THE ROLE OF ORGANISATIONAL LEARNING IN ORGANISATIONAL STRATEGY AT INDUSTRIAL DEVELOPMENT BANK CAPITAL LIMITED, KENYA

BY

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DECLARATION

This is my original work and has not been submitted for examination purposes in any other university.

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DEDICATION

To my precious son Master Prince Wilson Were, for giving me a new purpose for living and a renewed zeal to complete my MBA study.

ABSTRACT

The need for institutionalising organisational learning as a strategic tool cannot be ignored. In the journey of organisational transformation, the critical challenge lies in evolving a performing organisation so that the business deliverables can contribute to the operative efficiency of the organisation. Measuring organisational success and implementing effective strategies for future success represent continuous challenges for managers, researchers and consultants.

The continuous need to improve performance of the public sector corporations of which Industrial Development Bank (IDB) Capital Ltd is one of them remains a major challenge. This is in light of scarce resources, competition, and raising public expectations. The increased pressure for performance driven reforms has been brought about by the need for good governance, public accountability, and to address the varied interests of the public and multiple stakeholders. Organisational learning outcomes contribute to the development of a firm's resource-based capability.

In spite of the efforts being made by IDB Capital Limited to boost organisational learning so as to better the overall organisational performance, minimal growth in the business and in personal development of staff has been reflected. This is evidenced in the overall organisational performance trends for IDB Capital Limited which has been declining. The research aims at establishing the factors that have affected the organisational learning so as to lead to a decline. This was with a view to improving organisational learning which may in turn enable the organisation to reverse the current trend. This study aimed at examining the role of knowledge management in organisational learning. The objective of the study was mainly to assess the role of organisational learning on organisational strategy.

The study was carried out through a case study. Primary data was collected by way of personal in depth interviews with members of staff at different levels of the organisation. It was analyzed using the pattern and content analysis technique.

The study findings are that organisational learning outcomes contribute to the development of a firm's resource-based capability, as a basic principle of human resource management. Organisational learning enables companies to understand the environment in which they operate and to respond by developing distinct practices, policies and structures to meet the external challenges and thus improve flexibility to market dynamics.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategy has been defined by various scholars differently. The several definitions of strategy include: strategy as a game plan, commercial logic, competitive battle, and direction and scope. The definition of strategy by Johnson & Scholes (2002) as "The direction and scope of an organisation over the long term, which achieves advantage for the organisation through its configuration of resources within a changing environment to meet the needs of markets and fulfill stakeholder expectation", offers a more complete version which includes the key aspects of strategy, i.e. direction, long term nature and business objectives. Mintzberg (1987) on the other hand has defined strategy as a plan, ploy, pattern, position and perspective.

Thus, strategy is a unifying theme that gives coherence and direction to the actions and decisions of an organisation, guiding the organisation to superior performance by establishing competitive advantage. Strategy must match the external environment and internal capability of the organisation thus the need for performance measurement (Porter, 1985; Mintzberg, 1987).

1.1.1 Organisational Learning

The need for institutionalizing organisational learning (OL) as a strategic tool cannot be ignored. In the journey of organisational transformation, the critical challenge lies in evolving a performing organisation so that the business deliverables can contribute to the operative efficiency of the organisation (Meyer, 2002). Measuring organisational success and implementing effective strategies for future success represent continuous challenges for managers, researchers and consultants (Chan, 2004).

Organisations across the world are exposed to a dynamic and competitive environment characterised by globalisation, mergers, acquisitions and consolidations. Challenges of globalisation and environmental turbulence have inevitably required companies to change their growth strategies to suit the business environment. According to Chandler (1962), changes in an organisation's strategy lead to new administrative problems and economic inefficiencies which require new or refashioned structures for the successful implementation of the new strategy. He argues that organisational structure follows and reflects the growth strategy of the firm in order to most effectively administer the allocation of resources necessary to achieve its long-term goals. Not surprisingly, the chances that an organisations strategy will succeed are far greater when its structure matches its strategy.

Organisational learning can be defined as a dynamic process of creation, acquisition and integration of knowledge aimed at the development of resources and capabilities that contribute to better organisational performance Danton, (1998). According to Tsang, (1997) organisational learning is concerned with improving the behavior and capability of individuals so that they can more effectively respond to its environment. These definitions emphasize the need for organisations to change and adapt, the need to continuously analyze the external environment, and that learning must result in a change in the organisations behaviour or action patterns.

The factors that have spurred the interest of OL include: shift in the relative importance of the factors of production away from capital towards labor, particularly intellectual labor; the increasing acceptance of knowledge as prime source of competitive advantage; the increasingly rapid change in the business environment ; increasing dissatisfaction among managers and employees with the tradition,

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command and control management paradigm; increasing competitive nature of global business; and the greater demands placed on all businesses by their customers (Danton, 1998). OL establishes a link between the organisation and the environment that encourages proactive rather than reactive behavior (Danton, 1998).

1.1.2 Organisational Strategy

Johnson and Scholes (2002) view strategy as the management's game plan for growing organisations, stocking out a market position, attracting and pleasing clients, competing successfully, conducting operations and achieving targeted objectives. The strategy an organisation implements is an attempt to match the skills and resources of the organisation to opportunities found in the external environment, (Bateman and Zeithaml, 1993). Aosa (1992) observes that lack of compatibility between strategy and culture can lead to high organisation resistance to change and de-motivation, which can in turn frustrate strategy implementation.

Factors that influence group learning are explored by McConnell and Zhao (2004). In their study, they designed a diagram to show group learning by integrating factors together. The first step was group planning. The planner has to be very clear about the learning task and the objectives. The learning community has elements that must be considered such as "creativity, norms, belief, and status"(p.7). Factors that must be considered include "interaction, communication, negotiation, skills, strategies, feedback, leader, role play, brainstorming, and motivation" (p.7).Lastly in evaluation, "performance, effectiveness, outcomes, contributions, history, experiences, and productivity must be considered". (p.7).

A European study showed that lack of motivation, extra work, unclear roles, lack of confidence, perception of role, insufficient learning culture, lack of innovation, lack of time, and lack of resources negatively impacted organisational learning (Sambrook & Stewart, 2000). From the positive perspective, motivation, enthusiasm, involvement, clarity and understanding of role, increased responsibility, perception as a strategic partner, a developed learning culture, senior management support, organisation re-structure, job redesign, and investment in human resources, and the learning environment made a significant difference in organisational culture.

