
Factors Affecting the Organizational Learning: A Study of Banking Sector of Pakistan

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ABSTRACT: *The purpose of the study is to examine the relationship among learning factors and organizational learning, also extent to which these cast positive or negative impact on learning level of banking sector of Pakistan. In order to fulfill this purpose dimensions of learning organizations (DLOQ) by Marsick and Watkins (2003) are taken. This gauges the performance of organizational learning by two outcome variables knowledge performance and financial performance. Seven dimensions and two outcome variables are measured by 32 items on six point Likert scale. Sample size of this study consists of 65 respondents. The findings of this empirical study draw the inferences that seven dimensions of DLOQ have significant positive relationship with organizational learning and these factors enhance, positively, learning in organizations.*

Key Words: Organizational learning, Knowledge, Learning Levels, Performance, Pakistan

Many Scholars worked over the theory of learning organizations that had been emerged during 20th century but 21st century organizations face rapidly changing environment, dynamic structures and globalization concept, all of these have strong impact on the organizational learning. Organizational learning is necessary but not sufficient to become learning organization, now only those organizations can survive which strive for learning. According to Senge (1997) in “The Fifth Discipline” system thinking is most critical to see the things as a whole not as parts. All things are interconnected and cast impact as a whole on the performance of organizational learning. Senge (1997) gives the road map to become learning organizations by adopting the following steps personal mastery, mental model, team learning, shared vision and system thinking. Garvin (1993) says learning organizations are building by evolutionary process; to understand the learning three M’s are given (1) Meaning, defines the learning concept (2) management, related to the activities of the organizational activities (3) Measurement provides the tools to assess the performance of learning. Five building blocks are given for learning organizations those are followings, problems are solved systematically on the base of facts not on assumptions, learn from their own experiences of past, implement the plans first on the frontline then go ahead step by step, learn from others by observing their best practices and share the knowledge within an organization.

“An organization where people regularly expanding their capacity to generate the results they truly desire, where new and expensive models of thinking are cultivated, where collective ambition is set free, and where people are frequently learning how to learn” (Senge 1997).

“An organization skilled at generating, obtaining and transferring knowledge and at adapting its behaviour to reveal new knowledge and insights” (Garvin 1993).

Literature Review

In current era only those organizations can survive which learn faster than the change in environment. Learning cannot be sustained until the five subsystems are adopted, which are organization, people, knowledge, technology and learning (Marquardt 1996).

Learning Types: Individuals and organizations are learn through different ways like situational learning, fragmented learning, opportunistic learning (Kim 1998) and double loop learning (Argyris and Herbane 2005).

1. Situational Learning occurs when we try to get the solutions on spot and did not consider that experience in future for the solution of problems,

while learning can be occurred at operational or conceptual level (Kim 1998).

2. Fragmented Learning can be explained as when individuals learn as a part and not shared their experiences, insights and mental model as a whole within the organization (Kim 1998).
3. Opportunistic Learning represents the individual or group actions to hold the opportunity on these basis organizations are take actions by bypassing their bureaucratic structure (Kim 1998).
4. Double Loop Learning occurs when individuals are thinking outside the box, deeply thinks about mistake routes which cause of them, also make changes in the prevailing rules and actions to correct the errors (Argyris and Herbane 2005).

Learning Levels: Learning organizations are learn at three levels individual level, group level and organizational level (Marsick and Watkins 2003).

Individual Level: Formal learning takes place in structured and controlled environment, while informal learning and incidental learning occurs in unstructured environment (Marsick and Watkins 2001).

Whole process depends upon the individual actions and views which they hold. Individuals hold perceptual theory that was based on their mental model and routine work practices theory. While individuals learn from their actions which can cause errors and mistakes because they take some practices for granted. Facilitator can enhance the level of individuals learning by correcting their mistakes and error (Argyris 1995).

Team or Group Level Learning: According to Senge (1997) when teams are learning then individuals learning performance also enhanced. Team learning discipline starts with dialogue which means freely give suggestions within the group that based on logics and they suspend their assumptions. While back and forth discussion is necessary to defend the results of dialogue and learning teams become the microcosmic group by which organizational learning can be assessed.

Organizational Learning: Organizations are learn from their stimuli and they scan important information from their environment, whereas jolts are occurred due to change in stimuli of the environment, while organizational adaption phases of jolts are anticipatory, responsive and readjustment. These organizations can enhance their learning by making changes in four systems strategy, structure, slack and ideology (Meyer 1982).

Organizations can become the learning organizations until they integrate and refine their five disciplines mental model, personal mastery, team learning, shared vision and system thinking (Senge 1997). The learning

organizations are continuously expanding their knowledge by creating and transferring, also reflect change in behaviour with the passage of time (Garvin 1993). Further it explains as those organizations which are learning from their history, inferences and experiences of others; also they apply them on their routine works that guide their behaviours (Levitt and March 1988).

