

# Role of Learning Organization Culture in Inculcating Positive Behaviour among Employees in Indian Banks

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**Abstract.** Learning organization culture may enable Indian banks to thrive better amidst economic, social and technological challenges in the external environment. A significant research gap existed regarding the impact of learning organization culture on employee behaviour in Indian banks. This study aimed at understanding how learning organization culture impacts positive employee behaviour, especially work engagement. Organizational factors and employee characteristics contributing to this culture were also examined. A statistically significant positive relationship between learning organization culture and work engagement was observed. Organizational factors such as structured learning initiatives and employee characteristics like aptitude for self-development were identified as important facilitators.

**Keywords:** work engagement, organizational support, employee behaviour.

## 1. Introduction

The banking industry plays a crucial role in a country's economy. The initiatives by the Indian government to facilitate an efficient system for financial inclusion, payments and settlements and cash-less transactions have further placed banks in a pivotal role to drive economic growth in India. Globally and in India, there have been dynamic updates and new emergences in technology such as automation, digitization, machine learning, artificial intelligence, cloud and blockchain technology. India is one of the countries with the fastest adoption of digitalization. This increased digital empowerment has enabled robustness of banks despite economic unpredictability and volatility of financial markets. Consequently, according to the Indian Banking Industry Report (September 2020), deposits in Indian banks have crossed 2 trillion US dollars by March 2021, having increased by 13.93% CAGR during FY'16-FY'20. (IBEF 2020)

With improved digital capabilities all over India, there have been tremendous shifts in customer expectations and priorities. There is an increased demand for superior banking experience in the form of quick and seamless transactions and

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engaging customer support. This requires holistic digitalization in every banking service and reinvention of the ecosystem to make banking processes more streamlined and customer centric. Thus, for customer loyalty and effective acquisition of new customers, digital transformation is important in the banking industry. (IBEF 2020)

While the positive effects of technological advancements are substantial, they are accompanied by disruptions in the form of privacy and data security concerns, stringent government regulations and increase in competitive offerings by financial institutions and the FinTech industry. To respond appropriately to such a rapidly changing external environment, banks need to build strong internal capabilities through holistic digitalization. For this, the right technological and decision-making skills of employees are of utmost importance.

Although Indian banks are among the early adopters of digitalization, further development of digital capabilities has plateaued due to many challenges. The accelerated pace of technological advancements in recent years and financial crises have caused considerable shifts in the requirement and demand for skills. There is a significant gap between current competency of bank employees and organizational goals. Particularly, there is a shortage of critical skillsets required for handling emerging technological and economic changes. There are also several internal challenges such as the mindset of employees, managerial styles and support from senior leadership. (Thakur *et al.* 2017)

A continuous learning culture would enable banks to bridge internal skill gaps among employees and face external challenges robustly, thereby increasing trust and commitment among both customers and employees. Continuous learning culture is the essence of Peter Senge's concept of learning organization. A learning organization is characterized by continuous transformation, agility and adaptability to stay abreast amidst dynamic changes. Several research studies have established the positive relationship of learning organization culture with organizational productivity and performance. This culture also leads to positive employee behaviour such as employee engagement and organizational commitment. (Baek-Kyoo *et al.* 2019; Joo & Lim 2009; Joo *et al.* 2014)

Applying the learning organization concept in banks is tedious due to the existence of several barriers to continuous learning. Banks are extremely regulated institutions with stringent procedures and government enforced guidelines. The focus is not on innovative thinking, but on conformity to routines so as to reduce risk and ensure compliance. In addition, banks are mostly characterised by robust hierarchy and authoritative senior management. This leads to less autonomy for employees with respect to daily job duties and decision making. There is also a lack of structured organizational processes for managers to support employees' career growth and skill development. (Bhaskar & Mishra 2017; Thakur *et al.* 2017; Vijayabanu *et al.* 2015)

Several studies have shown that organizational and managerial support are of utmost importance for positive employee behaviour like work engagement and

organizational commitment. These organizational factors are also crucial for establishing a learning organization culture. (Dirani 2009; Joo *et al.* 2014) Furthermore, employee characteristics like proactive personality and psychological empowerment have been correlated with positive employee behaviour and learning organization culture (Baek-Kyoo *et al.* 2019; Joo & Ready 2012). Understanding these organizational factors and employee characteristics in the context of Indian banks will enable the design of appropriate interventions and practices to foster an effective learning organization culture and improve positive employee behaviour.