Organisations must lay strategies on their continual survival, as it is the basic premise for becoming a learning organisation. Ortenblad (2002) says, "according to the critical literature most or all organisational learning theorists indicate that survival is an important object for learning" (p. 95). In order for an organisation to exist long term, it must learn more than just new bits of knowledge, it must learn consistently over time for this is a learning organisation.

Within an organisation, individuals, groups, departments, or functions, may all hold very different perspectives of time and the implications time horizons hold for the necessity of learning. Therefore, it is important that the top leadership of the organisation clearly determine the time orientation for the organisation as a whole, such that decision-making and learning take place in a manner consistent with the organisation-wide time orientation and perspective. (Weber & Berthoin Antal, 2003).

1.1.3 Financial Services Sector

The financial services sector has grown considerably in importance throughout the 1990s, increasing its value contribution to the economy from KSh7,069 million in

1991 to KSh9,843 million in 1996. In terms of GDP contribution, the financial sector accounted for 8.2 percent of GDP in 1991 and 10.1 percent in 1996. In the same year, approximately 81,000 Kenyans worked in the financial sector.

As of the beginning of 1998, the highly diversified financial sector in Kenya consisted of the Central Bank of Kenya, 53 domestic-and foreign-owned commercial banks, 15 non-bank financial institutions, 2 mortgage finance companies, 4 building societies, and numerous insurance companies and other specialized financial institutions. The banking sector is dominated by 4 large banks, which aggregately control 50 percent of all bank assets and 52 percent of bank deposits. The largest bank, the state-owned Kenya Commercial Bank, accounts for 17 percent of bank assets and 18 percent of bank deposits. The multinational Barclays Bank, with 16 percent of bank assets and 15 percent of bank deposits, is next in line, followed by the state-owned National Bank of Kenya and the multinational Standard Chartered Bank, each respectively boasting 8 percent of bank assets and 9 percent of bank deposits.

The Nairobi Stock Exchange, which handles 54 listed firms, was established in 1954. In January 1995, the stock market, including stock-brokerage, was opened up for foreign direct participation, although there is a 40 percent limit on foreign ownership. Market capitalization has recently manifested considerable growth, increasing from US$1.89 billion in 1995 to US$2.08 billion in 1998.

IDB Capital Limited then known as Industrial Development Bank Limited is a limited liability company registered under the provisions of the Companies Act 486 Laws of Kenya in January 1973 with core business being to provide development financing for Kenya's industrialisation. The main objective of IDB Capital Limited at inception as

contained in its memorandum and Articles of Association was to promote industrial development through the provision of equity and quasi equity, medium to long-term loans, debt instruments and management of loans on an agency basis. The original mandate which broadly provides for the provision of development financing is encapsulated in organisation's vision and mission. Since its establishment, the bank has continued to operate and provide finances to various sectors in the country which include but not limited to manufacturing, hospitality, transport and education.

1.2 Research Problem

The continuous need to improve performance of the public sector corporations of which IDB Capital Limited is one of them remains a major challenge (DPM, 2006). This is in the light of scarce resources, competition, and raising public expectations. The increased pressure for performance driven reforms has been brought about by the need for good governance, public accountability, and to address the varied interests of the public and multiple stakeholders. These concerns have necessitated the government to introduce comprehensive reforms such as performance contracting to promote efficiency and productivity by measuring performance (DPM, 2006).

According to Armstrong, (2006) Organisational learning outcomes contribute to the development of a firm's resource-based capability, as a basic principle of human resource management. Organisational learning enables companies to understand the environment in which they operate and to respond by developing distinct practices, policies and structures to meet the external challenges and thus improve flexibility to market dynamics (Burns et al, 2003).

In spite of the efforts being made by IDB Capital Limited to boost organisational learning so as to better the overall organisational performance, minimal growth in the

business and in personal development of staff has been reflected. This is evidenced in the overall organisational performance trends for IDB Capital Limited which has been declining as from the year 2006 to 2008 respectively and can be attributed to various reasons (IDB, 2009). The research aims at establishing the factors that have affected the organisational learning so as to lead to a decline. This was with a view to improving organisational learning which may in turn enable the organisation to reverse the current trend. This study aimed at examining the role of knowledge management in organisational learning at IDB Capital Limited."

1.2.1 Research Gaps

Most of the empirical literature on organisation learning has been based on developed and emerging economies such as USA, UK, China, India and South Korea, yet in recent years the issue of the effect of organisation learning on firms has been no less important in developed economies (Gupta et al. 2006). Although the scope of knowledge management is very broad and the design of a knowledge strategy needs to be highly contextual if it is to generate organisational value (McKenzie and van Winkelen 2004) learning is a necessary element of any knowledge strategy. For example, the business and industry context determine the dynamic balance an organisation needs to establish between exploiting existing knowledge to improve organisational efficiency, and exploring new knowledge domains to improve effectiveness (Gupta et al. 2006). However, both knowledge exploitation and the development of new knowledge rely on the capability of an organisation to learn from its own actions and from the environment in which it is operating.

In Kenya, Atiti (2006) explored organisational learning and change for sustainability in a Kenyan context. The study was however limited to the National Museums of

Kenya and concluded that performance sustainability required organisation learning to take place. These cited studies show that little research has been done in the public sector. In addition, the above studies also show that organisation learning can lead to both improved and unimproved performance. This could be attributed to other external factors other such as culture, monopolistic nature of the company or favorable or unfavorable economic trends within the industry, and the time frame factors.

1.3 Research Objective

The objective of the study was to assess the role of organisational learning on organisational strategy at Industrial Development Bank Capital Limited, Kenya.

1.4 Value of the Study

To the researchers and academicians, this research will provide an insight and understanding of the organisational learning practices adopted by the public sector financial institutions and the factors affecting organisational learning. The research will also provide information on how learning has influenced implementation of reforms in government agencies. The research will provide an opportunity for researchers to investigate the effectiveness of the learning models adopted by parastatals. In so doing they can develop and arrive at new and more considered ways of learning to deal with parastatal challenges. This will be vital for future reference and will contribute to the available body of knowledge.

The study will aid policy makers who include: State Corporation Advisory Board, Inspectorate of State Corporations, and Board of Governors in the Public Sector to improve the policy making capacity and also apply innovation in policy crafting and

implementation in areas of: training and capacity building, financial management, performance management, and pay /benefits.

