

**RELATIONSHIP BETWEEN ORGANIZATIONAL LEARNING AND
PERFORMANCE OF COMMERCIAL BANKS IN KENYA**

**BY
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DECLARATION

This project report is my original work and has not been submitted to any other institution of higher learning for the award of any academic certificate.

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DEDICATION

To God for his faithfulness all through this undertaking.

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ABSTRACT

A good workplace is believed to produce higher quality products, support more innovation, have the ability to attract more talented people, and experience less resistance to change and lower turnover costs, all of which translate directly into a better bottom line. The purpose of the study was to determine the relationship between organizational learning and performance of Commercial Banks in Kenya. The study was guided by the following research question: What is the relationship between organizational learning and performance of Commercial Banks in Kenya?

The research design of the study was based on a descriptive survey. The population of the study consisted of all the Commercial Banks in Kenya licensed with Central Bank of Kenya. The data was collected using self administered questionnaires by the researcher. Data analysis was based on frequency distributions, percentages, means and standard deviations. Data analysis tool used was the Statistical Package for Social Sciences (SPSS). The results were presented using tables and figures. The major findings of the research were similar to earlier studies done on organizational learning and performance. The research identified that organizational learning is positively related to performance in the commercial banks. By way of recommendation, managers can enhance employees' organizational commitment at the organizational level as well as at the job and individual levels by providing coaching and mentoring and by job enrichment with more autonomy.

Key Words: Knowledge Acquisition, Information Distribution, Information Interpretation, Organizational Memory and Bank Performance

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The world seems to be changing faster and faster, from the technologies available to us, to the increasingly global scope of our interactions. Moreover, the problems facing us as a global community seem to be growing ever more complex and serious. How do we navigate such change and address these problems that are not only in our work lives but also in our families, communities, and schools? We believe that organizations which, are groups of people who come together to accomplish a purpose, hold an important key to these questions. The field of organizational learning explores ways to design organizations so that they fulfill their function effectively, encourage people to reach their full potential and at the same time, help the world to be a better place.

Organizations on the other hand are increasingly paying attention to the concept of organizational learning in order to increase competitive advantage, innovation and effectiveness. Dodgson (1993) describes organizational learning as the way firms build, supplement, and organize knowledge and routines around their activities and within their cultures and adapt and develop organizational efficiency by improving the use of the broad skills of their workforces. Kim (1993) asserts that all organizations learn whether they consciously choose to or not. A learning organization is an organization that can continuously transform itself.

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Organizational performance includes multiple activities that help in establishing the goals of the organization, and monitor the progress towards the target. It is used to make adjustments to accomplish goals more efficiently and effectively. Organization Performance is what business executives and owners are usually frustrated about. This is so, because even though the employees of the company are hard-working and are busy doing their tasks, their companies are unable to achieve the planned results. Results are achieved more due to unexpected events and good fortune rather than the efforts made by the employees. However, for any business to be successful, functions must be defined and accomplished. It is important for an organization to develop strategies that are designed around the skills that would enhance the performance of the organization.

1.1.1 Organizational Learning

Organizational learning is a recent phenomenon. It was introduced into organization theory and literature about twenty-five years ago. The notion Organizational Learning became more pronounced in the 1990's although Garatt (1999) sees it as "an old idea that has come of age" to help organizations as they struggle to adapt to accelerated changes in their business environment. Organizational learning has been proposed as a fundamental strategic process and the only sustainable competitive advantage of the future (Armstrong, 1999). It needs strategic leadership at the top for it to flourish since top managers are crucial to a firm's outcomes as a result of the decisions they are empowered to make because ultimately, they account for what happens to the organization.

Argyris and Schon (1978), two of the early researchers in this field defined Organizational Learning as the detection and correction of error. Organizational 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 organizational performance (Danton, 1998). Organizational Learning is also defined as the process of improving actions through better knowledge and understanding (Fiol and Lyles, 1985). Organizational Learning is concerned with improving the behaviour and capability of individuals so that they can more effectively respond to its environment. These definitions emphasize the need for organizations to change and adapt the need to continuously analyze the external environment and that learning must result in a change in the organizations behaviour or action pattern (Tsang, 1997). Organizational Learning occurs when members of the organization act as learning agents of the organization, responding to changes in the internal and external environments of the organization by detecting and correcting errors in organizational theory-in-use, and embedding the results of their enquiry in private images and share maps of the organization (Argyris and Schon, 1978).

1.1.2 Organizational Performance

There are a number of indicators by which company performance may be judged. The balanced scorecard offers both qualitative and quantitative measures that acknowledge the expectations of different stake holders and related an assessment of performance in choice of strategy. In this way performance is linked both to short term outputs and process management. (Johnson et al. 2006). An organization measurement system

strongly affects the behaviour of managers and employees. Traditional financial accounting measures can give misleading signals for the continuous improvement and innovation required by today's competitive environment demands (Kaplan and Norton, 1992).

The balanced scorecard allows managers to look at the business from four important perspectives namely; the customer perspective which deals with critical success factors which include market share, customer retention rates and relevant products; the internal business perspective deals with critical success factors which include Information and Communication Technology (ICT) systems development, process cycle times, and productivity or capacity utilization; the financial perspective deals with critical success factors which include survival, profitability and revenues; the innovation and learning perspective which takes into consideration the critical success factors which include training, quality improvement and service leadership. The importance of the innovation and learning perspective lies in the direct link between the company's value and company's ability to innovate, improve and learn. The ability to launch new products, create more value for customers and improve operating efficiencies continually results in penetration of new markets, increase in revenues and margins.

Benchmarking is a method of using standard measurements in an industry or a service for comparing the growth of the organization with others, in order to gain a perspective on the performance of the organization. It is a process of understanding, identifying and adapting the prominent practices that are being used by organizations around the globe.

1.1.3 Banking Industry in Kenya

Kenya's banking industry goes back to 1896 when the National Bank of India opened a branch in this East African country. The Banking Sector is composed of the Central Bank of Kenya, as the regulatory authority and the regulated Commercial Banks, Non-Banking Financial Institutions and Forex Bureaus. The banking system in Kenya is regulated by the Central Bank of Kenya Act Cap 491 and the Banking Act Cap 488. These Acts are intended primarily to facilitate the development and maintenance of a sound monetary policy (GoK, 1989). The banking sector was liberalized in 1995 and exchange controls lifted. The Central Bank of Kenya, which falls under the Minister of Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The Central Bank of Kenya publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and also addresses issues affecting its members.

There are 44 Commercial Banks, 15 Micro Finance Institutions and 48 Foreign Exchange bureaus. The industry is dominated by few large banks most of which are foreign owned, though some are partially locally owned. Six of the major banks are listed in the Nairobi Stock Exchange (NSE). The Commercial Banks offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking. Most certainly Kenya's banking sector has improved tremendously over the last 10 years, not just in size and profitability but also in terms of product offerings and service quality.

1.2 Statement of the Problem

Organizational learning takes place 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 how to learn together (Senge, 1990). There is a positive relationship between organizational learning and performance (Lopez et al. 2005). Kaplan and Norton (1992) assert that an organization measurement system strongly affects the behaviour of managers and employees. Traditional financial accounting measures can give misleading signals for the continuous improvement and innovation required by today's competitive environment demands. Therefore banks should be able to know how performance affects them so that they can learn from their past mistakes.

Previous researchers focused on the individual's contribution to the learning process and have tended to guess the significance of the human resources in the learning process. Given to the implications of organizations operations, it is important to find out to what extent this phenomenon has been embraced at Kenyan Commercial Banks. Amulyoto (2002) studied the organizational learning process in donor agencies and found that knowledge acquisition, information distribution and information interpretation as features that had been embraced by the organizations. Kirimi (2006) conducted a survey of organizational learning in private recruitment agencies in Nairobi and concluded that private recruiting agencies had adopted the concept of organizational learning. In his study of the relationship between organizational learning and performance amongst insurance and reinsurance companies in Kenya, Wandera (2008) found that there was a

positive relationship. The study established unequivocally that organizational financial performance is leveraged by organizational learning and that insurance and reinsurance companies in Kenya greatly depend on chief executives to take responsibility for driving change through organizational learning. Currently no known study has been undertaken in the banking industry to analyze the relationship of Organizational Learning with Performance since there is stiff competition among banks resulting from innovation on customer products, effectiveness, technology and competition for customers which, has led the banks to design ways of gaining competitive advantage over its competitors. Organizational learning therefore is part of the strategy being used by the banks in order to improve their performance by learning from their past mistakes. It is in this light that the researcher seeks to fill the existing gap in this area of study. The research question then is whether there is a relationship between organizational learning and performance in the banking industry in Kenya.

1.3 Objective of the study

To determine the relationship between organizational learning and performance of Commercial Banks in Kenya.

1.4 Value of the study

This project is intended to make a contribution to contemporary debates on organizational learning and inform a future research agenda in three ways: first, by providing a synopsis of the organizational approach and the organizational learning literature and its antecedents.