Organizational learning occurs due to jolts in respond of these organizations adapt change according to the environment. Organizations can get their desired results by improving four areas strategy, structure, ideology and slack (Meyer 1982), while assessment of individual and organizational level of learning is difficult task. Organizations are learning when individuals are learning and they share their insights (Kim 1998). Individual actions are guided by the conceptual and in practice theory (Argyris 1995). While informal learning occurs during the routine work and incidental learning comes from exploration of the new business ventures (Marsick and Watkins 2001) and double loop learning take place due to deep routed thinking how errors are done and what are the causes behind them (Argyris and Herbane 2005). While workplace learning related to specific work environment in which individuals work and learn from their working environment, attitude and behaviour towards learning. Learning in workplace requires some inputs policies, programmes, strategies and activities, all these inputs must be well integrate for better outcomes (Matthews 1999). "Pamela"

Individuals learning and leadership commitment have positive influence on the organizational learning and their outcomes (Pham and Swierczek 2006). While organizational learning has positive relationship with organizational commitment, job satisfaction and work performance (Rose, Kumar et al. 2011).

Diagnosing or measurement of learning is complex task but many measurement tools are available. A metaphoric name diamond given to the invented tool that measures the performance level of organizational learning and individual level of learning which have two portions. Upper part show organizational level learning and lower part represents the individual level learning but this tool can only measure the learning level within the firm and cannot compare and contrast the two firms learning levels (Moilanen 2005).

While organizations wants to learn and measure their learning level by assessing performance gap between current and previous state. DLOQ not only give the results about performance measurement also tells the right direction to achieve goals. DLOQ have seven dimensions they strongly affects the outcomes knowledge performance and capital performance (Marsick and Watkins 2003). The performance

measurement is complex task because it requires more valid and reliable instrument. Results of the survey shows significant relationship among DLOQ dimensions and their outcomes (Yang 2003), also another study was conducted about the DLOQ construct that investigates the reliability and validity of dimensions. Cronbach's alpha value of dimensions shows significant results and structure equation modelling represents the validity of the DLOQ construct (Yang, Watkins et al. 2004).

In Lebanese economy a comparative study conducted between the Banking and IT sector to investigate the progress of these sectors, which one moves towards the learning organization by using DLOQ as performance measurement tool (Jamali, Sidani et al. 2009). In Malaysia empirical study conducted which shows the significant impact of DLOQ dimensions on organizational learning and their outcomes (Noubar, Rose et al. 2011). Public educating institutes of Pakistan are studied and find most prominent five dimensions of learning organizations by using DLOQ as measuring instrument (Zamin Abbas, Murad et al. 2011).

Conceptual Framework

Marsick and Watkins (2003) says learning organizations are learn at individual level, team or group level and organizational level. While for measurement of learning level of organizations DLOQ by (Marsick and Watkins 2003) used as measuring instrument. The seven Dimensions which have two key results financial performance and Knowledge performance that demonstrate the impact on learning level of organizations.

Purpose of the Study

As we know that organizational learning can be enhanced when individuals and teams are learning, also they share their thoughts and insights at organizational level. But some factors affecting the level of organizational learning to measure these DLOQ is taken as measuring instrument. The performance level of organizational learning can be figure out by two outcome variables financial performance and knowledge performance. The following research questions can better guide this study.

1. What is the affect of seven factors on the organizational learning?
2. Are outcome variables (Knowledge Performance, Financial Performance) predicted by seven dimensions of DLOQ?

Research Methodology

The main purpose of this study is to measure the factors affecting organizational learning in banking sector of Pakistan. The DLOQ developed by Marsick and Watkins (2003) was adopted to measure instrument that consist of seven dimensions and two key outcome variables, 'knowledge performance & financial performance'. While these are measured by 32 items on 6 point likert scale ranged as (1= Almost Never to 6= Almost Always). The distribution of items which measures the construct is shown in Table-2.

Data was collected by using purposive sampling technique from different banks commercial and main branches at individual, team and organizational level. 85 questionnaires are distributed in banking sector out of which 65 are returned and the response rate is 76%. Each respondent was asked to respond against 32 items on 6 point likert scale, which measures the organizational learning towards the learning organizations.

DLOQ Composition in this Study

Section	Dimension	Items
Individual Level	Continuous learning	3
	Inquiry & Dialogue	3
Team Level	Collaboration & Team learning	3
Organizational Level	System that capture & share learning	3
	People empowerment	3
	Connecting the organization to its environment	2
	Strategic leadership for learning	3
Outcome Variables	Knowledge Performance	6
	Financial Performance	6
Total		32

Research Findings

Data collected from the banking sector has been analyzed, to meet the objective of this study descriptive statistics applied in which Arithmetic Mean and Standard Deviation of the data has been calculated. Moreover, regression analysis technique used to draw the inference about either outcome variables can be predicted by seven dimensions. Furthermore, Cronbach alpha has also been applied in order to check the reliability of the data. All these methods are analyzed by using the SPSS 17.0.