To academicians the study will add to the existing body of knowledge on organisational learning and its effect on strategy. It will form a fundamental base upon which further research into the field will be based as it will act as both reading and secondary source material.

CHAPTER TWO: LITERATURE REVIEW

Introduction

Chapter two seeks to review existing literature on organisational learning outlining studies already carried out and the research gaps that exist. It is organised around the learning culture, role of knowledge management, the effect of individual learning to organisational learning and the effect of organisational strategy on organisational learning.

2.1 Concept of Learning in Organisations

The idea of organisational learning has been present in the management literature for decades, but it has only become widely recognized since around 1990 (Easterby-Smith and Luis Araujo, 1999:1).

The application of learning at the organisational level was primarily conditioned as a collectivity of individual learning, training, and development. The process of individual learning has a significant impact on the concept and practices of organisational learning. Learning starts from individuals. A learning organisation is founded, and with noisy and loss-prone information channels connecting them on the learning process of individuals in the organisation (Senge, 1990). The concept of organisational learning has evolved to capture various aspects of management. In order to understand the concept of organisational learning, five perspectives or focuses have been identified. These are: focus on collectivity of individual learning; process or system; culture or metaphor; knowledge management; and continuous improvement (Wang and Ahmed, 2003).

The connection between individual learning and organisational learning is demonstrated in the knowledge creation spiral proposed by Nonaka (1991). In this, organisational knowledge is created through the conversion of the experience and intuitive knowledge of individuals into articulated and recordable knowledge, with group and organisational processes progressively refining, testing, integrating and institutionalizing it (Crossan et al 1999). However knowledge management initiatives seeking to improve organisational learning will inevitably need to encompass aspects of individual learning too.

In the information processing perspective, learning by individuals is viewed as an attempt to make increasingly accurate representations of the world. The environment is accepted as available to everyone to understand in the same way and learning efforts are focused on collecting and assimilating information about the environment in order to understand it better. New information is compared with previously acquired mental models and frames of reference and efforts are made to adjust internal models of the world closer to an actual reality. Achieving a more accurate representation of reality is achieved by collecting more data (Schramm 2002, Burgoyne 2002).

The viewpoint of organisations as an open system takes into account the situational factors and includes inter-organisational learning as an important part of the whole organisational learning system. Knowledge is acquired widely both within and outside of the organisation. The open system viewpoint reflects the contingency approach to organisational management and some practices from the new organisational paradigms (Wang and Ahmed, 2003).

Knowledge management is the planned combination of management awareness, attitudes and practices, systems, tools and techniques designed to release the power of knowledge within the organisation. Organisational knowledge creation is a process that organisationally amplifies knowledge created by individuals and crystallizes it as part of the knowledge assets of the organisation (Nonaka and Takeuchi, 1995).

Organisational knowledge is stored partly into individuals in the form of experience, skills and personal capability, and partly into the organisation, in the form of documents, records, rules, regulations and standards (Weick and Roberts, 1993). Part of the knowledge between an organisation and individuals is contemporary and part of it incongruent to each other's belief systems. Organisational memory maintains the organisational knowledge-base, acts as the foundation of knowledge accumulation and creation, and reflects the absorptive capability of the organisations. In particular, recognizing, formalizing and storing knowledge is only going to be effective if it is linked to a capacity to recall that this stored knowledge exists and could be relevant to a newly (or apparently newly) occurring problem. Management should therefore create a learning environment between individuals and the organisation to facilitate interaction and strengthening of each other's knowledge base (Adler et al, 1999).

Organisational culture is a set of shared philosophies and common fundamental values. Culture guides and shapes the values, behaviors and attitudes of employees. Culture defines how organisations should behave in a given set of circumstances. An organisational culture supportive of learning is one that enables, encourages, values, rewards and uses the learning of its members both individually and collectively (O'Reilly and Chatman, 1996).

Drew and Smith (1995), comments that a learning organisation should be viewed as a metaphor rather than a distinct type of structure, whose employees learn collectively to improve performance of the organisational system. Organisations need to change to a collaborative team culture and focus on the process and involvement of people within the organisation (Mintzberg, 1994). Every member of the organisation must be able to positively contribute.

A learning organisation should consciously and intentionally devote to the facilitation of individual learning in order to continuously transform the entire organisation and its context (Pedler et al, 1991). In this sense, the adoption of Total Quality Management (TQM) is an important stage towards a learning organisation. TQM's main tenets are the pursuit of continuous improvement. Practiced both as a philosophy and a set of techniques, TQM enables organisations to focus on meeting and satisfying customer needs by: improving processes; understanding the internal customer concept; involving each individual employee; implementing organisational wide training and development; and concentrating on improvements in cost, quality and customer satisfaction (Luthans, 1998). It has been argued that TQM and learning organisations are mutually dependent (Ford, 1991). Organisational learning is the intended outcome of TQM, and there is a correlation between process improvement and organisational learning. Continuous improvement is aimed to achieve incremental innovation, therefore a learning organisation dedicates to incremental innovation through effective learning mechanisms (Barrow, 1993).

2.2 Organisational Learning Levels

Researchers have distinguished organisational levels into three levels: individual level, team level and organisational level, Marsick and Watkins (1993).

2.2.1 Individual Level

Individual learning is the change of skills, insights, knowledge, attitudes and values acquired through self study, technology and observation Marquardt, (2004). Researchers such as Argyris and Schon (1978;1996) concentrate mainly on individual learning, stating that the main actor in organisational learning is always the individual, Nonaka (1998) says that the new knowledge begins with the individual.

According to Kolb (1984) new individuals learn from experience which involves the practices of doing, reflecting, connecting and testing in a continuous cycle. In this model, learning starts by: taking action (doing); then reflecting on the outcomes of the action; we then make connections with what we already know and understand then testing those connections with new ideas through further action.

2.2.2 Team Level

Team learning is transforming conversational and collective thinking skills, so that people can reliably develop intelligence and ability greater than the sum of individual member's talents. Team learning is one of the foundations for the learning organisations and unless teams can learn, organisations cannot learn, Senge (1990). Senge (1990) and Argyris (1990) see the need for creative tensions and productive conflicts to encourage dialogue by exploring complex difficult issues form the many points of view (Senge,1990).

