Learning Organization Notion in Indian Banking Industry

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Abstract: This is an empirical study on the dimensions of learning organization prevalent in Indian Banking industry and the association among them. Data collected from 368 participants was analyzed using descriptive statistics, correlation and ANOVA. The results revealed that the correlation between knowledge management and learning environment is the highest implying that knowledge and learning go hand in hand. It was also identified that the dimension learning environment bears strong association with most of the other dimensions of learning organization. Through One way ANOVA it was found that there exists a relationship between the organizational tenure of employees and dimension of learning organization. Importance of the study lies in the fact that there are very few studies which focus on the relationship among the dimensions of learning organization and fewer in the field of Banking. Also, the importance of organizational tenure has not been focused upon by many researchers.

Keywords: Learning Organization, Banking Industry, Knowledge Management, India, Correlation, one way ANOVA.

I. Introduction

For Indian Banking Industry the paradigm shift came in 1969 when 14 banks were nationalized and further in 1980 when six more banks were nationalized. Since then the face of Indian Banking Industry has changed tremendously with liberalization, privatization and globalization. For the year 2012-2013 Reserve Bank of India’s report highlights the deceleration in the service sector of Indian economy due to economic slowdown and decrease in the demand. The overall growth of Indian economy touched its 10 year trough of 5.0 percent. The times are challenging for India as the backbone of any country is its economy, and central to the economy of a nation is its banking system. India being a developing economy has numerous challenges to overcome and several opportunities to bank upon. As indicated by Dr. Y. V. Reddy, former Governor, Reserve Bank of India in his inaugural address in Bankers Conference of 2004, the challenges facing the Indian banking system are cost management, recovery management, technological intensity of banking, risk management and governance. These challenges hold true till date as the global economy has been unstable in past few years and has been affecting the Indian economy in the process.

In these times, the Indian Banking system seeks competitiveness but stability, aggressiveness in approach towards customers but compassion in dealing with the varied customers and their needs. These times remind of the times as described by Arie De Geus in his 1997 book[1], The Learning Company, wherein he emphasizes that in this turbulent world “average life time of a large corporation is probably even less than half of the average life span of an individual in an industrial society”. Senge (1990)[2] proposes that in the long run, superior performance depends on superior learning. The concept of learning being the foundation of growth is not new. Even an infant who knows nothing about the world uses learning as a tool to understand things. Learning as the stepping stone to gain better understanding and attain higher performance is true not only for an individual but for the business world as well. Prieto and Revilla(2006)[3] established that there is a positive relation between the learning capability and performance of a firm. The focus on improving organizational performance day by day heads the importance of focusing on learning in organizations and thus working on them to move towards becoming a learning organization. Researchers have proposed that “The idea of learning organization has the power to become the idea of future” [4] and describe it as a never ending journey [5]. Many researchers opine that learning organization is the fundamental base of continuous organizational improvement [2,6,7]. Researchers propose the view that continuous learning and innovation are interrelated and this further leads to enhanced productivity and better economic performance as well [6,8,9].

The challenges in front of the Indian Banking Industry are immense, as varied factors like turbulence in global and Indian economy, competition from foreign banks, changing customer needs, immense need of technological improvement, downturns in financial market, deregulation, aligning the mindset of employees with the changing needs of the banking industry, requirement of accuracy in competency mapping and many such other factors affect the internal as well as external environment of the organization. To equip itself to deal
with these challenges learning organization could be a solution. Research suggests that Learning Organizations are better equipped to tackle the changing environment [1,2]. Thus, Learning Organization model could equip an organization in a better way to deal with the turbulent surroundings; internal as well as external[10].

The existence of the dimensions of a learning organization model has been tested by many researchers in varied industries [11,12], but the number of studies determining the statistical significance of the relationship amongst the dimensions of learning organization are scarce [13]. Hence, this study aims at studying the relationship within the learning organization dimensions and determining if the organizational tenure of employees has a relation with the dimensions of learning organization.

**Objectives of the study:**
1) To determine the relationship amongst the dimensions of learning organization in the context of Indian Banks.
2) To determine the relationship between organizational tenure and dimensions of learning organization.

