



MANAGEMENT DYNAMICS

A Peer-reviewed Journal of Management and Economics



Published by
Shanker Dev Campus
Tribhuvan University, Nepal

Impact of Learning Capability on Organizational Performance in the Nepalese Banking Sector

Raju Bhai Manandhar

Faculty of Management

Tribhuvan University, Kathmandu, Nepal

Email: raju.pyc@gmail.com

Article Info

Received: 7 May 2021

Revised: 24 May 2021

Accepted: 28 May 2021

DOI: <https://doi.org/10.3126/md.v24i1.47552>

Keywords

banking practice,
commercial banks,
learning capability,
organizational performance

ABSTRACT

The Nepalese banking sector must retain and attract qualified human resources to achieve its goals. Job satisfaction is crucial for the retention and attraction of competent people in the organization. The learning capability has been considered a vital index of an organization's effectiveness to innovate and grow (Jerez-Gómez et al., 2005). The purpose of the study was to examine the association and impact of learning capability on organizational performance in Nepalese commercial banks. The present study is descriptive and analytical in nature. The questionnaire survey method was adopted with a five-point Likert scale. This survey has conducted in Kathmandu Valley, focusing on employees of public and private banks such as managers, accountants, cashiers, and assistant level workers in the respective department respondents. Fifty respondents were chosen from four public and private banks. To choose the respondents for the study, the judgmental sampling technique was applied. In this research, correlation and regression analysis has been carried out to assess an association and the impact of learning capability on organizational performance. The study found a positive association between learning capability and organizational performance. It also found an effect of learning capability on organizational performance in Nepalese commercial banks. It is also found that gender has no impact on learning capability and organizational performance in the Nepalese banking sector.

1. INTRODUCTION

Organization performance depends upon how well the organization has well designed the learning environment. The corporate environment is changing under a few inexorable developments like information power, accelerating pace of technology change, and globalization of markets. Many companies around the globe have realized that the way an organization learns is the key and a determining index for sustainable competitive advantage.

The Nepalese government adopted the economic liberalization and privatization policy in the mid1980s. Among the competitive business environment, it became researchable to investigate how these banks are practicing human resource management for their employee job satisfaction and what is the impact of employee participation on their job satisfaction. The Nepalese banking sector must retain and attract qualified human resources to achieve its success and goals. Job satisfaction is crucial for the retention and attraction of competent people in the organization. Davenport and Prusak (2000) comment that banks recently changed habits and work practices to introduce task innovations related to knowledge and learning methods. Organizations need to consider proper knowledge and learning strategies for organizational culture.

Today, organizations need more than ever to be highly flexible and to adjust increasingly faster to changes to remain ensure their long-term survival. Nowadays, Nepalese banks are witnessing drastic changes. The liberalization of the financial sector and banking sector reforms have exposed the banks to a new economic environment characterized by increased competition and new regulatory requirements. As a result, there has been a transformation in every sphere of activities of the banks in Nepal, especially in Governance, nature of business, style of functioning, and delivery mechanisms. Marchington and Wilkinson (2003) comment that the ability of learning organizations to transform themselves is perceived as necessary to those organizations attempting to compete in the global marketplace for value-added goods and services and in which rapid responses are seen as critical.

However, in Nepal, many organizations do not provide proper training and development activities, a suitable working environment, and adequate staff motivation. As a result, organizational performance is declining day by day. So, to enhance the organizational performance, such activities need to be initiated by the organization. In addition, other organizations in Nepal which have not yet implemented such actions will become aware of its positive impact on proper staff motivation, working environment, and training and development on organizational performance. Therefore, this study measures the impact of learning capability on organizational performance in the Nepalese banking sector.

The learning capability depends on filling the gap between the knowledge stored in the past and the knowledge required to fit changing environmental conditions (Zack, 1999). Learning capacity in organizations is often characterized by two essential dimensions (Decarolis & Deeds, 1999; Vera & Crossan, 2000); first, a static dimension based on the structures that hold the stocks of knowledge implicit or explicit which are internal to the organization. Second,

a dynamic measurement based on the knowledge flows representative of learning processes that embody the organization's knowledge streams, making knowledge stocks evolution possible. This framework shows how knowledge stocks reside in individuals, groups, and the organization and how they all are related using knowledge flows for exploration and exploitation. The learning capability has been considered a vital index of an organization's effectiveness to innovate and grow (Jerez-Gómez et al., 2005). This literature (Ulrich et al., 1993; Goh & Richards, 1997; Pedler et al., 1997) describes a set of actions that ensures learning capability: effective generation of ideas by implementing a set of practices such as experimentation, continuous improvement, teamwork, and group problem-solving, observing what others do, or participative decision making. Finally, according to Ulrich, Jick & Von Glinow (1993), there have been more thought papers on why learning matters than empirical research on how managers can build learning capability.