The average scores of seven dimensions and their outcome variables are ranging from 3.5108 to 4.1323 as shown in Table.

Dimensions & Outcomes	Average scores
Individual Level	
Continuous learning	3.8200
Inquiry & Dialogue	3.5523
Team Level	
Collaboration & Team learning	3.6708
Organizational Level	
System that capture & share learning	3.8738
People empowerment	3.5431
Connecting the organization to its environment	3.5108
Strategic leadership for learning	4.0015
Outcome Variables	
Knowledge Performance	4.0831
Financial Performance	4.1323

Moreover, average scores of the dimensions at individual level, team level, and organizational level reveals that significant differences of learning see Table

Rating Across the Three Learning Areas

Learning Levels	Average Scores
Individual Level Learning	3.68615
Team Level Learning	3.6708
Organizational Level Learning	3.7323

Many scholars has been worked on DLOQ dimensions and results of these studies suggest that DLOQ construct as reliable and valid instrument for measurement of learning organizations (Yang, Watkins et al. 2004). Cronbach alpha value .929 reveals that overall data reliability of this study (Appendix-2).

The first objective of this study is to explore the factors either they affect the organizational learning positively or negatively. The coefficients of correlation shows that significant results ($P < .01$), which explains the association among the variables, also positive "r" values shows that seven dimensions have positive influence on the performance of organizational learning (see Appendix-3).

The second objective of this study is to explore that Can outcome variables (Knowledge Performance, Financial

Performance) are predicted by seven dimension of DLOQ. The regression analysis results shows that seven factors have positive significant relationships with the perceived outcome variable financial Performance $R^2 = .602$ and ($R = .776$, $P < .05$) as shown in Appendix-4. Factors of learning are strong predictors of financial performance because result is significant and coefficient of determination R^2 better explains that regression model fit the data. Furthermore, regression analysis results revealed that seven factors of learning strongly predicts the outcome variable knowledge performance $R^2 = .751$ and ($R = .867$, $P < .05$) see Appendix-5. While R values provide the evidence that dependent variable and independent variables have significant relationship among them. Moreover, the variance inflation factor (VIF) values are ranged from (2.142 to 2.880) these are below than the commonly accepted value 10. The output of these values explains that there is no multicollinearity problem among the independent variables.

The overall results of this study demonstrated that dimensions of the learning organizations and their outcome variables knowledge performance and financial performance have positive strong relationships among them. The learning performance of organizations can be assessed with the help of DLOQ.

Conclusion

The empirical study of banking sector is conducted in Pakistan that contributes in research literature regarding extent to which learning factors affecting the organizational learning. The concluding results suggested that seven factors of learning have strong positive impact on learning.

The data collected from respondents of different banks which may be biased due to different levels of learning and their position in the organization. As well as scope of this study is not much broader because sample size of respondents is small. Therefore results of this study may not be generalized in all situations of other sectors.

There is dire need to improve all factors of learning especially, inquiry & dialogue, empower people towards a collective vision and connect the organization to its environment. Moreover, in a rapidly changing global and uncertain environment organizations must have to develop its capacity of learning culture in order to enhance the performance level of learning. This study further guides that learning organizations would be the best solution for Pakistani based organizations to get success and gain competitive edge.

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Appendices

Appendix-1

	Mean	Std. Deviation
Continuous Learning	3.8200	1.12946
Inquiry & Dialogue	3.5523	.97965
Collaboration & Team Learning	3.6708	1.15200
Create System	3.8738	1.10047
Empower People	3.5431	1.22704
Connecting the Organization to its environment	3.5108	1.20729
Strategic Leadership	4.0015	1.13640
Financial performance	4.0831	.93701
Knowledge Performance	4.1323	1.13854
Valid N (listwise)		

Appendix-2

Inter-Item Correlation Matrix

	1	2	3	4	5	6	7	8	9
1. Continuous Learning	1.000								
2. Inquiry & Dialogue	.711	1.000							
3. Collaboration & Team Learning	.645	.648	1.000						
4. Create System	.660	.675	.689	1.000					
5. Empower People	.514	.604	.585	.572	1.000				
6. Connecting the Organization to its environment	.574	.497	.552	.498	.707	1.000			
7. Strategic Leadership	.589	.633	.598	.619	.507	.566	1.000		
8. Financial performance	.515	.680	.397	.449	.396	.486	.657	1.000	
9. Knowledge Performance	.649	.760	.589	.577	.583	.584	.787	.739	1.000

Appendix-3

Reliability Statistics	
Cronbach's Alpha	N of Items
.929	9

Appendix-5

Model Summary			
R	R Square	F	Sig.
.867	.751	24.613	.000

Appendix-4

Model Summary			
R	R Square	F	Sig.
.776	.602	12.316	.000