simply means that there is an inverse relationship between the practice of a learning organisation and organisational performance. The higher the score attained as a learning organisation the lower the efficiency ratio should be depicting a more efficient institution.

Based on these findings, Tier I banks conformed to the rule because they had the lowest efficiency ratio score and the highest rating as learning organisations.

Interestingly, as per the findings Tier II banks scored the lowest as learning organisations yet they had a lower efficiency rating than Tier III banks. This would suggest that there are other factors that have to be taken into account to determine and explain this disparity.

5.4 Conclusions and Recommendations

The study established without a doubt that Kenyan commercial banks have to a large extent adopted the practices of the learning organisation. The mean score for

all banks in all tiers with respect to the practice of the learning organisation was determined as 60.17%. It was also established that some practices are more prevalent than others, with practices such as learning approach to strategy development, participative policy making and formative accounting and control being prevalent in most of the institutions, with practices such as boundary workers as environmental scanners, the development of a learning climate and enabling structures receiving less prominence within the same institutions. The reasons for this could lie simply in the supposition that certain practices are currently considered as being more important in terms of improving organisational performance in the short term.

The researcher recommends that it is important that all practices be accorded the same level of importance as they all have a substantial impact on organisational performance in the long term. One of the disciplines espoused by Senge (1990) was that of systems thinking. He argued that system thinking is essential for the development of an effective learning organisation. It refers to the ability to comprehend and address the whole and to examine the interrelationships between parts. From the study we note that there is a tendency among Kenyan commercial banks to focus on certain aspects of the learning organisation instead of seeing the whole and focusing on the organisation as a dynamic entity. Kenyan commercial banks should adopt a longer term view and focus on seeing the larger picture, understand the complex inter-relationships rather than linear cause-effect chains and see processes of change as a whole rather than snapshots, if they are to become more effective organisations.

Within any organisation, leadership is key to creating a successful institution. The study established that most respondent banks had a very favourable view on the

nature of leadership within their institutions. Most respondents believed their leadership to be forward thinking and committed to developing their institutions as centres of excellence. The researcher commends the leadership of these banks for having attained the positive approval ratings and would recommend that they focus on giving equal weight and importance to all practices of the learning organisation. It is especially important that they focus on those practices within their organisation on which they have lagged behind such as intercompany learning and exchange, the development of a learning climate, the creation of enabling structures and improve on those on which they have taken some decent steps such as internal exchange or team work and self –development opportunities for all.

The study with regard to its second research objective determined that there is indeed a relationship between the practice of the learning organisation and organisational performance. It was determined that there is an inverse relationship between these two variables. The more an institution practices the basic tenets of the learning organisation the more efficient it will become. Tier I banks best explained this relationship between the practice of the learning organisation and organisational performance. Tier II and III banks represented a deviation from this particular rule and this could probably mean that for the banks in this tier other factors may have come into play and these would have to be studied further.

For the purposes of this study, the key performance indicator used was the efficiency ratio in which total organisational costs are represented as a proportion of total income. The performance of an organisation is not just about profits and the researcher therefore recommends that alternative measures could be used that do not necessarily focus solely on business outcomes. Perhaps if other measures of organisational performance had been taken into account then the disparity witnessed

in this study between Tier II and Tier III banks in terms of rating as learning organisations and performance would not have arisen.

Learning has become a way of life for world class organisations. The organisations that will survive in the rapidly changing global business environment are those that embrace the learning process and consistently create new knowledge and disseminate it throughout the organisation in order to embody it in their technologies, products and services. To compete on the global scale, Kenyan commercial banks must take more systematic, definite and concrete steps towards adopting a learning culture as it is only those companies that embrace change and adapt learning cultures that will survive the onslaught of competitive forces in the global market.

5.5 Suggestions for further research

This study aimed at finding out to what extent Kenyan commercial banks can be defined as learning organisations and the relationship between the practice of the learning organisation and performance. The study established that Kenyan banks to a large extent practiced the basic tenets of the learning organisation. The research proposes that a further area for study would be whether these practices were adopted as part of systematic strategy to develop the banks as learning organisations or whether they are simply practices that have been adopted on an adhoc basis for purposes of expediency and organisational survival.