Groups learn when they monitor the effectiveness of the process of group interaction, while at the same time focusing on getting the work done (Anders, 2000). Kolb's learning cycle, although developed to explain the learning of an individual, has often been used to explain learning of groups. For groups to have actually learnt something,

they must go through a full cycle, turning their actions and their results into experiences, complete reflection on these experiences (what can be learnt here), develop a plan for new actions, decide on a course of action, and change their actions to the solutions decided on (Anders, 2000).

2.2.3 Organisational Level

All organisations learn, whether they consciously choose to or not, because it is a fundamental requirement for their sustained existence (Kim, 1993). Marsick and Watkins (2003) pointed out that at the organisational level; learning is now a collective experience. For learning at this level, it is necessary to attend to structures and the organisation of work, as well as the culture and processes (Finger & Brand, 1999).

The framework, Four Dimensions of Learning Organisation, by Finger and Brand (1999), addressed the following areas: embedded systems, system connections, empowerment, and provide leadership for learning. For embedded systems, the learning organisation uses two-way communication on a regular basis; enables people to get needed information at any time quickly and easily; maintains an up-to-date database of employee skills; creates systems to measure gaps between current and expected performance; makes its lessons learned available to all employees; and measures the results of the time and resources spent on training.

2.3 Benefits of Organisational Learning

Learning organisations support and are committed to the growth of their people. This leads to members improving their personal skills and qualities. People are appreciated for own skills, values and work. By being aware of their role and importance,

members of the organisation become motivated which encourages creativity and free thinking leading to novel solutions to problems (Lo'pez et al, 2005).

Since continuous and generative learning (learning that enhances capacity to create) is encouraged, people learn skills and acquire knowledge beyond their specific job. This enables them to appreciate to perform other roles and tasks. Flexibility is encouraged which removes barriers associated with rigidity structured companies (Senge et al, 1999).

Within learning organisations and teams in particular, information and knowledge flow around freely. This is because the organisations have created procedures that allow key forms of knowledge to be captured and shared throughout the organisation. Social interaction is also improved leading to high productivity within teams and between teams as they built on each other's strengths (Murray, Donegan, 2003).

There is increased interdependency within these organisations by people leading to improved performance. Interdependency leads to alignment of teams and groups. When teams are aligned a commonality of direction emerges and individuals' energies are harmonized as synergy develops. By knowing about other people's roles, needs and tasks, members can manage their time better and plan their work more efficiently (Senge, 1999).

Traditional hierarchical structures are broken in learning organisations. According to Child (1984), an organisations performance is dependent on matching its structure to the nature of the environment which it operates. Organisational learning enables companies to better understand the nature of the environment in which they operate and to respond quickly by developing distinct practices, policies and structures to

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meet the external challenges and thus improve flexibility to market dynamics (Burns et al, 2003).

Organisational learning enables firms to excel at creating a shared vision amongst its people that fosters commitment. The commitment then focuses their energy hence creating a common identity amongst many diverse people (Senge, 1990). These firms have succeeded in developing of a collective discipline that focuses on mutual purpose. Hence there are shared images of the future the individuals of these firms seek to create, the principles and guiding practices by which they hope to get there.

Organisations relying simply on traditional competence in cost and differential strategy find it increasingly difficult to sustain competitive advantage (Burns, Cooper, West, 2003). Organisational learning firms conform to systems thinking and stress the capacity of problem solving or information-processing, which leads to incremental improvement. These firms create an environment where creativity is enhanced which motivates individuals to continuously generate new ideas. As a result they continuously experience unexpected leaps of creativity and insight (Burns et al, 2003).

A firm's competitive advantage can be increased as a result of competencies that are established from a learning culture (Murray and Donegan, 2003). Superior learning through advanced belief systems underlies the creation of organisational competency. Competencies of a firm are what it can do as a result of resources (people, systems of technology, formal and cultural elements) working together and the complex patterns of coordination between people and these resources that lead to sustainable competitive advantage (Grant, 1991). As firms continue to learn they develop industry specific capabilities or core competencies.

2.4 Factors that Influence Implementing Organisational Learning Practices

2.4.1 Time-Frame

Having a realistic time frame may influence the successful implementation of organisational learning initiatives by a firm. Every successful learning initiative requires key people that must allocate hours to new types of activities: reflection, planning, collaborative work, and training. Organisations must be prepared to spend time investing in people, helping their employees unlearn and relearn new skills to achieve the required competence. Management needs to map out a learning and development plan for the entire organisation but the implementation of each learning initiative should be done stage-by-stage, not through a compressed time-frame (Senge, et al, 1999).

2.4.2 Leadership

According to Fiske and Taylor (1984), there are cognitive structures that are embedded beliefs, values, preferences; and expectations that predetermine managers' perception and interpretation of situations that hinder implementation of learning practices. An organisation needs to have effective leadership to trigger the successful operation of the different levels of learning. A strong participatory approach is key to motivating its members to act, learn and perform as a collective will. This is a case of leading by example and if there is something that a leader needs to unlearn to make room for new skills, he/she must take the initiative to walk the talk. This will further influence more people to learn, leading to productive team learning (Senge et al, 1999).

2.4.3 Organisational Strategy

Organisation learning is challenged if the strategic direction and purpose of the organisation is not well communicated and continuously revitalized (Morgan, 1993). Communicating the strategic direction of the business is one way of fostering shared vision among its members. Once an employee feels involved in the business of the organisation's business operations, he/she will change the mindset to contribute towards the strategic goals. On this basis, the management needs to reconsider the positioning of the organisation's business from time to time. It is a competitive response to the external environment and will necessarily prepare their members adequately to meet changing demands. In turn, employees will be sufficiently motivated to expand their job scope to accept new challenges (Senge et al, 1999).

2.4.4 Learning Culture

People learn best in an innovative environment (Britton, 1999). Lack of an institutionalized learning culture that is supportive of innovativeness can be a challenge in implementing organisational learning in an organisation. Employees should be given the space and time to think up fresh perspectives in the way they do things, produce goods, and solve problems and so on. It is only through the renewal of ideas and a constant exchange of perspectives that people will engage themselves in a generative mode to learn continuously (Senge et al, 1999).

Developing a work culture that values creativity and encourages innovation is imperative to an organisation that desires to learn and produce new ideas or products (Kiely, 1993; Prather, 2000; Sternberg, 2003; Thompson, 2003). Shallcross (1975) says the role of the leader in creating an open environment to new ideas - "in

creativity training is one of providing a climate that is nonjudgmental, of helping each individual to realize personal uniqueness and the uniqueness of others" (p.626). Suh (2002) concurs with the importance of managerial encouragement for the innovative thinking of the worker in the areas of planning, learning, and production.