**II. Literature Review**
In theory of evolution, Charles Darwin has quoted, “It is not the strongest of the species who survive, or the most intelligent; rather it is those most responsive to change.” And applying the same in the context of the Business World; Asian Development Bank study on learning on change [14] focuses on the importance of learning in these changing times and states “as the scope, scale, and speed of change grow, so do the risks from not learning.” Also emphasizing that learning is not only restricted to individuals but systems and organizations need to grow while learning to cope with the change. Iles (1994) [15] emphasized that for an organization to avoid extinction and gain success it is mandatory that learning occurs at all levels [16]. Thus, in these turbulent times Learning Organization has been identified as the only way of sustaining for organizations while maintaining a competitive edge over competitors [17].

The concept of Learning Organization was popularized in the business world with the publication of Peter Senge’s book “The Fifth Discipline” in 1990. Many researchers have tried to identify the link between Learning organization characteristics and performance of the organization since then. The aspects of measuring financial performance and operational performance have been captured by Watkins and Marsick (1998) [6] in Dimensions of Learning Organization Questionnaire. Empirical support to establish the relationship between Learning organization and financial performance is given by Ellinger (2002)[11]. Different other forms of performance have been linked to learning as well. Direct relationship between organizational learning and market performance has been established [18]. The learning organization’s relationship to knowledge performance, financial performance and customer satisfaction was found to be statistically significant in a study conducted [19]. Researchers cite that there is interconnection between learning and performance and the two must be integrated to ensure persistent growth of an organization[20].

It has also been established that the organizations that follow the path of becoming a Learning Organization are more open to change and more adaptable to the new environment [21]. Thus learning capability of a firm directly impacts the non-financial performance which further impacts the financial performance of the firm [3]. Being a part of a Learning Organization can be an empowering experience and can thus lead to creativity and innovation [22]. Wright and Belcourt (1995) [23] further established the importance of empowerment; a pillar of Learning Organization[6] and explained that on the job training is a solid tool to ascertain empowerment in an organization.

The reports by Asian Development Bank [24,25,26] indicates that organization, people, knowledge and technology are sub-systems that support learning and help it to sink through the whole system. Another study by Asian Development Bank [27], highlights that there cannot be agreement on the dimensions of learning organization. Thus, for the present study, the basic structure of dimensions used is adopted from the work of Watkins and Marsick (1998) [6]. To make the questionnaire more contemporary, aspects like Knowledge management were added and the items for the dimensions have been identified from works of Pedler et al. (1991)[28]; Garvin(1993,2000)[7,29];and Gardiner and Whiting(1997)[30] as well.

The dimensions identified are as listed below:

**Learning Environment:** Pisano et al. (2001)[31] propose that the procedures for learning are different in the firms that learn better than the others. An organization’s commitment to learning is defined as its readiness to alter the exiting processes by inculcating existing or new knowledge [32]. Baker and Sinkula (2002) [33] establish a direct relationship between learning orientation of an organization and its radical innovations. Thus, learning environment of an organization contributes towards giving an extra edge to it. Malloch(2012) [34] suggests that lack of focus on learning in the workplace by the management causes boundaries and workers’ morale gets affected.
Inquiry and dialogue: Inquiry and Dialogue, Openness and Experimentation are some aspects which have been identified as major contributing factors towards becoming a learning organization[7,35,36].

Team Learning: Benett and O’Brien (1994) [37] emphasized that teams are a must in this fast changing technology based business world as no formal education can acquaint an individual with all the technological needs which change at the blink of an eye. Marquardt(1996) [38] mentions, “The team involved must learn to tap the potential of many minds to become more intelligent than one mind”. Thus, team learning in an organization becomes vital to its success as organizations that are team based learn faster and better [10].

Knowledge Management: Knowledge management is becoming a key success factor for many organizations [39]. Knowledge, though a corporate asset, has been considered as difficult to quantify and even more difficult to manage [40] but at the same time knowledge is power [41], although knowledge as an individual identity is a weak contributor and gains significance only when linked with the strategy of the organization[39]. Vemic (2007)[42] proposes that in present times, the knowledge workers do not work merely for money, nor can the traditional monetary benefits influence them; they seek to improve their own value by receiving knowledge from the organization.