The present study will contribute to the body of knowledge in two ways: it will focus on the investigation of detailed aspects of the relationships among organizational learning and performance, and secondly it is a quantitative study that questions a number of bank managers about their understanding of organizational learning and performance. Conducting a quantitative study in this context is important because while previous studies using qualitative techniques were very successful in revealing the main causes for the Theory/Practice Divide – qualitative methodology do not allow any statements about the proportion of managers who showed the relationship between organizational learning and performance. This study will also make a contribution to learning theories in demonstrating the importance of Organizational memory and knowledge to the success of organizations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter details a review of literature on what organizational learning is and looks at the different types of organizational learning. It thus goes ahead to describe the processes involved in organizational learning and its goals. It will also discuss the influences of organizational learning by looking at both the internal and external factors and the relationship between organizational learning and organizational performance.

2.2 Organizational Learning

Organizational learning theory states that, in order to be competitive in a changing environment, organizations must change their goals and actions to reach those goals. In order for learning to occur the firm must make a conscious decision to change actions in response to a change in circumstances, must consciously link action to outcome, and must remember the outcome. Organizational learning has many similarities to psychology and cognitive research because the initial learning takes place at the individual level however, it does not become organizational learning until the information is shared, stored in organizational memory in such a way that it may be transmitted and accessed, and used for organizational goals (Argyris, 1977).

Huber (1991) asserts that the first part of the learning process involves data acquisition. A firm acquires a “memory” of valid action-outcome links, the environmental conditions

under which they are valid, the probabilities of the outcomes, and the uncertainty around that probability. The links are continually updated overtime, either through additions, rejections based on new evidence, or strengthening/expanding the links from confirmatory evidence. There are many ways to acquire these links, including experimental, benchmarking, grafting and so forth, but they must be a conscious effort to discover, confirm, or utilize a cause and effect, or they are simply blind actions relying on chance for success. A critical point is that firm actions will and must change in response to changes in the environment, as each action-outcome link must be specified in terms of applicable conditions. Successful firms then scan their environment for signs of change, real or anticipated, to determine when change is necessary. This of course presupposes that they have learned what the important indicators to scan and what degree of change in environmental indicator does or does not require change in actions.

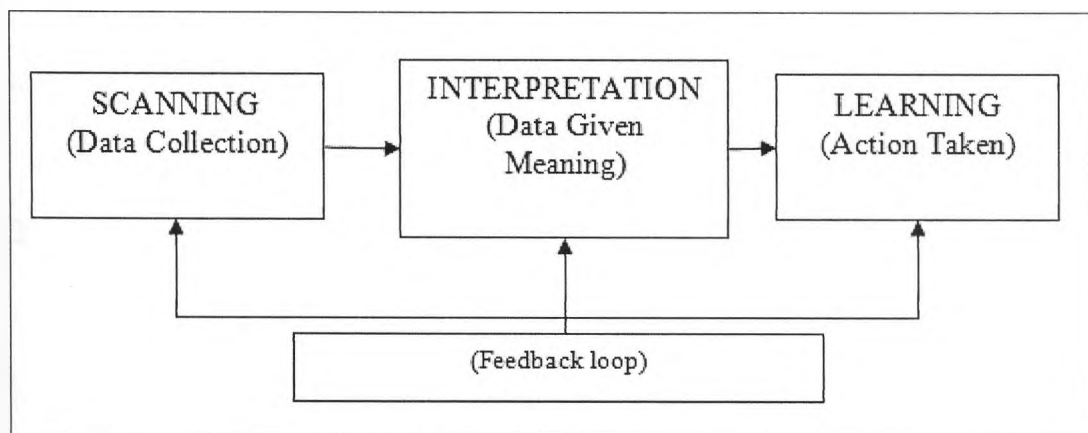
The second part of the process is interpretation. Organizations continually compare actual to expected results to update or add to their “memory”. Unexpected results must be assessed for causation, actions adapted or new action-outcome links specified if necessary, and learning increased. This stage does not imply that any action is taken. This is also one of the major debates in this theory. Some theorists insist that action is not necessary for learning to have taken place. All that is required is for expansion of the knowledge base or change in understanding while others insist that unless actions change, there is no learning.

Consequently, the third stage is adaptation or action. This is when the firm takes the interpreted knowledge and uses it to select new action-outcome links appropriate to the

new environmental conditions. The main point here is that, this is a process of continual adaptation to environmental conditions (internal, external, competitors, state of technology, etc) and will be affected to a large extent by the complexity and dynamism the firm experiences. Once adaptation has occurred, the firm's knowledge base is updated to include the new action-outcome link, probabilities, uncertainty, and applicable conditions and the process continues. This feedback is a continual and iterative process, that occurs at all stages of the process.

A somewhat simplified model, based on the majority consensus is given below. Some authors break this into four components. Some argue that learning may occur at the level of interpretation without requiring action, others vehemently argue that without action being taken, learning has not actually occurred.

Figure 2.1: Process of continual adaptation to environmental conditions



(Source: Duncan and Weiss, 1979)

Argyris and Schon (1978) defined organizational learning as the process of detection and correction of errors. In his view organizations learn through individuals acting as agents for them. The individuals learning activities, in turn, are facilitated or inhibited by an ecological system of factors that may be called an organizational learning system.

Huber (1991) considers four constructs as integrally linked to organizational learning which are knowledge acquisition, information distribution, information interpretation and organizational memory. He clarifies that learning need not be conscious or intentional. Further, learning does not always increase the learner's effectiveness, or even potential effectiveness. Moreover, learning need not result in observable changes in behavior. Taking a behavioral perspective, Huber (1991) notes that an entity learns if, through its processing of information, the range of its potential behaviors is changed.

2.3 Organizational Learning Process

In his literature on organizational learning, Huber (1991) describes the following processes or constructs that contribute to organizational learning. Any organization that has adopted the concept has to have the following processes in place and functioning.

2.3.1 Knowledge Acquisition

Learning occurs when an organization acquires knowledge. Acquisition of declarative knowledge or facts and information is achieved by monitoring the environment, using information systems to store, manage and retrieve information, carrying out research and development, carrying out education and training, patent watching and bibliometrics. Learning also occurs not only due to knowledge acquisition from outside the organization

but also due to the rearrangement of existing knowledge, the revision of previous knowledge structures and the building and revision of theories. Organizational learning occurs when we create an organ knowledge base, firm's specific competencies and routines (Dodgson, 1993).

Strategic application of information systems for knowledge acquisition can take two forms: capabilities for assimilating knowledge from outside and creating new knowledge from the reinterpretation and reformulation of existing and newly acquired information (Mason, 1993).

2.3.2 Information Distribution

Information distribution refers to the process by which organization shares information among its units and members, thereby promoting and producing new knowledge or understanding. Knowledge in the form of tacit know-how, letters, memos, informal conversations and reports are captured and distributed. Brown and Duguid (1991) contend that a lot of learning and innovation takes place in informal communities of practice. Very often learning in an organization takes place by members sharing stories or anecdotes of actual work practice as opposed to what is mentioned in formal job descriptions or procedure manuals. Greater sharing or distribution of information leads to greater organizational learning.

2.3.3 Information Interpretation

In order for information to be shared, such information must be interpreted. Information interpretation is the process by which distributed information is given one or more

commonly understood meanings. Sense making or the formation of meaning is called procedural knowledge by Dodgson (1993). Individuals and groups have prior belief structure, which shapes their interpretation of information and thus the formation of meaning. These belief structures are stored as a rule-base or a profile, which is automatically applied to any incoming information in order to form a meaningful knowledge that can be stored. The interaction between stored mental models and interpretation is critical to understanding how organizations learn. Greater learning occurs when more and more varied interpretations are developed. Organizational learning occurs when organizations undertake sense-making and information interpretation activities (Huber, 1991).

Organizations are faced with uncertainty and equivocally when interacting with the environment. Uncertainty is reduced by acquiring and processing more information while equivocally or ambiguity is reduced by carrying out discussions and face-to-face meetings. That is, the richer the media, the better is the understanding of information..

In a number of organizations, double-loop learning does not take place because the atmosphere is not conducive enough for members to question basic values and assumptions due to the fear of being reprimanded. With the advent of conferencing systems, which have facilities to preserve anonymity of participants, members can openly discuss controversial issues or ideas without the fear of facing dire consequences. Anonymity promotes greater interaction, equal participants, objectivity and better problem solving (Senge, 1990).

2.3.4 Organizational Memory

Organizational memory refers to the repository where knowledge is stored for future use. It is also known as corporate knowledge or corporate genetics by Prahalad and Hamel (1994). Decision makers store and retrieve not only hard data or information but also soft information, that is, information with meaning. This soft or interpreted information can be in the form of tacit know-how, expertise, biases, experiences, lists of contacts and anecdotes. Hard data can be in the form of numbers, facts, figures, and rules. Organizational memory plays a very critical role in organization learning. Both the demonstrability and usability of learning depends on the effectiveness of the organization's memory. The major challenge for organizations exists in interpreting information and creating organizational memory that is easily accessible. Most organizations have various kinds of information systems such as inventory control systems, budgetary systems, and administrative systems to store and retrieve hard data or facts but do not have similar systems to capture softer information.