CHAPTER THREE: RESEARCH METHODOLOGY

Introduction

This section outlines the methodology that was used in carrying out the study. It comprises of research design, population, sampling procedure, data collection and data analysis.

3.1 Research Design

The study was a case study of IDB Capital Limited. A case study was deemed to be the most suitable as this would have the benefit of providing an in depth and thorough investigation on the phenomenon of organisational learning and its effects on performance. The case study was chosen as it would provide qualitative evidence which was of interest to this study.

The study was of qualitative and exploratory nature. It intended to create a deep understanding of factors affecting organisational learning at IDB Capital Limited. Case studies according to (Merriam 1988) are used to study a phenomenon and investigative processes or courses of events in present time, without manipulating the relevant variables. The study therefore employed approaches such as informal discussions with senior level management and middle level management and more formal approaches through in-depth interviews to investigate the various variables of organisational learning.

The target respondents were 10 employees who work in various departments of IDB Capital Limited. The respondents were drawn from all levels as follows: two were drawn from senior management, 4 from middle management and the last four from

the support staff. Respondents were stratified according to the levels of management namely: senior, middle and lower management levels.

3.2 Data Collection

Primary data was collected by way of personal in depth interviews with members of staff at different levels of the organisation. The interview guide consisted of both open ended and closed ended questions designed in line with the objectives of the study. Primary data was obtained through observation within the organisation. The interviews took place within the respondent's place of work. These were conducted during less busy times of the day especially after work or early in the morning.

The people who were interviewed include managers who are a relatively small group who manage the overall organisation. They establish the overall goals, strategies and operating policies and represent the organisation in other external environments such as in government circles.

The middle managers primarily responsible for implementing the policies and plans developed by the top managers and supervising and coordinating activities were also interviewed. Few employees were included in the study to aid in giving a holistic view.

The focus of the interview was mainly on the organisation culture, structure, learning activities and the factors that affect the overall organisational learning. Consideration was also put on the environment in which the organisation operates in. After data collection a thorough check through the interview was undertaken to guard against errors such as interviewer and respondent bias and any necessary follow up made.

3.3 Data Analysis

The nature of data collected was qualitative. It was analysed using the pattern and content analysis technique. Content analysis technique is used in making inferences by systematically and objectively identifying specified characteristics of information (Nachmias and Nachmias 1996). It may be used to analyze written, audio or video date from experiments, observation, surveys and secondary data studies.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents data analysis, results and interpretation of the research findings. The study was both qualitative and exploratory in nature. It intended to create a deep understanding of factors affecting organisational learning at IDB Capital Limited. The data was summarized and presented in tables in the form of frequencies and percentages. Statistical tools like percentages, bar charts, pie charts have also been used to show the comparison in this analysis.

4.2 Respondent Characteristics

The study sought to collect data by the use of a questionnaire. The questionnaires were administered by hand personally by the researcher, and through the internal mailing system to the respondents. The follow up on the questionnaires was by the researcher herself through physical visits to the respondents or through telephone calls. Some respondents filled up the details immediately and handed back the questionnaire, while others requested to be allowed some time, of between one to three days.

Out of the 10 respondents targeted, 9 responded. This represents a respondent rate of 90%. Out of the 9 who responded 5 were female and 4 male achieving an almost equal gender balance. Two were from senior management, three from middle management and the last four from the support staff. The questionnaires received

back were checked for errors and mistakes to ensure that they were acceptable. All were found to have been completed well and therefore none was discarded.

4.2.1 Age

Findings from the respondent's background characteristics indicated that the mean age of respondents was 37.6 and the standard deviation was 5.1. The age bracket for 40% of the respondents was 26-35 years while the remaining 60% lay in the 36-45 years age bracket. The mean age represents a time when employees are at their peak time in employment when they easily accept changes brought up by Management and actively contribute to the organisation's overall performance.

4.2.2 Education and employment period

55% of the respondents indicated that they have been working for IDB Capital Limited for more than 10 years while those who had worked for less than 10 years, 5 years and 2 years were 15%, 10% and 20% respectively. The education level for 74% of the respondents was university level with only 26% being at the middle college level. The high level of education favoured this study with regard to understanding the concept and in filling of the questionnaire.

4.3 Learning Culture

The study sought to establish the learning culture at IDB Capital Limited and how it affected organisational learning. This was necessary because it would give an indication of the process of creation, acquisition and integration of knowledge aimed at the development of resources and capabilities that contribute to better organisational performance.

The findings of the study indicated that a great majority of 78% of the respondents felt that IDB Limited encouraged the employees to learn while working with the remaining 22% indicating that they were not encouraged to learn.

Fig.4.3.1 and table 4.3.1 below present the percentage of respondents who strongly agreed that the impact of learning was enhanced creativity and innovation, clear understanding of roles and fosters employee commitment. This was represented by a majority of the respondents of 72%, 68% and 93% respectively. The remaining percentages still agreed with the statements but did not strongly agree.

Impact of Learning	Frequency %
Enhanced creativity and Innovation	72
Clear understanding	68
Foster employee commitment	93

Table 4.3.1: Impact of Learning

An overwhelming majority of 80% of the respondents strongly agreed that a learning culture definitely leads the organisation to gain superior performance which is in accordance with the views of (Skerlavaj, Stemberger, Skrinjar and Dimosvski, 2007) who allude to this. They were of the view that when employees learn they are able to perform better because they understand the work processes better. They also interpret the work tasks easily. The factors working against the learning aspect at IDB Capital Limited were identified as motivation for staff, supervisor's discouragement (leadership), and lack of interest for some employees, poor timing of training activities, and organisational strategy especially when it is not clear to employees, etc.

4.4 Knowledge Management

The study sought to establish the perception of employees with regard to knowledge management at IDB Capital Limited. This was done through different questions to all

the respondents in each of the departments sampled and the results of the data analysis are represented below.

A 67% majority of the respondents indicated that IDB Capital Limited stored information in a way that it can easily be retrieved for use table as shown in table 4.4.1 and figure 4.4.1 below. According to respondents information is stored mainly in work instruction manuals, Human Resource manuals, reports, reference materials and ICT to store important information such as policy documents which can be accessed by everyone. The information is retrieved and referred to later on for decision- making and problem solving. New employees are also easily absorbed in the firm because they can access manuals that give instruction on how work should be done. These findings are in line with Armstrong (2006) who states that knowledge can be stored in databanks such as reports, policy documents and manuals.