Because of hierarchical constraints and strict regulations in Indian banks, even small bottlenecks in human resources (HR) practices can have huge negative consequences at the organization level. So, in this high-stakes environment, effective implementation of continuous learning culture is needed for increasing productivity and organizational performance. Hence, Indian banks as learning organizations are an interesting field of study from the HR perspective. Highly valuable insights can be gathered about HR processes and the factors affecting their impact. The factors identified in this paper will be of importance to make the HR processes in banks more robust and efficient.

This research project aims to study the learning organization culture in Indian banks and determine how this culture impacts positive employee behaviour. Quantitative research based on standardized questionnaires (Watkins & Marsik 1998) was used to obtain a clear understanding of employee perception about continuous learning in their organization. Through qualitative research, organizational factors (like structured learning initiatives and support from supervisors & leaders) and employee characteristics (like aptitude for self-development) that influence learning organizational culture were identified.

## **2. Literature Review**

### *Methodology*

A systematic search was carried out on multiple online databases – Scopus, Web of Science and Google Scholar – to include all highly cited and relevant research studies. The keywords used were learning organization, Indian banking industry, employee engagement, organizational commitment, job satisfaction, perceived organizational support, leader-member exchange quality, proactive personality and psychological empowerment. Only papers from Scopus indexed journals published in the last 25 years were considered. Papers with higher number of citations were explored further and their citation maps were studied to obtain more relevant research studies.

### *Learning Organization Culture*

Organizations require agility to thrive in challenges and rapid changes caused by political, economic, socio-cultural and technological factors. Several research studies have investigated learning organization culture as an effective way to attain this agility in different industry sectors and countries. (Harris 2002; Jamali *et al.* 2009)

Peter Senge in his book *The Fifth Discipline* (1990) introduced the concept of learning organization as continuous learning and shared vision. He opined that “in the long run, superior performance depends on superior learning”.

Watkins and Marsik (1998) defined a learning organization as “one that learns continuously and transforms itself”. They developed a comprehensive questionnaire to measure the seven dimensions of learning organisation - continuous learning opportunities, promotion of enquiry and dialogue, collaboration and team learning, systems to capture and share learning, empowerment towards a collective vision, connecting the organization to its environment and strategic leadership for learning. Such a culture must exist at the individual level, team level and organizational level. (Jamali *et al.* 2009) Thakur *et al.* established that public and private sector banks in India score low on continuous learning opportunities, although the banks scored high on connection to environment and strategic leadership. (Thakur *et al.* 2017). Hence these dimensions of learning organization are significant in the context of Indian banks and need to be further explored.

The positive impact of learning organization on organizational performance, productivity, innovation and competitive advantage has been extensively studied (Bhaskar & Mishra 2017). Vijayabanu *et al.* showed that in an Indian private sector bank, there was a significant positive correlation between learning and parameters of performance such as improvement in market share, better customer satisfaction and total work effectiveness. (Vijayabanu *et al.* 2015)

### *Positive Employee Behaviour*

In learning organizations, employees, irrespective of hierarchy, are empowered for decision making in their job roles and feel recognized and appreciated. They are motivated to undertake discretionary efforts over and beyond their minimum job requirement. This positive behaviour results in overall organizational effectiveness. Previous studies have linked learning organizations to positive employee behaviour in the form of organizational commitment, work engagement, job satisfaction, reduced turnover and absenteeism and improved employee retention. (Baek-Kyoo *et al.* 2019; Joo & Lim 2009; Joo & Ready 2012)

Several notable studies were conducted by Joo *et al.* and Dirani *et al.*. The former conducted comprehensive studies on learning organization culture of Fortune 500 companies from diverse sectors (like manufacturing and finance) headquartered in Korea. The finding was that learning positively correlated with organizational commitment among employees. The employees had a strong