Brown and Duguid (1991) assert that ideas generated by employees in the course of their work rarely get shared beyond a small group of confidants or team members. Greater organizational learning can occur if these experiences and narratives are stored electronically for future reference. Brown has reported research efforts at Xerox PARC to capture such collective knowledge, created by communities of practice. Another emerging trend is not to be limited to expert systems (which make inferences based on a fixed set of rules) but more on systems that would involve the intervention of humans in the decision-making and interpretation processes with the use of embedded textual

knowledge. Emerging technologies such as network publishing on the Internet and the information superhighway can facilitate the creation of such organizational memories. These tools can only capture formal knowledge such as training manuals, employees, handbooks and training materials, which are most often ignored in organizations. This informal knowledge or non-canonical practice is the key to organizational learning (Brown and Duguid, 1991).

Brown and Duguid (1991) assert that new collaborative technologies should be designed based on these non-canonical communities of practice rather than on formal descriptions of work. The resulting knowledge base can be treated as “group memory” or “collective intelligence”. Encouraging members to share such information to be stored in electronic form may be a difficult task since they may not desire to give up valuable information for fear of losing their individual competitive edge. The first step towards removing such fears is to have an open and flexible organizational atmosphere as mentioned earlier. The use of information systems to manage organizational memory improves precision, recall, completeness, accuracy, feedback and review far better than the human components currently involved in organizational memory.

2.4 Principals of Organizational Learning

Organizational learning focused originally on the practice of five core principals or capacities (Senge, 1990). These five principals as discussed below are the keys to achieving this type of organization.

First is the Systems Thinking, which is a way of thinking about and a language for describing and understanding the forces and interrelationships that shapes the behaviour of systems. This discipline helps us to see how to change systems more effectively and to act more in tune with the large processes of the natural and economic world. Practicing this discipline involves learning to recognize significant systematic behaviours all around you and familiarizing yourself with some special terminology and some powerful tools unique to this field.

Second is Team Learning, which is the transforming of conversational and collective thinking skills so that groups of people can reliably develop intelligence and ability greater than the sum of individual members' talents. Practicing this discipline involves startlingly different kinds of conversations and a remarkable degree of honesty and mutual respect all of which you can learn to do through familiarizing yourself with specific tools from this field.

Third is the Shared Vision, which is building a sense of communication in a group, by developing shared images of the future we seek to create, and the principles and guiding practices by which we hope to get there. It emerges when everybody in an organization understands what the organization is trying to do, is genuinely committed to achieving that vision and clearly grasps how his or her role in the organization can continue to make the vision real. Practicing this discipline involves knowing how all the parts of the organization work together and being clear about how your own personal goals align with those of your organization.

Fourth is Mental Models, which are deep beliefs and assumptions we hold about how the world works. These models shape the decisions we make in life, the actions we take in response to events and the ways in which we interpret others' behavior. Practicing this discipline involves surfacing and testing your deepest assumptions and beliefs and helping others do the same.

Fifth is Personal Mastery, which is the art of identifying what marks you want to leave in the world during your lifetime. That is what's your unique purpose in life and how do you want to go about fulfilling that purpose. It involves learning to expand our personal capacity to create the result we most desire and creating an organizational environment, which encourages all its members to develop themselves towards the goals and purposes they choose. Practicing this discipline involves some honest exploration of your own life experiences and desires and a willingness to take some risks. Other disciplines that support and expand on the above include corporate culture, corporate social responsibility, dialogue, leadership, sustainability and work/life balance.

2.5 Factors Influencing Organizational Learning

Dodgson (1993) asserts that learning is stimulated both by environmental changes and internal factors (individuals, culture etc.) in a complex and interactive manner.

Fiol and Lyles (1985) asserts that contextual factors such as environment, structure, culture and strategy influence organization learning. The adoption of certain structures and strategies encourages learning. Strategy influences learning by providing a boundary to decision making a context for the perception and interpretation of the environment.

The strategic options chosen depend on the learning capacity of the organization. The amount of information flow or communication between organizational units and individuals determines learning. Poor communication between people and organizational units can be a major block to learning and quality improvement. Organizational culture (beliefs, ideologies, values and norms) and the amount of resources (money and personnel) also determine the quality and quantity of learning.

While single loop learning occurs in a number of organizations, very few organizations experience double loop learning or deuteron-learning. This is due to the fact that organizational members resort to defensive reasoning tactics in order to avoid vulnerability, risk, embarrassment, and the appearance of incompetence (Argyris, 1994). This can be attributed to the difference between what people say (espoused theory) and what they practice (theory in use). Double loop learning is required in such situations to bridge the gap between theory and practice.

A centralized mechanistic structure tends to reinforce past behaviors or single loop learning while an organic, decentralized structure promotes double loop learning (Fiol and Lyles, 1985). Centralization creates a more fragmented structure, which does not support people to think for themselves. Thus individuals do not have a comprehensive picture of the whole. This in turn encourages the development of a political and parochial system that stifles learning. Highly sophisticated single loop learning mechanisms (conformance to existing norms and behavior) may infact take the organization on the wrong course, since people may not challenge underlying assumptions. That is, single

loop learning prevents double loop learning from occurring. Therefore, in order to encourage learning, organization must move away from mechanistic structures and adopt a more flexible and organic structure. This requires a new philosophy of management, which encourages openness, reflectivity and the acceptance of error and uncertainty. In learning organization, a leader is not just a charismatic decision maker but also a teacher, a designer and a steward of change (Senge, 1990).

The essential function of leadership is to build an organizations culture and shape its evolution. Leaders as designers should help build a strong foundation of purpose and core values. They should shape the design of the organizational structure and policies so as to best fulfill corporate mission. Leaders should foster systems thinking and system dynamics to facilitate both individual and organizations learning (Stata, 1989).

Grantham (1993) and Morgan (1986) suggest that leaders should encourage the exploration to multiple viewpoints to any problem through dialogue and discussion. Double loop learning can be encouraged by adopting a bottom up or participatory approach. Actions should emerge as a result of the learning process and should not be imposed from above. Organization learning requires commitment from executives for a long-term process with adequate budget and resources (Grantham, 1993).

Many researchers feel that in order for learning to occur, organizations must align themselves with the environment so as to remain competitive and innovative. Alignment implies that the firm must have the potential to learn, unlearn or relearn based on its past behaviors (Fiol and Lyles, 1985). If the external and internal environments are complex and dynamic, learning may not take place. It can only occur when there is a balance between change (the new) and stability (the old).

Learning organizations will treat competition as a means of learning than a hostile force. Competition enables organizations to compare their own performance with others in the industry and learn from that exercise. Learning must occur within the organization as a result of the firm's interaction with the environment and this can be achieved through information processing. Information processing reduces uncertainty and hence increases learning. Organizations scan the environment and acquire information through information brokers or boundary spanners. These individuals facilitate exploration and exploitation by carrying out sense making and interpreting activities (Mason, 1993).

Researchers such as Dodgson (1993), Brown and Duguid (1991) merely make a passing mention of the influence of technology on learning. Both suggest that new technologies such as multi-media communications, computer aided learning, information dissemination and training will be a great ground for future research in this area. Grantham (1993) asserts that technology can be used to clarify assumptions, speed up communications, elicit tacit knowledge and construct histories of insights and catalogue them.

Dodgson (1993) does state that researchers in organizations theory have been slow in addressing this technology related issues. The influence of information systems, in particular can be considered two-fold; direct influence and indirect influence. Information systems can indirectly influence organizations learning by affecting contextual factors such as structure and environment, which in turn influence learning. The introduction of information systems flattens the structure of an organization and promotes greater

dissemination of information to all individuals. This makes the organization more informed, flexible and organic. Increased availability of information help members share information thereby increasing learning. Information systems not only automate but also informate the organization. These systems are capable of generating new streams of information thereby expanding knowledge. In an informed organization, the locus of control shifts from managers to workers, who are now empowered with all the information required for their effective performance. Knowledge thus becomes the core of an organization's assets.

Organizational learning occurs when we create an organization knowledge base, firm's specific competencies and routines. Knowledge bases are created by acquiring, storing, interpreting, and manipulating information both from within and outside the organization (Dodgson, 1993). Strategic application of information systems for knowledge acquisition can take two forms: capabilities for assimilating knowledge from outside and creating new knowledge from the reinterpretation and reformulation of existing and newly acquired information (Mason, 1993).