Is information stored in a user friendly way?	Frequency	Percentage
Yes	6	67
No	3	33

Table 4.4.1 Storage of information

Storage of information
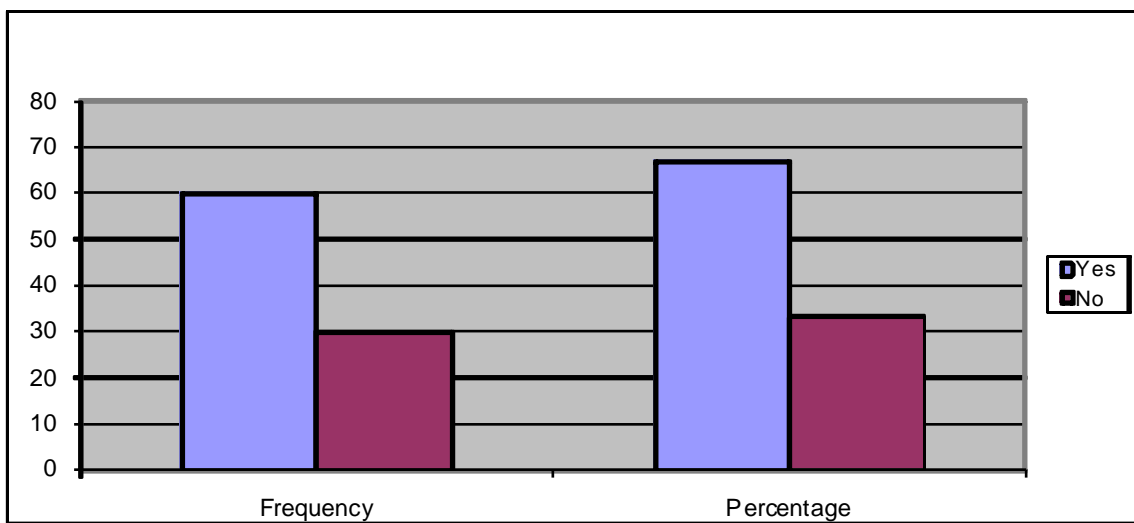
Fig 4.4.1 Storage of information

Most of the respondents felt that management of information is a good measure for organisational learning and has particularly helped in enhancing performance. This echoes the views of Garvin (1993) who says that organisations create, acquire, store and transfer knowledge and modify it to reflect new insights. Knowledge management has also been effective in solving specific work problems of staff in addition to ensuring that they are certain about their roles and associated benefits. The findings of the study also indicated that 69% of the respondents agreed that there was a specific department that was in charge of knowledge management and accepted that

organisational knowledge is stored partly into individuals in form of experience, skills and personal capability.

4.5 Individual Learning

The study sought to establish the participation of employees in organisation learning through their own individual learning initiatives and particularly form an impression of its role in ultimate organisational learning and performance. This was done through different questions to all the respondents in each of the departments sampled and the results of the data analysis are represented below.

Table 4.5.1 below shows the results of the respondents to the respective questions with most of the respondents agreeing with the statements and only a few disagreeing on the aspect of individual learning at IDB Capital Limited. An overwhelming 90% majority agreed that IDB Capital Limited has plans for individual learning and values individual learning while 78% felt that the firm supports individual learning as it is viewed to contribute to organisational learning. The aspect of supporting individual learning is in tandem with the views of Antonacopoulou, (2006) who says organisations should encourage individuals to learn and develop and not to manipulate them for the organisation's priorities.

	Strongly agree	Disagree
Our organisation supports individual learning of staff.	78%	22%
IDB Capital has clear-cut plans for individual learning	90%	10%
My organisation values individual learning as it is viewed to contribute to organisational learning	90%	10%

Table 4.5.1: Individual learning at IDB Capital

From table 4.5.1 above an overwhelming majority of 78% of the employees felt the organization supports individual learning of staff. 90% of the respondents felt IDB Capital has clear-cut plans for individual learning. According to an overwhelming majority of 90% of the respondents reported that IDB's Capital Limited management practices support individual learning and values individual learning as it is viewed to contribute to organisational learning.

Parameter	Response	Frequency	Percentage
Are employees committed to individual learning?	YES	9	100
	NO	0	0
Has these benefited you personally?	YES	6	67
	NO	3	33
Does the organisation support individual learning?	YES	4	45
	NO	5	55
Our management practices support individual learning?	Management	6	76
	Employees	3	24

Table 4.5.2: **Individual Learning**

This may point to the fact that a learning organisation supports and is committed to the growth of their people. This leads to members improving their personal skills and qualities. People are appreciated for own skills, values and work. By being aware of their role and importance, members of the organisation become motivated which

encourages creativity and free thinking leading to novel solutions to problems. In the case of public enterprises, organisation learning is also touted as a way to clarify the objectives of the multiple principals who govern public corporations, and hence makes it easier to set goals and evaluate achievements.

Most of the respondents mentioned lack of motivation, heavy workload, social problems not related to work and poor relationships with immediate supervisor as factors that greatly affected organisational learning.

4.6 Organisational Strategy

A 45% majority of the respondents, representing almost half of the sampled individuals felt that management should encourage learning of employees and provide adequate resources in managing the performance of employees.

EXTENT	FREQUENCY	PERCENTAGES
Very important	4	45
Important	3	30
Least important	2	25
Totals	**9**	**100**

Table: 4.6.1: Management should encourage learning of employees:

Respondents felt that the need for a clear organisation structure was the greatest weaknesses (represented by 45%) hindering organisational learning with the highest percentage, followed by important and least important.