Organizational performance can be defined as the outcome that indicates or reflect the organization's efficiencies or inefficiencies in term of corporate image, competencies, and financial performance (Khandekar & Sharma, 2006). Organizational performance is influenced by the feedback of the various administrative functions and factors regarding the ability to provide resources and input. Organizational performance can be measured and defined as all aspects of performance relevant to its existence as a whole' and success as the way the organization carries its objective into effect (Malik, Ghafoor, & Naseer, 2011). The organization may achieve its goal when each employee understands their roles and responsibility for the organization. There should be continuous communication between management, leader, and employee to set performance expectations, monitor programs, and achieve satisfactory results. Likewise, too (Paul & Anantharaman, 2003), the actual organizational performance achieves higher performance or maximization of wealth for the shareholders. The version is also the ability of an object to produce results in a determined priority to a target or goal (Laitinen, 2011).

There was a positive link between organizational learning capability and organizational performance on overall performance (Camps & Luna-Aroca, 2012) or specific organizational performance aspects like innovation performance (Are and Baki, 2011; Robinson & Stubberud, 2011) or export performance (Alegre et al., 2011). Following Zollo and Winter (2002) and Easterby-Smith and Prieto (2008) argue that organizational learning processes and dynamic capabilities represent intermediate steps between organizational learning capability and organizational performance. However, a broader focus considers the impact of organizational learning capability on organizational performance by examining the intermediate processes and capabilities between these concepts and evaluating the main dimensions of organizational performance.

2. METHODOLOGY

2.1 Research Design

Zikmund (2002) states that four key constraints determine the research design: a. objectives of the research, b. the available data sources, c. the urgency of decision, and d. the cost of

obtaining the data and identifying these factors to be taken into consideration for the study. The present study is based on the descriptive and analytical research design.

2.2 Sample Design

This survey was conducted in Kathmandu Valley, focusing on the employees of public and private banks. Respondents include manager, accountant, cashier, and assistant level working staff of respective departments. The judgment sampling technique was used in this research to make this study more inclusive and representative. Fifty respondents were chosen from Agriculture development bank, Prabhu bank, Laxmi bank, and Janata bank.

2.3 Data Collection Strategies

Primary data was the main source of information for this study to address the research objectives. The questionnaire survey was applied to collect the preliminary data. The questionnaire was developed on 5 points Likert Scale with strongly disagree to agreeing strongly. The questionnaire includes 25 close-ended questions. Mainly, Mean, standard deviation, correlation, and regression analysis have been applied to analyze the data to have the result of the study.

2.4 Definition of Variables

Learning capacity

The learning capability depends on filling the gap between the knowledge stored in the past and the knowledge required to fit changing environmental conditions (Zack, 1999). From this point of view, learning capacity as the organizational potential to use available knowledge within the organization and continually renew that knowledge. As a result, collective learning at the group level, group learning and at the organizational level, organizational learning is then developed (Nonaka & Takeuchi, 1995). The learning capability has been considered a vital index of an organization's effectiveness to innovate and grow (Jerez-Gómez et al., 2005). A range of studies on organizational learning (Easterby-Smith et al., 2000; Lyles & Easterby-Smith, 2003) has pointed out these deficiencies and proposed for future research the conceptualization and development of a valid, reliable measurement instrument for organizational learning.

Organizational performance

Organizational performance refers to the actual output or result of an organization as measured against its intended outcomes, goals, and purpose (Jon & Randy, 2009). Organization performance is a process of enhancing both the effectiveness of an organization and the well-being of its members to plan interventions. One of the three critical points of organizational development which lead to organizational performance is when many organizations develop efforts to increase organizational learning, with the intent of then impacting organizational performance (Jon and Randy, 2009). Organizational performance is influenced by the feedback of the various administrative functions and factors regarding the ability to provide resources and input. It also produces the necessary outcome that contributes to the attainment of the goals and objectives of the organization.

2.5 Research Hypotheses

There are the following alternative hypotheses:

H1: There is an association between learning capability and organizational performance in the Nepalese banking sector.

H2: There is an impact of learning capability on organizational performance in the Nepalese banking sector.

H3: There is an impact of gender on learning capability for organizational performance in the Nepalese banking sector.

2.6 Test of Reliability

Cronbach's Alpha is studied to understand the reliability and validity of each question (Gliem & Gliem, 2003). Table 1 displays the reliability of the items.

Table 1

Reliability Test of Study Variables

S. N.	Variables	Cronbach's Alpha
1	Learning capability	0.755
2	Organizational Performance	0.654

Table 1 shows that Cronbach's alpha values of learning capability and organizational performance are 0,755 and 0. 0.654 respectively. It states the stability of the items.

The primary data have been analyzed by calculating the mean, standard deviation, correlation and regression graphs, etc. The study has applied correlation analysis to explore the relationship between learning capability and organizational performance. The following regression equation is regressed to find out the impact of learning capability on organizational performance:

2.7 The Model

$$Y = \alpha + \beta X + \varepsilon$$

where α = Constant, Y= Organizational performance, X = Learning capability

ε = error terms.

3. RESULT AND DISCUSSION

3.1 Demographic Status

The demographic information has been collected to understand the demographic distribution. It consists of age, gender, and experience.