In addition to traditional forms of information distribution such as telephone, facsimile, face-to-face meetings and memorandums, computer mediated communication systems such as electronic mails, bulletin boards, computerized conferencing systems, electronic meeting systems, document delivery systems and workflow management systems can facilitate the sharing of information. Studies have shown that information systems increase perception and result in better quality decisions since decisions are made by

consensus and not by domination. These systems, also called collaborative systems, allow the joint construction and distribution of experiences and insights. They also enable social construction or the creation of social networks of members narrating and sharing their stories. These systems support feedback and review mechanisms among members of a team. Thus, they not only support communication but also on collaboration. The development of such information systems enabled communities' results in a better interpretation of information and greater understanding. In addition, groupware enables equal participation at all levels and supports members learning from each other simultaneously (unlike traditional learning systems which are usually top-down and time consuming) thereby educing cumulative learning cycle time. Group calendars and workflows management systems can help ensure the timely participation of members in the learning exercise.

2.6 Measures of Organizational Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). An organizational performance includes multiple activities that help in establishing the goals of the organization and monitor the progress towards the target. It is used to make adjustments to accomplish goals more efficiently and effectively. Organization Performance is what business executives and owners are usually frustrated about. This is so because even though the employees of the company are hard-working and are busy doing their tasks, their companies are unable to achieve the planned results. Results are achieved more due to unexpected events and good fortune rather than the efforts made by the employees.

However, for any business to be successful, functions must be defined and accomplished. It is important for an organization to develop strategies that should be designed around the skills that would enhance the performance of the organization.

There are a number of indicators by which company performance may be judged. The balanced scorecard offers both qualitative and quantitative measures that acknowledge the expectations of different stake holders and related an assessment of performance in choice of strategy. In this way performance is linked both to short term outputs and process management (Johnson et al. 2006). An organization measurement system strongly affects the behaviour of managers and employees. Traditional financial accounting measures can give misleading signals for the continuous improvement and innovation required by today's competitive environment demands (Kaplan and Norton, 1992). Some of the approaches that can be used to achieve these desired targets and a planned comprehensive strategy towards increasing the Organizational Performance are:

Benchmarking which is a method of using standard measurements in an industry or a service for comparing the growth of the organization with others, in order to gain a perspective on the performance of the organization. The results that are acquired by the comparisons can be used to improve the overall performance and processes of the organization. Benchmarking can be defined as a quality initiative. It is a process of understanding, identifying and adapting the prominent practices that are being used by organizations around the globe. This would assist the organization in improving its performance (Huber 1991).

Balanced Scorecard is a method focuses on four indicators that include: Internal Business Processes, Customer Perspectives, Financing, Growth and Learning. These indicators are

used to monitor the progress of the organization towards the strategic goals, planned by them. The Balanced Scorecard is an approach for the performance management that focuses on different performance indicators that help in the monitoring the progress of the organization's desired targets. Organization Performance can be achieved by using some of these approaches that, if used with a strong focus, comprehensively, on achieving the results of the organization, could increase the performance of the organization. Best Practices, Quality circles and Process control can also be used to achieve similar goals (Kaplan and Norton, 1992).

2.7 Knowledge Gap

Kirimi (2006) conducted a survey of organizational learning in private recruitment agencies in Nairobi and she suggests that a similar study can be conducted in a different kind of industry to find out whether there is some similarity in the methods used to adopt the reasons that prompt the organization to adopt the concept. She further suggests that a study can be done to establish the challenges that organizations face while adopting the organizational concept.

In his study of the relationship between organizational learning and performance amongst insurance and reinsurance companies in Kenya, Wandera (2008) proposes that case studies of insurance and reinsurance companies could be undertaken because no known study has been undertaken. No known study has been undertaken in the banking industry to analyze the relationship of Organizational Learning with Performance. Therefore, the researcher seeks to fill the existing gap in this area of study by establishing whether there is a relationship between organizational learning and performance of Commercial Banks operating in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that was used in gathering the data, analyzing the data and reporting the results. The researcher aimed at explaining the methods and tools used to collect and analyze data in order to get proper and maximum information related to the subject under study.

3.2 Research Design

The research was conducted through a descriptive survey, which was aimed at examining the relationship between organizational learning and performance of Kenya Commercial Banks. A descriptive survey study is concerned with finding out what, where and how of a phenomena (Cooper and Schindler, 2006). A descriptive survey study was chosen because of the need to collect data from a cross section of the organization at one point in time.

3.3 The Population

The study consisted of all forty four licensed commercial banks operating in Kenya (Appendix II). The target population in each bank consisted of one of the top management staff, which led to a total of 44 respondents who play a part as the key decision makers in corporate operations, policy setting and programs execution as well as overall organizational evaluation. Additionally, the targeted respondents were deemed to have access to corporate financial information and service standards that were of paramount importance to the study.

3.4 Data Collection

The study made use of primary data. Primary data was collected using a structured questionnaire which was administered to the management of the banking industry using self administered – a drop and pick method. The questionnaire sought to obtain information pertaining to general information of the respondent, knowledge acquisition, information distribution and interpretation, organizational memory and organizational learning adaptation and performance.

3.5 Data Analysis

Data collected was verified to ensure that it had been accurately captured and correctly entered. The data collected was analyzed using descriptive statistics. The results were presented using frequency distribution, mean, percentages and standard deviations.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents the findings of the study based on data collected from the field. The Analysis was focused on answering the following research question; what is the relationship between organizational learning and performance of Commercial Banks in Kenya. The data was collected from a total sample of 44 banks. However, the study recorded a 70% response rate.

4.2 Demographic Information

In order to capture the general information of the respondents issues such as gender, age, level of education, current position and working experience in the company.

4.2.1 Current Job Title

This sought to establish the current job title of the respondents. They were required to indicate their titles in the questionnaire.

Table 4.1: Current Job Title

| Respondents | Frequency | Percentage |
|--------------------------|------------------|-------------------|
| Non Response | 3 | 9.7 |
| Administration Assistant | 1 | 3.2 |
| Human Resource Assistant | 1 | 3.2 |

| | | |
|--------------------------|----|-------|
| Branch Assistant | 1 | 3.2 |
| Branch Manager | 1 | 3.2 |
| Brand Manager | 1 | 3.2 |
| Chief Manager | 1 | 3.2 |
| Credit Manager | 3 | 9.7 |
| CS Advisor | 1 | 3.2 |
| Executive Secretary | 1 | 3.2 |
| Finance Manager | 2 | 6.5 |
| Finance Officer | 1 | 3.2 |
| Financial Accountant | 1 | 3.2 |
| Financial Analyst | 1 | 3.2 |
| Head of Operations | 1 | 3.2 |
| Head of Operations | 1 | 3.2 |
| Human Resource | 1 | 3.2 |
| Human Resource assistant | 1 | 3.2 |
| Manager | 1 | 3.2 |
| Marketing Executive | 1 | 3.2 |
| Officer | 2 | 6.5 |
| Operation Manager | 1 | 3.2 |
| Operations Manager | 1 | 3.2 |
| Project Finance Officer | 1 | 3.2 |
| Senior Accountant | 1 | 3.2 |
| Total | 31 | 100.0 |

From the table above, the respondents' job titles ranged from head of operations to executive secretary. This shows that almost all the categories of staff participated in the exercise including top-level manager, middle level managers, low-level managers and other staff.

4.2.2 Duration of Employment

This section recorded the duration respondents had worked in the bank. They were required to indicate the number of years they had worked.

Table 4.2: Duration of Employment

| Years | Frequency | Percentage |
|-------|-----------|------------|
| | 1 | 3.2 |
| 1 | 5 | 16.1 |
| 2 | 5 | 16.1 |
| 3 | 2 | 6.5 |
| 4 | 2 | 6.5 |
| 5 | 1 | 3.2 |
| 6 | 5 | 16.1 |
| 7 | 1 | 3.2 |
| 8 | 3 | 9.7 |
| 8 | 1 | 3.2 |
| 9 | 2 | 6.5 |
| 10 | 1 | 3.2 |
| 12 | 1 | 3.2 |
| 14 | 1 | 3.2 |
| Total | 31 | 100.0 |

From table 4.2 above, the results show that majority of the respondents had worked in their respective banks between one and ten years. However, a few had worked for more than 10 years, the longest serving being 14 years.

4.2.3 Age of the Respondents

This section provided the results for the ages of the respondents. They were required to tick their age brackets.