EXTENT	FREQUENCY	PERCENTAGES
Very important	**5**	**40**
Important	**2**	**30**
Least important	**2**	**30**
Totals	**9**	**100**

Table 4.6.2: Need for a clear organisation structure

A majority of the respondents 70% felt that it is important to re-design job tasks according to the corporate strategy. This is important because it ensures that an organisation realises its strategic objectives and goals.
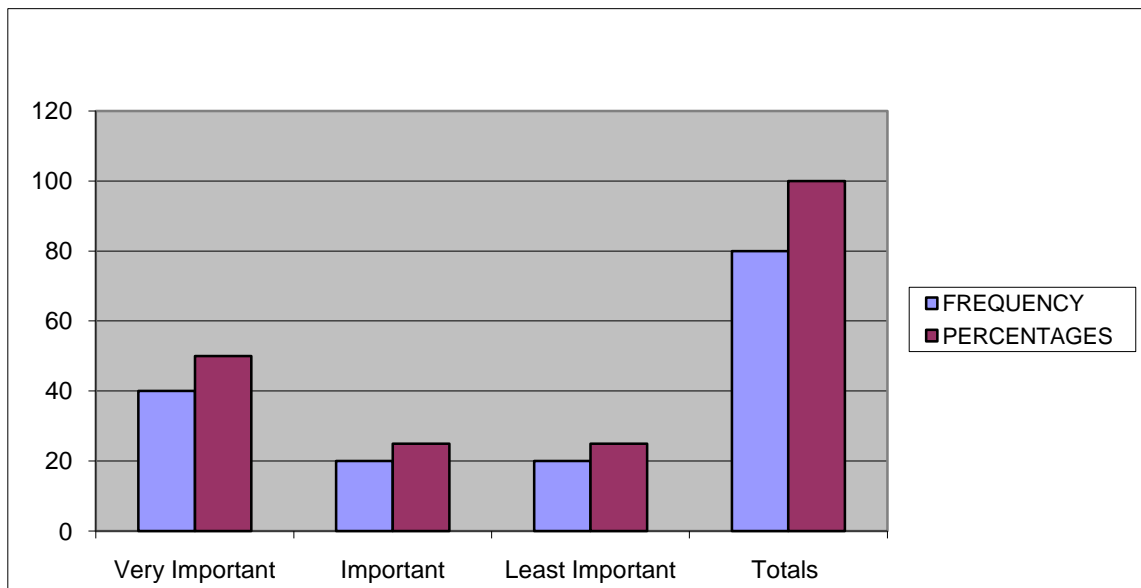
Fig 4.6:Lack of Adequate Resources

The key challenges that are experienced in implementation of organisational learning were identified as leadership, poor timing of training activities, lack of the strategic direction of the organisation and the negative perception by some employees of the whole process.

Results from the above analysis indicate that the participant's views regarding organisational learning are positive and support the objectives of the organisation. In other words, organisational learning is enhancing job satisfaction for the participants; hopefully their satisfaction would lead to improved job performance.

The results indicated that 70% of the respondents agreed that IDB Capital Limited has clear plans on the learning tasks and objectives to be pursued in any given year and the general trend of performance of the organisation after crafting of the organisation strategy was excellent.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarises the findings of the study in relation to the objectives of the study. The purpose of the study was to establish the organisation learning practices with emphasis on IDB Capital Limited.

5.2 Summary of Findings

Organisational learning outcomes contribute to the development of a firm's resource-based capability, as a basic principle of human resource management. Organisational learning enables companies to understand the environment in which they operate and to respond by developing distinct practices, policies and structures to meet the external challenges and thus improve flexibility to market dynamics.

The findings also point to the fact that lack of an institutionalised learning culture that is supportive of innovativeness can be a challenge in implementing organisational learning in an organisation. Employees should be given the space and time to think up fresh perspectives in the way they do things, produce goods, and solve problems and so on. It is only through the renewal of ideas and a constant exchange of perspectives that people will engage themselves in a generative mode to learn continuously.

5.2.1 Learning Culture

The findings of the research point to the fact that a learning culture will be more effective and of value to organisations when the agents in these case employees perceive the concept positively and are eager to participate. The study established that participation of employees in organisational learning plays an important role in

performance. This points to the fact that a learning culture is viewed as a device to reveal information and motivate managers to exert effort. In the case of enterprises, learning is also touted as a way to clarify the objectives of the multiple principals who govern private corporations, and hence make it easier to set goals and evaluate achievements.

People learn best in an innovative environment where an institutionalized learning culture that is supportive of learning has been put in place. Employees should be given opportunities to think up fresh perspectives in the way they do things, solve problems and produce goods where it is applicable.

5.2.2 Knowledge Management

Organisations should harness all the knowledge acquired over time so as to solve occurring problems. This may be in terms of knowledge stored in form of documents or that in individuals stored as experiences, skills and personal capability. The stored knowledge would be effectively utilized if it is linked to a capacity to recall that the stored information exists and would be relevant to a newly occurring problem.

In order for knowledge to be useful, it must be clear to everyone precisely what is being learnt and how the information will be stored. This leads to positive perception by employees and therefore affects performance management. Achieving this degree of clarity between both the employees and the management is one of the most difficult and challenging aspects of organisational learning.

It is important to manage knowledge as a way to boost organisational learning because market places are increasingly competitive and the rate of innovation is rising, reductions in staffing create a need to replace informal knowledge with formal

methods, the amount of time available to experience and acquire knowledge has diminished, changes in strategic direction may result in the loss of knowledge in a specific area and early retirements and increasing mobility of the work force lead to loss of knowledge.

In a nutshell, knowledge and information have become the medium in which business problems occur. Therefore managing knowledge presents an opportunity for achieving substantial savings, significant improvements in human performance and competitive advantage.

5.2.3 Individual Learning

The study sought to establish the competence of employees in undertaking individual learning as a tool of organisational learning. Most of the respondents were found competent with only a few respondents experiencing practical problems in individual learning.

This points to the fact that a Learning organisation supports and is committed to the growth of their people. This leads to members improving their personal skills and qualities. People are appreciated for own skills, values and work. By being aware of their role and importance, members of the organisation become motivated which encourages creativity and free thinking leading to novel solutions to problems In the case of public enterprises, organisation learning is also touted as a way to clarify the objectives of the multiple principals who govern private corporations, and hence make it easier to set goals and evaluate achievements.

It is the basis for providing and generating feedback, it identifies where things are going well to provide the foundations for building further success, and it indicates where things are not going well, so that corrective action can be taken.

Individuals are expected to act as agents for organisational learning since individual learning leads to organisational learning. When employees are encouraged to learn and develop themselves; an organisation may achieve its objectives. This is because employees hold a lot of knowledge in terms of values, experiences which can be utilized to solve problems that come up in the organisation.