Knowledge Management acts as a functional element for a Learning Organization. The push forces of Knowledge management are Job enrichment, Job enlargement and Job rotation, while the pull forces of Learning Organization activities are Instruction, sharing and self-study [43]. A research by Asian Development Bank [26] states that a knowledge sharing culture leads to better performance in an organization.

Empower people towards collective vision: Marquardt (1996) [38] proposes the importance of empowered workers by highlighting that since workers possess best information, thus if they are empowered, then they are equally good a decision maker as a manager. The importance of empowerment of employees is crucial for an organization to improve the decision making at every level. Darvish and Norozi(2011)[44] statistically established that there exists a significant relationship between the employee empowerment practiced in an organization and its focus on learning. Thus, for organizations to move towards becoming a learning organization, the empowerment of employees towards a collective vision is a necessity.

Participative policy making: Ladd and Chan(2004) [45] highlight the positive relationship between participation in decision making and organizational learning and its capability to cope with change. Authors [46,47] have highlighted that those employees value the results more, who can influence the decisions which affect them.

Reward Flexibility: For an employee the purpose behind doing a job in an organization is not merely to earn money but also to be able to explore his own capabilities, to add value to the organization and to himself. Thus, rewarding an employee only in monetary terms is not sufficient, but to be able to identify the reward earned with the value he adds to the organization is more important. This implies that to move towards becoming a learning organization it is required that the organization encourages its employees to undertake workplace learning and the reward system of the organization must incorporate this [48]. Thus, rewarding employees for learning can fetch benefits like employee involvement and reduced employee turnover [49].

Connect organization to external environment: The fast changing world of business gives an organization no option but to keep pace with it if the organization is to survive. As Watkins and Marsick (1998)[6] have highlighted that a learning organization is one which keeps a close connection with its external environment. The boundary workers in organizations have also been named as environment scanners to track the new trends and upcoming challenges and opportunities [28,30].

Strategic Leadership: Leader of an organization is said to be the steward of the ship. He has to navigate and put things in the right direction. Senge(1990)[2] pointed out that those times are gone when the leader used to learn for the organization. Now is the time when the leader has to make the whole organization a learning organization. Thus, Bass(2000)[50] claims that ‘the leaders of learning organizations will set goals either through participation or direction of their various constituencies’. Millet(1998)[51] cited that the traditional view of leadership differs from the leadership in learning organizations. Thus, the leadership in a learning organization is responsible for building an organization where people are continually learning and expanding their capabilities [2]. A study by Zsiga(2008)[52] suggests that there exists a correlation between Leader effectiveness, self-directed learning readiness and strategic thinking. Thus, if a leader focuses on self learning he will be more effective and a better strategic thinker.
Also, a study by Asian Development Bank[27], proposes that it is the responsibility of the leader of an organization to either strengthen or challenge those norms which limit learning, thus making Strategic Leadership a major contributing factor towards becoming a Learning organization.

Organizational tenure has been identified to be related to different aspects of human resource factors in an organization such as job satisfaction [53,54], organizational citizenship [55], and technical communication[56]. Cohen(1993)[55] suggested that organizational tenure also acts as an important input while making decisions on policy matters related to employees such as reward system, promotions and provision of fringe benefits. The definition of organizational tenure for this article is accepted as provided by Lovett et. al.(2006)[53], as ‘the time of continuous service within a single organization’. One size fits all policy cannot be used while determining the importance of learning dimensions for the employees with different organizational tenure. A study by Beus et. al.(2010)[57] revealed that organizational tenure affects the employees’ perception of policies, practices and procedures in an organization. Further emphasizing the importance of organizational tenure, it is highlighted, “Employees who have stayed with their organizations for longer time are more likely to have embedded relationships”[58]. Organizational tenure has been considered as an important input in team effectiveness also [59].

It is thus expected that with the difference in tenure of employees, their perception and views regarding the learning organization dimensions in their respective organization will differ. Determining the relation of organizational tenure with the learning dimensions can give organizations an idea regarding what kind of policies and procedures would work with junior and senior employees respectively. This study thus intends to study the relationship of organizational tenure with the factors of learning organization.