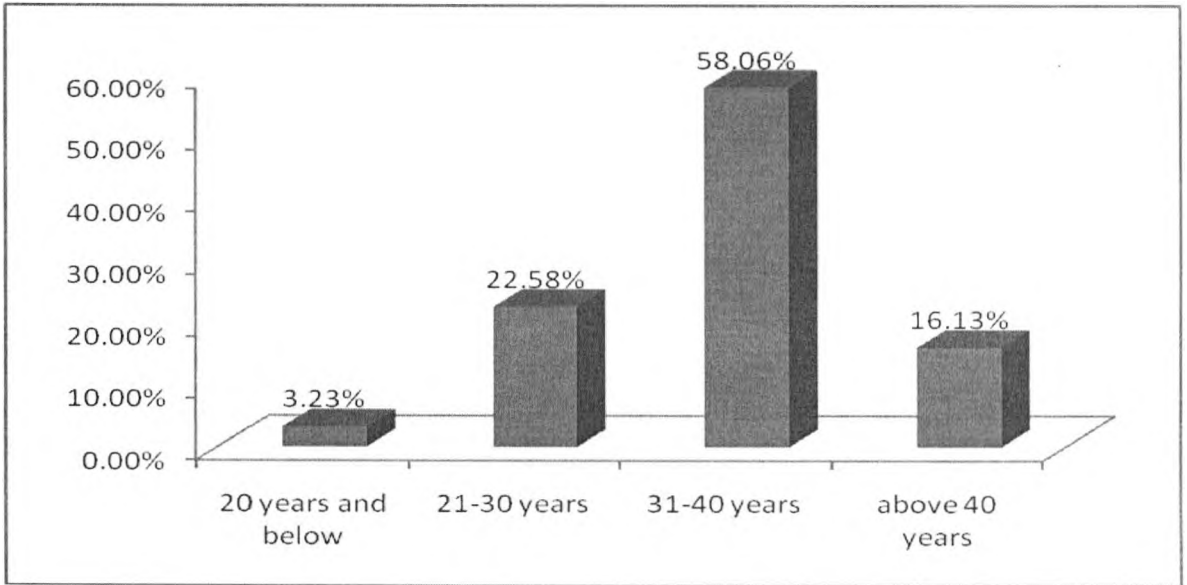


Figure 4.1 Ages of the Respondents

The study established that 58.06% of the respondents were in the age bracket of 31-40 years. In addition, 22.58% of the respondents were in the age category of 21-30 years, 16.13% were above 40 years old. Only a few (3.23%) were in the 20 years and below category.

4.2.4 Gender of the Respondents

This section shows the gender of the respondents

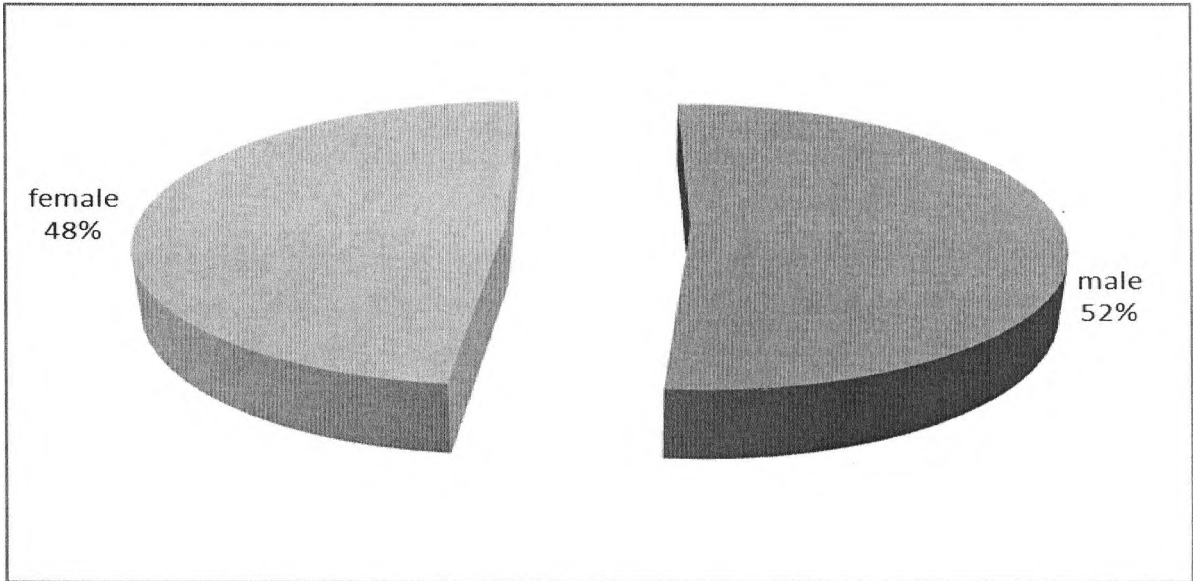


Figure 4.2: Gender of Respondents

As shown by figure 4.2 above, majority of the respondents (52%) were male while 48% were female. These results fall under the 70-30 rule of gender balance in employment positions.

4.2.5 Level of Education

This section shows the level of education that the respondents attained.

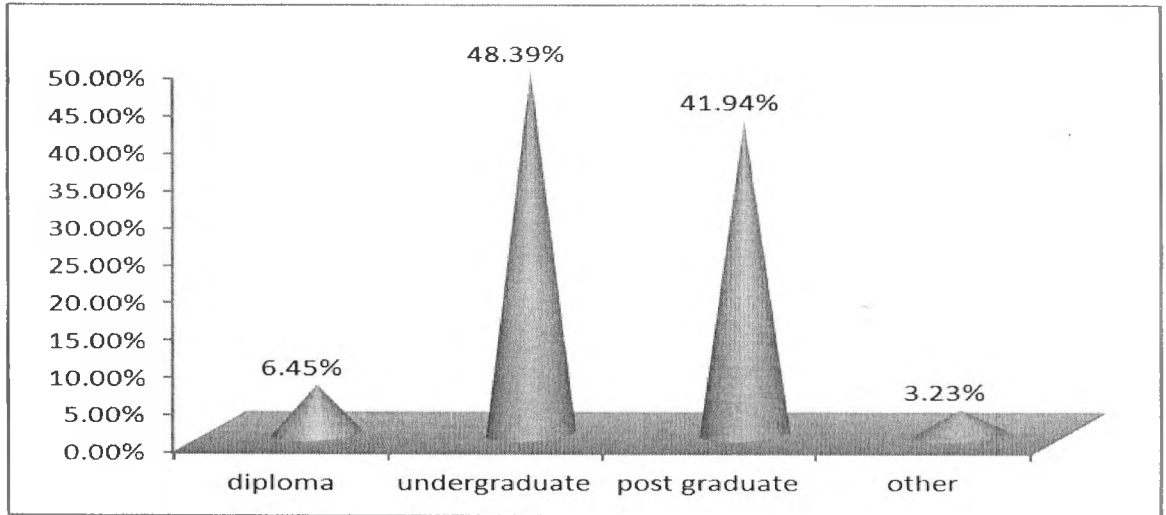


Figure 4.3 Level of education

As regards the highest level of education attained by the respondents, most of them (48.39%) were undergraduates while 41% of the respondents had attained the post graduate level. However, a few, 6.45% had diplomas. It was established that a good number of respondents who had undergraduate degrees had the certificate of Certified Public Accountants of Kenya.

4.3 Knowledge Acquisition

This section sought to establish from the respondents the extent to which their banks acquired knowledge. In addition, this section applied a Likert scale of 1-4. The scores “strongly agree” and “agree” were represented by mean score, equivalent to 1 to 2.5 on

the continuous Likert scale ($1 \leq \text{agree} \leq 2.5$). The score of “disagree” and “strongly disagree” was equivalent to 2.6 to 4.0 on the Likert Scale ($2.6 \leq \text{disagree} \leq 4.0$). The results are shown below

Table 4.3: Knowledge Acquisition

| Item | N | Minimum | Maximum | Mean | Standard Deviation |
|--|----|---------|---------|--------|--------------------|
| Organization carries out research, so as to get new outcomes | 31 | 1.00 | 4.00 | 1.8710 | .88476 |
| Learning new things is a way of life for everyone in the organization | 31 | 1.00 | 4.00 | 2.0000 | .81650 |
| Employees in the organization are continually expanding their abilities through learning | 31 | 1.00 | 4.00 | 2.0323 | .75206 |
| There is a strictly followed training programme in my organization | 31 | 1.00 | 4.00 | 2.0645 | .92864 |
| There is flexible organization structure that changes frequently | 31 | 1.00 | 4.00 | 2.3548 | .91464 |
| All members of the organization play a part in policy and strategy formulation | 31 | 1.00 | 4.00 | 2.4194 | .71992 |
| People in organization involved in key decision making | 31 | 1.00 | 4.00 | 2.4516 | .96051 |

From table 4.3 above respondents agreed to all the statements on knowledge acquisition in their organizations. However, the statements followed in the following order from the strongly agreed statement to the agreed: that the organization carries out research, so as to

get new outcomes (1.8710); that learning new things was a way of life for everyone in the organization (2.0); that employees in the organization were continually expanding their abilities through learning (2.0323); that there was a strictly followed training programme (2.0645); that there was flexible organizational structure that changed frequently (2.3548); that all members of the organization played a part in policy and strategy formulation (2.4194) and that people in the organization were involved in key decision making (2.4516). From these results, although respondents agreed that everyone was involved in key decision making, it scored the lowest mean compared to other statements.