5.2.4 Organisational Strategy

Strategy is management's game plan for growing organisations, stocking out a market position, attracting and pleasing clients, competing successfully, conducting operations and achieving targeted objectives. Organisations should therefore lay strategies for their continual survival as it is the basic premise for becoming a learning organisation. Long existence ensures learning over a long period of time. For organisations to exist long term, they must learn more than just new bits of knowledge but concentrate on consistently learning over time.

An organisation has to carefully plan the organisation's learning activities taking into consideration the learning tasks and the objectives. It is the responsibility of the top management of an organisation to clearly determine the time orientation for the organisation as a whole, such that decision-making and learning take place in a manner consistent with the organisation-wide time orientation and perspective.

Top management also needs to communicate the organisational strategy to employees' as well crafting the way forward for the learning activities. The learning should be geared towards ensuring that the organisation achieves its strategy at all costs.

5.3 Lessons Learnt and Recommendations

In general, organisational learning has induced the employees to become more oriented towards customers, markets and performance, without putting the provision of essential services into jeopardy. The introduction of individual learning is used to increase the performance as it emphasizes better the human resource management. Organisational learning and other management strategies pursue three objectives namely: saving, internal management improvement and better accountability and hence aid in performance management. Some of the lessons drawn from the study are as discussed below.

A solid legal framework, which sets out the basic premises and the status of organisational learning, may avoid ad hoc and fragmented solutions. The current arrangements lack enforcement legal capacities. Stability of resources enhances the motivating effect of organisational learning. When resources are not available or availed late, the staff involved get frustrated. The majority of respondents expressed this view. Monitoring capacities and competence among the staff is central to the success of organisational learning and the management support and their technical knowledge is crucial.

There is need for a good definition of outputs and solid performance measures. This requires a well-defined training program for the employees to support organisational

learning. Other instruments of control such as quality service charters and regulations concerning transparency and accountability must complement individual learning.

Organisational learning is not a substitute for poor management. Organisational learning will only succeed where best management practices are practiced. Top management key competencies and participatory approach to decision making is crucial. There should be regular overall evaluations and audits of benefits and drawbacks of the implemented strategies in order to learn from experiences.

The study was limited to IDB Capital Limited due to time and cost constraints. Replication of this study through comparative study using samples from other institutions is thus recommended. This will provide complete picture of the effect of organisational learning on performance by banks.

Further research effort is needed to establish if Kenyan citizens perceive service delivery as having improved in organisations that adopt good learning practices. Results of such a study would confirm if the objectives of organisational learning are being achieved in Kenya.

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APPENDICES

APPENDIX 1: INTRODUCTION LETTER

Dear Sir/Madam,

RESEARCH QUESTIONNAIRE

I am a student at University of Nairobi pursuing postgraduate programme, Master of Business Administration. In partial fulfillment of the requirement to the award of the MBA degree, I am required to do and write a research paper the topic of my research is "The role of organisational learning on organisational strategy at Industrial Development Bank Capital Limited, Kenya.

You have been selected to participate in this study and I would kindly request for your assistance in filling the attached questionnaire.

The information provided is strictly for academic purposes and will be handled with utmost confidence. Your assistance and cooperation will be highly appreciated.

A copy of the final research report would be availed to you upon request.

Yours sincerely,

Sarah Mokeira

APPENDIX 2: QUESTIONNAIRE

SECTION A: BACKGROUND INFORMATION

Name (optional)/ position of respondent_____

For how many years have you worked for Industrial Development Bank Capital Limited_____**years**

For how many years has the company been in operation_____**?**

SECTION B

Organisational learning at IDB Capital Limited.

1. What is your understanding of organisational learning?

    ----

2. What is the level of OL in IDB Capital Limited?

    a) Very low ( ) b) Low ( ) c) Moderate ( ) d) High ( ) e) Very high ( ).

3. What are some of the learning practices adopted in the Organisation?

    ----

4. What would you recommend to improve organisational learning at IDB Capital Limited?

    ----

5. The benefits of Organisational learning at IDB Capital Limited are shown below, use the scale to tick indicate your response. **1=strongly disagree, 2=disagree, 3=agree, 4=strongly agree and 5=not sure.**

	1	2	3	4	5
It leads to creativity & innovation.					
Clear understanding of roles.					
Motivated staff.					
High team performance					
Fosters employee commitment.					
Competitive advantage					
Organisational understanding of work environment.					

6. Below are some factors affecting organisational learning, use the scale below to tick to which extent the same apply to IDB Capital Limited. **1=strongly disagree, 2=disagree, 3=Agree, 4=strongly agree and 5=Not sure.**

	1	2	3	4	5
Leadership					
Knowledge Management					
Organisational strategy					
Employee commitment					
Individual learning					
Recruitment & Selection					

Learning culture

1. What is your understanding of a learning culture?

   ----

2. What are some of the factors that work against the learning culture in the Organisation?

   ----

3. In your opinion, does the learning culture contribute to overall performance?

   ----

4. Learning culture can be created through various activities, please tick your response to the given statement below. **1=strongly disagree, 2=disagree, 3=agree, 4=strongly agree and 5=not sure.**

Statements	1	2	3	4	5
Providing employees with challenge					
Providing employees freedom to innovate					
Providing resources needed to create new ideas/ products					
Supervisor encouragement					
Organisational support					
Provision of clear job descriptions					
Review of reward & remuneration					

5. Do you think Management has created a learning culture in the Organisation?

   a) Yes

   b) No

   Please mention some of the activities undertaken by Management to indicate this.

Knowledge Management

1. In your opinion, would you say that there is a relationship between Knowledge Management and organisational learning? Yes ( ) No ( ) Please explain………

   ----

2. In general, do you think Knowledge Management has an influence on learning at individual, team and organisational levels?

   ----

3. What are some activities that have been undertaken by IDB Capital to enhance Knowledge Management?

Individual learning

1. In your opinion, would you say there is a relationship between organisational learning and the individual learning? Yes ( ) No ( )

2. Do you feel that the employees' in the organisation are committed to individual learning? Please explain.

   ----

3. What, in your opinion should be done by Management so as to enhance organisational learning?

Organisational strategy

1. What organisational strategies affect organisational learning?

   ----

2. What are the challenges faced by the organisation in their implementation of learning?

   ----

3. In general, please mention some of the strategies in your order of importance that would be put in place to enhance organisational learning in the following order:
   1=least important, 2=important, 3=very important.

	1	2	3
Developed learning culture			
Investment in human resources			
Organisational structure			
Job re-design			
Provision of extra work			
Lack of motivation			