Table 2
Demographic Information of Respondents

		Frequency	Percent
Age	20 to 29	16	35.6
	30 to 39	15	33.3
	40 to 49	7	15.6
	50 and above	7	15.6
	<i>Total</i>	45	100.0
Gender	Male	27	60.0
	Female	18	40.0
	<i>Total</i>	45	100.0
Experience	Less than five years	6	13.3
	Five years to 10 years	23	51.1
	Above ten years	16	35.6
	<i>Total</i>	45	100.0

The respondents aged 20 to 29 who fell in the highest frequency participated in the study. The least no of the age of forty to above fifty are under the study composition. In addition, table 3.5 reflects the male-dominant respondents involved during the study. Table 2 reflects the experiences of the respondents of the sampled bank. Most of the respondents are experienced with five to ten years followed by above ten years.

3.2 Descriptive Analysis

This study adopted the mean and standard deviation under descriptive statistics analysis. It shows that respondents of product design on the purchase decision.

Table 3
Overall Mean and Standard Deviation of Variables

Description	Mean	Standard Deviation
Learning capability	3.76	1.23
Organizational performance	3.63	0.87

Table 3 presents the output of the mean and standard deviation of the variables. It contains two variables, including 25 questions. The mean of all the variables is more significant than 3.5. The result points out that respondents tend to agree with the statements.

Table 4*Independent Sample t-test*

Variables	Group	N	Mean	p-value
Learning capability	Male	27	3.247	-0.052
	Female	18	3.845	
Organizational performance	Male	27	3.432	-0.079
	Female	18	3.249	

Table 4 presents the independent sample t-test of the variables under the study based on the P-value, which compares the mean no difference across male and female students. The analysis of the independent sample t-test has been rejected to compare the mean difference of the variable under study. The table reveals no significant difference in learning capability across male and female students as the p-value is 0.052, which is greater than 0.05. Likewise, there is no difference in organizational performance across male and female students as the p-value is 0.079, which is also greater than 0.05.

3.3 Correlation Analysis

Organizational performance and learning capability have been placed as the dependent and independent variables, respectively. Correlation shows the association between learning capability and organizational performance in Table 5.

Table 5*Correlation Coefficient*

	Learning Capability
Learning capability	1
Organizational performance	0.637

Table 5 shows the correlation analysis of the variables under study. The relation between product design and purchase decision is optimistic, with a correlation coefficient of 0.637 means organizational performance is positively associated with the learning capability.

3.4 Regression Analysis

Organizational performance and learning capability have been placed as the dependent and independent variables, respectively. The regression was used to examine the impact of learning capability on organizational performance.

Table 6*Regression Outputs*

Variables	β	t-stat.	p-value
(Constant)	2.174	4.310	0.000
learning capability	0.332	2.441	0.019
F stat: 46.17 (p= 0.000)	R ² : 0.122		

Model 1: $Y=1.347 + 0.549X1 + U \dots (1)$

Table 6 shows that value F statistics and concerned p-value are 46.17 and 0.000 individually, significant at the 5% level. Thus, the model is close-fitting. Furthermore, as the p-value and t-statistic are 0.019 and 2.441 in that order, it indicates an effect of learning capability on organizational performance.

3.5 Test of Hypothesis

The three research hypotheses were developed that had been checked statistically, and the result was presented in Table 4.

Table 7

Summary of Hypothesis Testing

	Association/ Impact	Result
H1/H2	learning capability – Organizational performance	Supported
H3	Gender– learning capability/ Organizational performance	Not Supported

From Table 7, the result of H1 has shown that there is an association between learning capability and organizational performance. Similarly, H2 has demonstrated an impact of learning capability on organizational performance. Finally, the outcome of H3 has shown that there is no impact of gender (male and female) on learning capability and organizational performance.

The study found that learning capability has a positive association and impact on organizational performance in the Nepalese banking sector. The finding is consistent with (Camps and Luna-Aroca, 2012) or specific organizational performance aspects like innovation performance (Are and Baki, 2011; Robinson and Stubberud, 2011), export performance (Alegre et al., 2011), had shown a positive link between organizational learning capability and organizational performance on overall performance. A similar finding was found in an earlier study by Jon and Randy (2009); one of the three critical points of organizational development led to organizational performance when many organizations develop an effort to increase organizational LearningLearning, with the intent of then impacting organizational performance.

Likewise, Zollo and Winter (2002) and Easterby-Smith and Prieto (2008) argued that organizational learning processes and dynamic capabilities represent intermediate steps between organizational learning capability and performance. The finding also supported the earlier study by Goh and Ryan (2002), who found a positive relationship between learning capability with job satisfaction. They argue that ‘learning capability may not be linked directly to financial performance; however, it can positively impact employee job satisfaction and morale. It is also found that gender has no impact on learning capability and organizational performance in the Nepalese banking sector.

4. CONCLUSIONS

The study concluded that Nepalese banking management must realize that learning is an essential source of competitive advantage. It assists to organizations to develop their employees' skills for making them more competent for identifying emerging challenges and deal them easily to achieve goals. It leads the organization to long-term survival. Moreover, organizational performance has positively reflected the perceptions of employees. Managers need to understand that they have to cope with challenges in a rapidly changing business environment and increasing customer needs to convert them into opportunities.

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