4.4 Information Distribution

This section sought to establish from the respondents how information was being distributed in their banks. In addition, this section applied a Likert scale of 1-4. The scores “strongly agree” and “agree” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale ($1 \leq \text{agree} \leq 2.5$). The score of “disagree” and “strongly disagree” was equivalent to 2.6 to 4.0 on the Likert Scale ($2.6 \leq \text{disagree} \leq 4.0$). The results are shown below

Table 4.4: Information Distribution

| Item | N | Minimum | Maximum | Mean | Standard Deviation |
|--|----|---------|---------|--------|--------------------|
| All employees are involved in team playing and learning | 31 | 1.00 | 4.00 | 1.9032 | .97826 |
| Departments and Sections in the organization all understand each | 31 | 1.00 | 4.00 | 1.9032 | .87005 |

| | | | | | |
|---|----|------|------|--------|---------|
| others importance | | | | | |
| Employees are encouraged to think together | 31 | 1.00 | 4.00 | 1.9677 | .87498 |
| We meet with other agencies and share ideas | 31 | 1.00 | 4.00 | 2.1290 | .84624 |
| We participate in joint ventures with our grantees and stakeholders | 31 | 1.00 | 4.00 | 2.1613 | .68784 |
| Information is received from people and organization stakeholders all the time | 31 | 1.00 | 4.00 | 2.1935 | .70329 |
| Accounting systems provide all employees with feedback on the financial consequences of actions as soon as they are known | 31 | 1.00 | 4.00 | 2.3548 | .83859 |
| All employees can access the organization databases | 31 | 1.00 | 4.00 | 2.5161 | 1.02862 |
| All employees involved in reviewing policy and strategy and formulating change | 31 | 1.00 | 4.00 | 2.7742 | .88354 |

From table 4.4 above, respondents agreed that all employees were involved in team playing and learning (1.9032). In addition they also agreed to the following statements in that order; that departments and sections in the organizations understood each other's importance (1.9032); that employees were encouraged to think together (1.9677); that they met with other agencies and shared ideas (2.1290); that they participated in joint ventures with their grantees and stakeholders (2.1613); that information was received from people and organization stakeholders all the time (2.1935); that accounting systems provided all employees with feedback on the financial consequences of actions as soon as

they were known (2.3548). However, respondents disagreed that all employees could access the organization databases (2.5161) and that all employees were involved in reviewing policy and strategy and formulating change (2.7742).

4.5 Information Interpretation

This section sought to establish from the respondents whether they were able to interpret information from their banks. In addition, this section applied a Likert scale of 1-4. The scores “strongly agree” and “agree” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale ($1 \leq \text{agree} \leq 2.5$). The score of “disagree” and “strongly disagree” was equivalent to 2.6 to 4.0 on the Likert Scale ($2.6 \leq \text{disagree} \leq 4.0$). The results are shown below.

Table 4.5: Information Interpretation

| Item | N | Minimum | Maximum | Mean | Standard Deviation |
|--|----|---------|---------|--------|--------------------|
| The organization has developed strong vision for the future that it intends to realize | 31 | 1.00 | 4.00 | 1.6774 | .83215 |
| Information technology is not only used for automating processes but helps innovation. | 31 | 1.00 | 4.00 | 1.8710 | .88476 |
| All employees clearly understand the relationship between their personal goals and those of the whole organization | 31 | 1.00 | 4.00 | 2.0645 | .77182 |

| | | | | | |
|--|----|------|-------|--------|---------|
| All employees in the organization give a meaning to any information that is received in the organization | 31 | 1.00 | 4.00 | 2.1290 | .76341 |
| All the employees in the organization were involved in creating the organization's vision | 31 | 1.00 | 4.00 | 2.2903 | .78288 |
| Employees are free to give meaning to information and situations in organization | 31 | 1.00 | 21.00 | 2.7419 | 3.46379 |

The study established that respondents agreed that their organizations had developed strong vision for the future that it intended to realize (1.6774). A respondent also agreed to that information technology is not only used for automating processes but helped in innovation (1.8710); that all employees clearly understand the relationship between their personal goals and those of the whole organization (2.0645); that all employees in the organization gave a meaning to any information that was received in the organization (2.1290) and that all the employees in the organization were involved in creating the organization's vision (2.2903). However, respondents disagreed that employees were free to give meaning to information and situations in organization (2.7419).

4.6 Organizational Memory

This section sought to establish how banks enhanced organizational memory. In addition, this section applied a Likert scale of 1-4. The scores “strongly agree” and “agree” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale

($1 \leq \text{agree} \leq 2.5$). The score of “disagree” and “strongly disagree” was equivalent to 2.6 to 4.0 on the Likert Scale ($2.6 \leq \text{disagree} \leq 4.0$). The results are shown below

Table 4.6 Organizational Memory

| Item | N | Minimum | Maximum | Mean | Standard Deviation |
|--|----------|----------------|----------------|-------------|---------------------------|
| When directors/managers in my organization change, there is a continuity in management practices | 31 | 1.00 | 4.00 | 1.9032 | .83086 |
| All contacts used by the organization are kept in a database for future use | 31 | 1.00 | 4.00 | 2.2581 | .85509 |
| All vital information is passed on from one generation to another | 31 | 1.00 | 4.00 | 2.4194 | 1.11876 |
| All past information records are accessible to all staff | 31 | 2.00 | 4.00 | 2.8710 | .71842 |

As shown by the table above, respondents agreed that when directors/managers in the organization change, there is continuity in management practices (1.9032). Respondents also agreed that all contacts used by the organization were kept in a database for future use (2.2581) and that all vital information was passed on from one generation to another (2.4194). However, respondents disagreed that all past information records were accessible to all staff (2.8710).

4.7 Adaptation of Organizational Learning

This section sought to establish from the respondents the factors influencing the adoption of organizational learning in banks. In addition, this section applied a Likert scale of 1-4. The scores “strongly agree” and “agree” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale ($1 \leq \text{agree} \leq 2.5$). The score of “disagree” and “strongly disagree” was equivalent to 2.6 to 4.0 on the Likert Scale ($2.6 \leq \text{disagree} \leq 4.0$).

The results are shown below

Table 4.7: Adaptation of Organizational Learning

| Item | N | Minimum | Maximum | Mean | Standard Deviation |
|---|----|---------|---------|--------|--------------------|
| To improve the quality of service by the organization | 31 | 1.00 | 4.00 | 1.8710 | .76341 |
| To place organization in a competitive edge and enhancement of communication | 31 | 1.00 | 4.00 | 1.9032 | .59749 |
| Adaptation of technological changes so as to attract and retain qualified staff | 31 | 1.00 | 4.00 | 2.0645 | .81386 |
| To improve the commitment and morale of workforce so as to cope with changing/turbulent environment | 31 | 1.00 | 4.00 | 2.1613 | .82044 |
| Knowledge acquisition, exchanges are spread in the organizations | 31 | 1.00 | 4.00 | 2.2258 | .84497 |
| I am satisfied with my organizations' mode of learning at present | 31 | 1.00 | 4.00 | 2.2258 | .84497 |

| | | | | | |
|--|----|------|-------|--------|---------|
| To understand and make quality decisions in the organization stability of the organization | 31 | 1.00 | 23.00 | 2.7097 | 3.80520 |
|--|----|------|-------|--------|---------|

From the study, respondents agreed to the following statements on factors influencing the adoption of organizational learning in the order from the most agreed to the least agreed: to improve the quality of service by the organization (1.8710), to place organization in a competitive edge and enhancement of communication (1.9032); adaptation of technological changes so as to attract and retain qualified staff (2.0645); to improve the commitment and morale of workforce so as to cope with changing/turbulent environment (2.1613); knowledge acquisition, exchanges are spread in the organizations (2.2258) and that they were satisfied with their organizations' mode of learning at present (2.2258). However, respondents disagreed that understanding and making quality decisions in the organization stability of the organization was not a factor influencing adoption of organizational learning (2.7097).