III. Methodology

Primary data was collected from the employees of the Indian Banks. These banks were inclusive of public as well as private sector Indian banks. The questionnaire was distributed amongst 450 bank employees. 379 questionnaires were returned, out of which 11 responses were incomplete. These 11 responses were dropped, thus the number of responses for the present study was 368. The respondents’ profile embarks the following key points: Managerial Level – Top (N=62), Middle (N=124), Junior (N=182), Current organizational tenure (years of experience: 0-10 (330), 11-20 (22), 21-30 (16)).

**Questionnaire:** The questionnaire used for the study is based on the dimensions proposed by Watkins and Marsick (1998)[6]. To make the questionnaire contemporary, the dimensions as established by Pedler et al. (1991) [28] and Garvin (1993,2000) [7,29] were identified and used along with the aspects like leadership management that have been recognized as an essential part of being a Learning Organization[39,41].

The questionnaire used a 5 point Likert scale, wherein 1= Strongly Disagree, 2= Disagree, 3= Neither agree nor disagree, 4=Agree and 5=Strongly Agree. Total 86 questions were used in the questionnaire. Out of 86 questions, 34 questions had factor loading of less than 0.5. These 34 questions were dropped during the analysis and thus only 52 items were retained. Table I indicates the number of questions retained in each dimension after dropping items with factor loading less than 0.50.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Number of items</th>
<th>Number of items retained after factor analysis</th>
<th>Range of factor loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning Environment</td>
<td>26</td>
<td>11</td>
<td>.51 to .58</td>
</tr>
<tr>
<td>Promoting enquiry and dialogue</td>
<td>10</td>
<td>5</td>
<td>.63 to .70</td>
</tr>
<tr>
<td>Team Learning</td>
<td>9</td>
<td>6</td>
<td>.62 to .77</td>
</tr>
<tr>
<td>Employee Empowerment</td>
<td>3</td>
<td>3</td>
<td>.63 to .87</td>
</tr>
<tr>
<td>Participative Policy Making</td>
<td>3</td>
<td>3</td>
<td>.69 to .76</td>
</tr>
<tr>
<td>Reward Flexibility</td>
<td>4</td>
<td>4</td>
<td>.71 to .91</td>
</tr>
<tr>
<td>Knowledge Management</td>
<td>17</td>
<td>9</td>
<td>.60 to .76</td>
</tr>
<tr>
<td>Connection with external env</td>
<td>6</td>
<td>5</td>
<td>.63 to .71</td>
</tr>
<tr>
<td>Strategic Leadership</td>
<td>8</td>
<td>6</td>
<td>.61 to .80</td>
</tr>
</tbody>
</table>

IV. Results And Discussions

To establish the internal consistency of the dimensions, cronbach alpha was determined (Table II). The overall cronbach alpha for the questionnaire is .891 indicating high internal consistency. Table II reveals the reliability score for each dimension. All the nine dimensions are internally consistent as the alpha coefficient for all nine dimensions is above 0.6.
The results also indicate that the correlation between strategic leadership and employee empowerment is the highest (r = 0.65). The correlation between promoting inquiry & dialogue and Learning Environment (r = 0.62) and team learning and learning environment (r = 0.62) are second highest of all. Table IV shows that the lowest correlation coefficient is between strategic leadership and employee empowerment.

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>LE</th>
<th>PID</th>
<th>TL</th>
<th>EE</th>
<th>PPM</th>
<th>RF</th>
<th>KM</th>
<th>CEE</th>
<th>SL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning Environment (LE)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promoting Inquiry and Dialogue (PID)</td>
<td>0.62</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Team Learning (TL)</td>
<td>0.62</td>
<td>0.61</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Empowerment (EE)</td>
<td>0.53</td>
<td>0.48</td>
<td>0.60</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participative Policy Making (PPM)</td>
<td>0.51</td>
<td>0.54</td>
<td>0.50</td>
<td>0.59</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reward Flexibility (RF)</td>
<td>0.59</td>
<td>0.57</td>
<td>0.39</td>
<td>0.60</td>
<td>0.53</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge Management (KM)</td>
<td>0.65</td>
<td>0.49</td>
<td>0.61</td>
<td>0.58</td>
<td>0.46</td>
<td>0.36</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Connection with External Environment (CEE)</td>
<td>0.52</td>
<td>0.53</td>
<td>0.61</td>
<td>0.37</td>
<td>0.54</td>
<td>0.53</td>
<td>0.56</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Strategic Leadership (SL)</td>
<td>0.44</td>
<td>0.51</td>
<td>0.58</td>
<td>0.51</td>
<td>0.53</td>
<td>0.42</td>
<td>0.43</td>
<td>0.56</td>
<td>1</td>
</tr>
</tbody>
</table>