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Appendix 1 – Peer Ranking Of Banks

Source: The Banking Survey 2009

RANKING

2008 TIER I BANKS

- 1 Citibank
- 2 Equity bank
- 3 Standard Chartered Bank
- 4 Commercial Bank of Kenya
- 5 Barclays Bank of Kenya
- 6 NIC Bank
- 7 Kenya Commercial Bank
- 8 National Bank of Kenya
- 9 Diamond Trust Bank
- 10 Co-operative Bank of Kenya
- 11 CFC Stanbic Bank

2008 TIER II BANKS

- 1 Bank of India
- 2 Family Bank
- 3 Bank of Baroda
- 4 I & M Bank
- 5 Imperial Bank
- 6 Chase Bank
- 7 Prime Bank
- 8 HFCK
- 9 Bank of Africa
- 10 Fina Bank
- 11 Ecobank

2008 TIER III BANKS

- 1 Victoria Commercial Bank
- 2 Habib Bank Ltd
- 3 Habib A.G. Zurich
- 4 Gulf African Bank
- 5 ABC Bank
- 6 Trans-national Bank
- 7 Credit Bank
- 8 Development Bank of Kenya
- 9 City Finance Bank
- 10 First Community Bank
- 11 Oriental Commercial Bank
- 12 Dubai Bank
- 13 Giro Commercial Bank
- 14 Guardia Bank
- 15 Equatorial Commercial Bank
- 16 Fidelity Commercial Bank
- 17 Consolidated Bank
- 18 Middle East Bank
- 19 K-Rep Bank
- 20 Paramount Universal Bank
- 21 Southern Credit Bank

Appendix 2 – Letter to respondent

Edith A Omolo

P.O. Box 47387 00100

Nairobi

15/07/2009

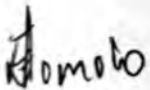
Dear Sir/Madam,

RE: LETTER TO RESPONDENT

I am a Masters student at the University of Nairobi pursuing an MBA degree in Human Resource Management. In partial fulfilment for the award of the Masters in Human Resource Management, I am conducting a research on the practice of the learning organisation and its relationship to performance within the Kenyan Commercial Banking Sector.

I would be grateful if you could please provide the information sought by the questionnaire provided. Your response will be treated in strict confidence and this research is carried out for academic purposes only.

Yours faithfully,



Edith Omolo

Appendix 3: Questionnaire

Organisation _____ Date _____

Determining characteristics

1. Staff are rewarded for the contribution they make to the organisations learning eg through positive feedback, time off for study, employee recognition.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

2. The organisation uses systematic procedures for the regular monitoring, review and evaluation of all its projects and programmes.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

3. All staff who have dealings with the outside world are expected to gather and share relevant information with others in the organisation.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

4. Information flows freely throughout the organisation, crossing teams, sections and divisions without hindrance.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

5. Learning from experience is seen as the responsibility of everyone and is not left to specialist units or senior managers.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

6. The organisation has mechanisms for remembering the experience of its current and previous work through the development of easily accessible databases, resource/information centres and data retrieval systems.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

7. The development of strategy is deliberately organised as a learning process, with feedback loops incorporated to enable continuous improvement in the light of experience.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

8. The organisation systematically uses its learning to improve its own practice and influence the policy and practice of other banks in Kenya.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

9. The organisation writes up and publishes its experiences for a wider readership without using unnecessary technical jargon.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

10. Policy making involves people at most levels in the organisation, according to what they can contribute to the process and not simply their status with the organisation.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

11. All written reports and key documents are cross referenced and made easily accessible to all staff.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

12. Monitoring and evaluation reports and mission reports are routinely analysed to identify what has been learned from the work and what lessons could be applied in the future.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

13. The organisation has a wide range of mechanisms for sharing experience between staff in different teams, sections, departments and locations.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

14. The organisation enters into open cooperation with other Kenyan banks to share and encourage mutual learning from each others experience.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

15. The organisation has enough built in 'spare capacity' to allow staff to take time out from their daily operational responsibilities to reflect on their work experience and learn lessons from it.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

16. Sharing experience and knowledge in the organisation is given high priority, even when time and other resources are limited.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

17. Managers at all levels create a climate which encourages experimentation, and acknowledge that mistakes are an inevitable part of it.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