4.8 Bank Performance

This section sought to get the opinion of the respondents on the extent to which organizational learning contributed to the performance of the bank. The results are shown below;

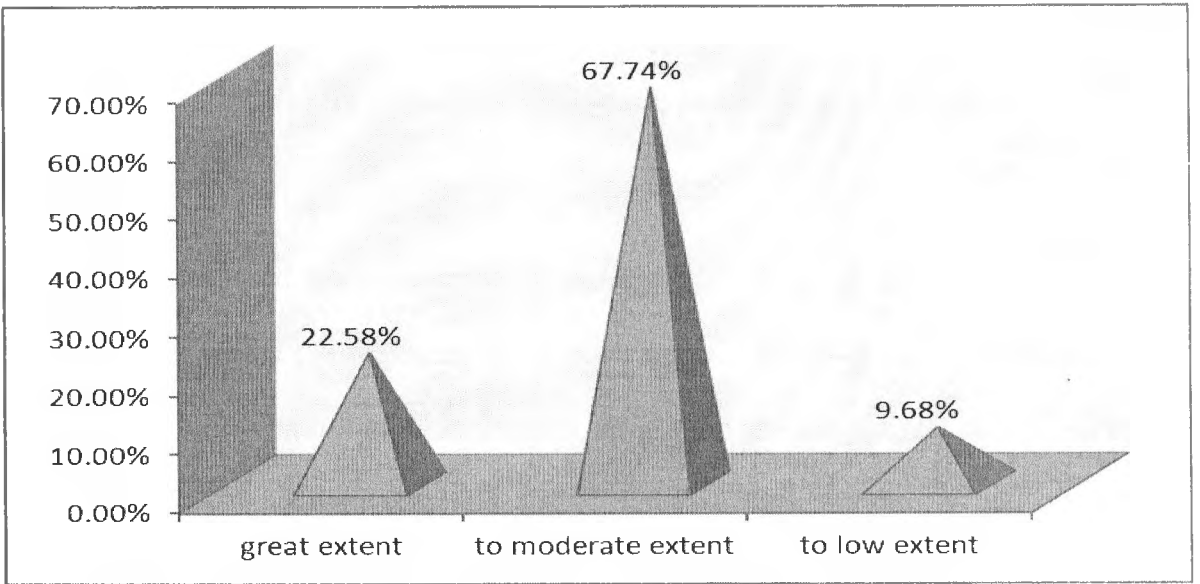


Figure 4.4: Organizational Learning and Bank Performance

From the figure above, it is evident that majority of the respondents (67.74%) considered organizational learning in their institution to contribute, to a moderate extent to the overall performance of the bank.

4.9 Discussions

The study established that there was a relationship between organizational learning and performance in banks. This finding is in line with Lopez et al. (2005) who found out that there was a positive relationship between organizational learning and performance. In addition, Kaplan and Norton (1992) asserted that an organization measurement system strongly affects the behaviour of managers and employees.

The study also established that organizational memory was essential in organizational learning in terms of continuity in management practices. A study done by Amulyoto (2002) found out that the process on organizational memory was the most essential as it

provided a sustainability factor and enhances a system of continuity in organizations and a sound reference point for organizational learning process was not well embraced in the systems.

The study established that organizational learning adaptation was meant to improve the quality of service by the organization, to place organization in a competitive edge and enhancement of communication. In addition, adaptation of technological changes so as to attract and retain qualified staff and also to improve the commitment and morale of workforce so as to cope with changing/turbulent environment. These findings are related to the work of researchers such as Dodgson (1993), Brown and Duguid (1991) merely make a passing mention of the influence of technology on learning. Both suggest that new technologies such as multi-media communications, computer aided learning, information dissemination and training will be a great ground for future research in this area. In addition, Grantham (1993) asserts that technology can be used to clarify assumptions, speed up communications, elicit tacit knowledge and construct histories of insights and catalogue them.

Further, Fiol and Lyles, 1985 asserts that in order for learning to occur, organizations must align themselves with the environment so as to remain competitive and innovative. Alignment implies that the firm must have the potential to learn, unlearn or relearn based on its past behaviors.

In relation to knowledge acquisition, the study established that their organizations carried out research, so as to get new outcomes, learnt new things, the employees in the organizations were continually expanding their abilities through learning, that there are

strictly followed training programmes and that there was flexible organizational structure that changed frequently. Dodgson, 1993 also thinks that knowledge bases are created by acquiring, storing, interpreting, and manipulating information both from within and outside the organization. In addition, Mason, 1993 adds that Strategic application of information systems for knowledge acquisition can take two forms: capabilities for assimilating knowledge from outside and creating new knowledge from the reinterpretation and reformulation of existing and newly acquired information.

The study established also that information technology also helped in innovation. This is in line with the work of Brown and Duguid (1991) who contends that a lot of learning and innovation takes place in informal communities of practice. He continues that very often learning in an organization takes place by members sharing stories or anecdotes of actual work practice as opposed to what is mentioned in formal job descriptions or procedure manuals. Greater sharing or distribution of information leads to greater organizational learning.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section of research provides a discussion on the findings of the research, the conclusions of the study and the recommendations on the relationship between organizational learning and performance of Commercial Banks in Kenya.

5.2 Summary

The type of research design adopted in this study was Descriptive survey. The population of this study comprised of all the 44 commercial banks licenced by the Central Bank of Kenya. The data was collected through self-administered questionnaires. The data analysis method used was quantitative approach through the use of frequency distribution and measures of central tendency in analyzing the data. The data was analyzed using Statistical Package for Social Science (SPSS) and the findings were presented in form of frequency tables and charts.

The major findings of the study were as follows;

The study established that respondents' job titles ranged from head of operations to an executive secretary. In addition, the results showed that majority of the respondents had worked in their respective banks for between one and ten years. However, a few had worked for more than 10 years, the longest serving being 14 years. The study further established that majority of the respondents were in the age bracket of 31-40 years. A

number of respondents however were in the age category of 21-30 years. The study also established that majority of the respondents were male. As regards the highest level of education attained by the respondents, most of them were undergraduates while a good number had attained the post graduate level. It was established that a good number of respondents who had undergraduate degrees had Certified Public Accountant of Kenya certificate.

In relation to knowledge acquisition, respondents agreed that their organizations carried out research, so as to get new outcomes, they learnt new things as a way of life for everyone in the organization, the employees in the organization were continually expanding their abilities through learning, that there was a strictly followed training programmes, that there was flexible organizational structure that changed frequently, that all members of the organization played a part in policy and strategy formulation and that people in the organization were involved in key decision making. From these results, although respondents agreed that everyone was involved in key decision-making, it scored the lowest mean compared to other statements.

As regards information distribution, respondents agreed that all employees were involved in team playing and learning. In addition they also agreed; that departments and sections in the organizations understood each other's importance; that employees were encouraged to think together; that they met with other agencies and shared ideas; that they participated in joint ventures with their grantees and stakeholders; that information was received from people and organization stake holders all the time; that accounting

systems provided all employees with feedback on the financial consequences of actions as soon as they were known. However, respondents disagreed that all employees could access the organization databases and that all employees were involved in reviewing policy and strategy and formulating change.

On information interpretation, respondents agreed that their organizations had developed strong vision for the future that it intended to realize. Respondents also agreed to that information technology is not only used for automating processes but helped in innovation; that all employees clearly understand the relationship between their personal goals and those of the whole organization; that all employees in the organization gave a meaning to any information that was received in the organization and that all the employees in the organization were involved in creating the organization's vision. However, respondents disagreed that employees were free to give meaning to information and situations in organization.

On organizational memory, respondents agreed that when directors/managers in the organization change, there was continuity in management practices. Respondents also agreed that all contacts used by the organization were kept in a database for future use and that all vital information was passed on from one generation to another. However, respondents disagreed that all past information records were accessible to all staff.

On factors influencing organizational learning adaptation, respondents agreed to these factors: to improve the quality of service by the organization, to place organization in a competitive edge and enhancement of communication; adaptation of technological

changes so as to attract and retain qualified staff; to improve the commitment and morale of workforce so as to cope with changing/turbulent environment; knowledge acquisition, exchanges and spread in the organizations and that they were satisfied with their organizations' mode of learning at present. However, respondents disagreed that understanding and making quality decisions in the organization stability of the organization was not a factor influencing adoption of organizational learning.

Finally, majority of the respondents considered organizational learning in their institutions to contribute, to a moderate extent to the overall performance of the bank.

5.3 Conclusion

The reason for creating and nurturing learning in organizations is not to create an inn-focused university of people who enjoy learning with each other, but rather to keep the organization vital by having it learn how to better serve its markets and the customers that constitute those markets. Those organizations that fail to learn undergo “organizational learning disability” generally stemming out from fundamental flaws in organization design and management, poor job design and deficiencies in the ways people in those organizations – especially managers – think and interact. A learning organization will therefore only emerge when members become genuinely excited about the learning process of learning, because learning generates further learning. A healthy curiosity will cause people to want to explore ways to do their work more effectively and efficiently.

The study also provides further evidence of, and adds weight to the importance of access to learning resources of all kinds and feedback on learning as means to stimulate greater

sharing of knowledge in knowledge intensive organizations. Unless knowledge can be diffused into the organization, learning must remain individual or group-based. Little organizational learning can be said to take place.

Globalization, information and communication technologies (ICT) and innovation, are the new criteria of the economic environment. The knowledge capital of a company is increasingly crucial. In such a context, organizational performance is highly correlated to its employees' knowledge, competencies and the way they use them to achieve work outcomes. The concept of organizational memory is born from helping organizations to manage their knowledge. However, traditional organizations are not made to learn. A great number of lessons and experience feedback is acquired then lost. Organizations acting as communities of practice facilitate their learning process.