On determining the correlation between nine dimensions of learning organization used in the instrument (Table IV) it was highlighted that the correlation between Knowledge Management and Learning Environment is the highest (r = 0.65). The correlation between promoting inquiry & dialogue and Learning Environment (r = 0.62) and team learning and learning environment (r = 0.62) are second highest of all. Table IV shows that the lowest correlation coefficient is between strategic leadership and employee empowerment.

One way analysis of variance was conducted to determine if the organizational tenure of the employee had a relationship with the dimensions of learning organization. The organizational tenure of employees was divided into three groups, Group I included the employees having 0 to 10 years of work experience with the current organization (M = 171.8, SD= 28.3, N= 330), Group II 11 to 20 years of work experience (M= 156.7, SD= 25.3, N= 22) and the Group III included employees with 21 to 30 years of work experience (M= 173.6, SD= 27.1, N= 16).

Homogeneity of variances was evaluated using Levene’s Test and was found tenable, F(2,365) = .88, p= .41. The ANOVA was found significant F(2,365) = 3.03, p=.04. Thus we conclude that there is a relationship between the organizational tenure and dimensions of learning organization.

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>4806.201</td>
<td>2</td>
<td>2403.100</td>
<td>3.03</td>
</tr>
<tr>
<td>Within Groups</td>
<td>289863.702</td>
<td>365</td>
<td>794.147</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>294669.902</td>
<td>367</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

V. Conclusion

As per the results obtained, the highest correlation lies between Knowledge Management and Learning Environment. The need to integrate knowledge and learning is essential to link knowledge management and organizational learning [20]. In this era, it is important to not just learn but to convert that learning into knowledge and be able to manage that knowledge as well so as to be stored in organizational memory. This implies that Learning environment and Knowledge management are important factors as perceived by participants and studies also establish that they both go hand-in-hand [43]. King (2009)[60] indicated organizational learning as the goal of knowledge management. This supports the strong relationship captured between learning environment and knowledge management.

As cited by Hong and Kuo(1999)[43], “The purpose of knowledge management is to integrate internal and external knowledge at all times in order to cope with environmental changes both within and outside the organization”. This is supported by this study wherein connection with external environment and knowledge management has come out as a strong one. The results also indicate that learning environment has a strong correlation with all the other dimensions. This highlights that employees view learning environment as the key factor and relate all other dimensions of learning organization with that. The organizations thus need to focus on making the environment conducive for learning by supporting open mindedness, experimentation, reflection and review of actions and reactions.
The lowest correlation; not too weak though, is captured between strategic leadership and employee empowerment. This could be explained on the basis that employee empowerment is a combination of two main factors: policies and procedures implemented by the organization which are decided by management or leaders of the organization and individual capacity to take initiative and utilize the empowerment opportunities provided by the organization. In the present study, the nine dimensions of the learning organization are positively correlated and were statistically significant at .01 levels.

Results indicate a relationship between the organizational tenure and dimensions of learning organization indicating that as an employee stays longer with an organization his perception towards the learning culture and policies and structures affecting the learning culture changes. This is also in sync with the study by Beus et al. (2010) [55].

VI. Limitations Of Study And Scope For Further Research

The study pertains to only one industry: banking. The study can be extended to other industries to identify the relationship within the dimensions of learning organization and to classify the most important dimensions as well. This could give a preview of other industries also and comparisons could be made across industries. This study determines the relationship of learning dimension with the tenure of an employee with the current organization only. Investigating the relationship between learning organization dimensions and total work experience can bring out some interesting findings.

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