18. The organisation creates and encourages formal and informal opportunities for individuals to share with others the lessons they have learned.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()

d) Agree

e) Strongly agree

19. The organisation encourages its staff to develop a wide range of contacts with other banks and organisations and to actively learn from their experience.

a) Strongly disagree

b) Disagree

c) Agree somewhat

d) Agree

e) Strongly agree

20. It is easy to access information on the lessons learned from other parts of the organisation.

a) Strongly disagree

b) Disagree

c) Agree somewhat

d) Agree

e) Strongly agree

21. The organisation is skilled at converting raw information from internal evaluations and research into useable knowledge.

a) Strongly disagree

b) Disagree

c) Agree somewhat

d) Agree

e) Strongly agree

22. The organisation is not vulnerable to losing its experience when individuals leave, e.g when staff leave they go through a systematically recorded debriefing to ensure that the organisation retains its knowledge.

a) Strongly disagree

b) Disagree

c) Agree somewhat

d) Agree

e) Strongly agree

23. The systems of planning, accounting, budgeting, financial reporting and other management processes are organised to assist learning.

a) Strongly disagree

b) Disagree

c) Agree somewhat

d) Agree

e) Strongly agree

24. The organisation has a strategy for scaling up its impact which reflects the learning it has developed on 'what works' and what does not.

a) Strongly disagree

b) Disagree

c) Agree somewhat

d) Agree

e) Strongly agree

25. The organisation is prepared to change its practices and priorities to reflect new knowledge and insights in its efforts to constantly improve its effectiveness.

a) Strongly disagree

b) Disagree

- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()
26. Learning is built into the organisation through the development of systems, operational procedures and other ways of sharing the lessons gained from the individual's experience.
- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()
27. The organisation has a systematic database of all its projects and programme work which can enable staff and others outside the organisation to identify where expertise resides.
- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()
28. Staff are encouraged to share information using electronic media such as the internet, intranet, bulletin boards etc.
- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()
29. Staff are encouraged to visit other organisations, not necessarily other Kenyan banks, and are expected to write up and share what they have learned from their visit.
- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()
30. Individuals, groups and sections view each other as working partners and constantly strive to find out and meet each others' expectations and needs.
- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()
31. Resources and facilities for individual development are made available to all members of the organisation.
- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

32. People feel free to enquire about and challenge each others' (and their own) underlying assumptions and biases.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

33. People at all levels of the organisation are expected and encouraged to draw lessons from their work and to feed this learning to other parts of the organisation.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

34. The organisation is linked to a wide range of networks and uses its contacts with other agencies to gather useful knowledge and skills.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

35. Staff are skilled at making their personal knowledge and wisdom available to others.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

36. The organisation uses a continuous improvement approach when analysing the knowledge and experience gained from its practice.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

37. The information function/library is given sufficient prominence and is resourced adequately to enable the organisation to keep its information and records up to date.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

38. The learning gained by one part of the organisation is quickly made available to others even if it appears of little immediate relevance.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

39. The organisation is constantly building its capacity and innovating, based on what it has learned.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

Leadership

40. Managers invite input from others in discussions

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

41. Managers readily acknowledge their limitations with respect to knowledge, information and expertise.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

42. Managers take the time to ask probing questions

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

43. Managers listen attentively to organisational members

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

44. Managers within the organisation encourage multiple points of view.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

45. Managers establish forums for and provide time and resources for identifying problems and organisational challenges.

- a) Strongly disagree ()
- b) Disagree ()
- c) Agree somewhat ()
- d) Agree ()
- e) Strongly agree ()

46. Managers establish forums for and provide time and resources for reflecting and improving on past performance.

- a) Strongly disagree ()
- b) Disagree ()

- c) Agree somewhat ()
 - d) Agree ()
 - e) Strongly agree ()
47. Managers criticise views different from their own.
- a) Strongly disagree ()
 - b) Disagree ()
 - c) Agree somewhat ()
 - d) Agree ()
 - e) Strongly agree ()

NB The questionnaire has been adopted from various sources

- 1. 'The learning NGO', Bruce Britton (1998)**
- 2. 'Learning organisation survey', Gavin, Edmonson, & Gino (2007)**
- 3. 'Dimensions of the learning organisation', Watkins & Marsick (1999)**