5.4 Limitations of the Study

In terms of methodology, this study has several potential limitations. First, this study relied on self-reported and reflective recollection of the indicators of the constructs in this study by employees who volunteered their participation. Because of the perceptual nature of the data, there is the possibility of a percept-percept bias. Second, this empirical study confines itself to a descriptive survey method, which leaves room for speculation with regard to causality among the variables. Longitudinal research would substantiate the conclusions of this study. In addition, the sample of this study, consisting mostly of highly educated managers, is likely restricted to a certain group with similar demographic characteristics.

5.5 Recommendations

To solve the limitations above, methodologically, further research needs to be based on objective indicators and multiple sources. In addition, there should be more longitudinal studies with comparison groups, so that causality can be fully established. Finally, to increase generalizability of this study, more studies in various industries representing diverse demographic cohorts are needed. More specific, this study focused on knowledge workers with a higher educational level. The results might vary by the cohorts in different educational levels. More research in different educational backgrounds is recommended.

The findings of this research could be considered incomplete because of the possibility for other moderating and mediating variables in the relationships between the suggested constructs. Further research should continue to examine other personal dispositional difference factors and other contextual factors of the work environment.

5.6 Implications on Policy and Practice

This study linked organizational learning and performance. To be more specific, whereas the links between organizational learning and performance have been widely investigated, little research has explored the antecedents such as organizational learning culture and proactive personality. The theoretical contribution of this study lies in the fact that it took an integrative approach encompassing both personal and contextual factors. Although there has been a strong intuitive link between proactivity and intrinsic motivation, this study was the first attempt that investigated the relationship in the banking industry.

As for the practical implications for the purpose of enhancing organizational commitment and employee motivation, first, managers can enhance employees' organizational commitment at the organizational level as well as at the job and individual levels by providing coaching and mentoring and by job enrichment with more autonomy. Human Resource (HR) and the Operations Department (OD) practitioners can support managers and employees by providing relevant HR practices and services: changing organizational culture; enhancing organizational learning; developing transformative and supportive leadership; designing more challenging, complex, autonomous jobs; and hiring and retaining proactive employees. In particular, providing a better organizational learning culture would be critical to enhance the level of organizational commitment of employees with lower proactivity.

However, changing one factor alone like hiring proactive employees will not help organizational commitment and intrinsic motivation if other factors are not in place such as job enrichment. Therefore, HR practices should not be implemented alone. Rather, each practice should be delivered and applied in a concerted way and in a holistic perspective. That is, enhancing employees' organizational commitment and/or intrinsic motivation will require an integrated strategy, incorporating elements of culture management, organizational structure, job redesign, and leadership development. This is by no means an easy feat, which is why organizations that are successful in building this type of organization are likely to have a sustainable competitive advantage.

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Appendix I

Letter of Introduction



UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS

MBA PROGRAM - LOWER KABETE CAMPUS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE... 07 - 09 - 2010

TO WHOM IT MAY CONCERN

The bearer of this letter CAROLINE J. K. GITONGA.....

Registration No: DG1/9019/2005.....

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

DR. W.N. IRAKI

CO-ORDINATOR, MBA PROGRAM

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE

P. O. Box 30197

Appendix II: Questionnaire

For the purposes of analysis only, please answer the following questions your answers will remain anonymous and strictly confidential. This information is crucial to the study.

SECTION A: Personal Data

Please answer the following questions

1. Name of organization _____
2. What is your current job title? _____
3. How long have you been employed by the bank? _____
4. Please tick your age bracket
20 years or below [] 21-30 years [] 31-40 years []
Above 40 years []
5. Gender: Male [] Female []
6. Please indicate your level of education (please tick your appropriate level)
Diploma [] Under Graduate Degree [] Post Graduate Degree []
Others (please specify) _____

Section B: Knowledge Acquisition

7. To what extent do the following apply to your organization: (Use the scale below to tick the most appropriate response)

- 1) Strongly Agree 2) Agree 3) Disagree 4) Strongly Disagree

| | | 1 | 2 | 3 | 4 |
|---|--|---|---|---|---|
| 1 | People in the organization are involved in key decision making processes | | | | |
| 2 | All members of the organization play a part in policy and strategy formulation | | | | |
| 3 | There is flexible organization structure that changes frequently | | | | |
| 4 | Organization carries out research, so as to get new outcomes | | | | |
| 5 | Learning new things is a way of life for everyone in the organization | | | | |
| 6 | There is a strictly followed training programme in my organization | | | | |
| 7 | Employees in the organization are continually expanding their abilities through learning | | | | |

Section C: Information Distribution

8. Please circle the number that best describes the extent to which your organization practices the following: (Use the scale below to tick the most appropriate response)

1) Strongly Agree 2) Agree 3) Disagree 4) Strongly Disagree

| | | 1 | 2 | 3 | 4 |
|---|---|---|---|---|---|
| 1 | All employees in my organization are involved in reviewing policy and strategy and formulating change | | | | |
| 2 | Employees are encouraged to think together | | | | |
| 3 | All employees are involved in team playing and learning | | | | |
| 4 | All employees can access the organization databases | | | | |
| 5 | Accounting systems provide all employees with feedback on the financial consequences of actions as soon as they are known | | | | |
| 6 | Departments and Sections in the organization all understand each others importance | | | | |
| 7 | Information is received from people and organization stake holders all the time | | | | |
| 8 | We participate in joint ventures with our grantees and stakeholders | | | | |
| 9 | We meet with other agencies and share ideas | | | | |

Section D: Information Interpretation

9. Which statement best describes your organization position on the following (Use the scale below to tick the most appropriate response)

- 1) Strongly Agree 2) Agree 3) Disagree 4) Strongly Disagree

| | | 1 | 2 | 3 | 4 |
|---|--|---|---|---|---|
| 1 | My organization has developed a strong vision for the future that it would like to realize | | | | |
| 2 | All the employees in the organization were involved in creating the organization’s vision | | | | |
| 3 | All employees clearly understand the relationship between their personal goals and those of the whole organization | | | | |
| 4 | All employees in the organization give a meaning to any information that is received in the organization | | | | |
| 5 | Employees are free to give meaning to information and situations in organization | | | | |
| 6 | Information technology is not only used for automating processes but helps innovation. | | | | |

Section E: Organizational Memory

10. To what extent do the following apply to your organization? (Please use the scale below to tick the most appropriate response)

- 1) Strongly Agree 2) Agree 3) Disagree 4) Strongly Disagree

| | | 1 | 2 | 3 | 4 |
|---|--|---|---|---|---|
| 1 | In my organization, all vital information is passed on from one generation to another | | | | |
| 2 | When directors/managers in my organization change, there is a continuity in management practices | | | | |
| 3 | All contacts used by the organization are kept in a database for future use | | | | |
| 4 | All past information records are accessible to all staff | | | | |

Section F: Adaptation of Organizational Learning

11. To what extent have the following factors contributed to adopting the organization learning concept in your organization? (Use the scale below to tick the most appropriate response)

1) Strongly Agree 2) Agree 3) Disagree 4) Strongly Disagree

| | | 1 | 2 | 3 | 4 |
|-----|---|---|---|---|---|
| i | To place organization in a competitive edge and enhancement of communication | | | | |
| ii | To understand and make quality decisions in the organization stability of the organization | | | | |
| ii | To improve the quality of service by the organization | | | | |
| iv | To improve the commitment and morale of workforce so as to cope with changing/turbulent environment | | | | |
| v | Adaptation of technological changes so as to attract and retain qualified staff | | | | |
| vi | Knowledge acquisition, exchanges and spread in the organizations | | | | |
| vii | I am satisfied with my organizations' mode of learning at present | | | | |

Section G: Performance

12. In general, what is your opinion on the extent to which organizational learning contribute to performance of your bank?

To a great extent [] To a moderate extent [] To a low extent []

Thank you very much for your cooperation

Appendix III: List of Commercial Banks in Kenya

1. African Corporation Bank
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya
6. CFC Stanbic Bank
7. Charterhouse Bank
8. Chase Bank
9. Citibank N. A
10. Commercial Bank of Africa
11. Consolidated Bank
12. Cooperative Bank of Kenya
13. Credit Bank
14. Development Bank of Kenya
15. Diamond Trust Bank
16. Dubai Bank
17. Eco Bank
18. Equatorial Commercial Bank
19. Equity Bank
20. Family Bank
21. Fidelity Commercial Bank
22. Fina Bank
23. First Community Bank
24. Giro Commercial Bank
25. Gurdian Bank
26. Gulf African Bank
27. Habib Bank A. G. Zurich
28. Habib Bank Limited
29. Housing Finance Corporation of Kenya

30. Imperial Bank
31. I & M Bank
32. Kenya Commercial Bank
33. K-Rep Bank
34. Middle East Bank
35. National Bank of Kenya
36. NIC Bank
37. Oriental Commercial Bank
38. Paramount Universal Bank
39. Prime Bank
40. Southern Credit Banking Corporation
41. Standard Chartered Bank
42. Transnational Bank
43. UBA Kenya Bank
44. Victoria Commercial Bank

(Source: Central Bank of Kenya, 2008)