

The Effects of a Learning Organization on Organizational Performance in Microfinance Institutions in Kenya: A Case Study of Faulu Microfinance Bank Ltd, in Nairobi Region

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Abstract

This study sought to examine the effects of a learning organization on organizational performance in Micro-finance Institutions in Kenya, a case study of Faulu Microfinance Bank Ltd in Nairobi region, Kenya. It specifically was trying to find out whether the Learning Organization principles according to Peter Senge exist in Faulu and assess the influence of the principles on the organizational performance. The study was based on the theoretical framework of Peter Senge (2004), *The Fifth Discipline* and System Theory by Ludwig Von B. Little John. The key focus being the learning organization model as established by Peter Senge. Descriptive research design was adopted for the study. The entire population of Nairobi branches of Faulu Microfinance Bank Ltd were the respondents (69 employees). The questionnaire was the tool used to solicit for information from the employees. The data collected was analyzed using Stata. Descriptive and inferential statistics were used to present the results. The findings of the study suggest employees perceive Faulu Microfinance Bank Ltd functions as a learning organization. The results indicated that the principles of a learning organization exist in Faulu. The Logit regression model was used to test the level of significance the independent variables have on organizational performance. System thinking, shared vision and gender were found to have a significant influence on the organizational performance of Faulu. The study recommended that the recruitment process to include a personal visioning test and meet the business line manager as part of the on boarding process.

Keywords: Learning Organization, Organizational performance, Micro-finance Institutions.

1. Introduction

Organizations have their mission, vision and objectives attained through the performance of their employees. Highly productive employees are paramount to the success of an organization. The organizational activities can either be achieved through teams or individuals.

The keen interest in the learning organization has been inspired by the necessity to achieve sustainable competitive advantage in an ever gradually changing worldwide business atmosphere. Changes being experienced within the global industry environment include: the world now being a global village has resulted in increased competition, great innovations in information technology, a more demanding and well-versed global population, an progressively multifaceted global financial system, just to mention a few. In view of this, organizations must redefine the manner in which they conduct business to ensure that they survive. Currently learning is considered to be the only way of obtaining and keeping a competitive edge (Edmonson and Moingenon, 1999).

1.1.1 The Learning Organization

The model of a learning organization is a contemporary phenomenon that was featured first in organizational theory literature, in the late 1980's. The notion was presented as a reaction to poor organizational performance. Pedler et al (1996) postulates that it was an approach of overpowering, "lethargy, excessive bureaucracy and over control of establishments as shackles, exasperating self-development determinations of individuals and failing to make the most of their potential".

The concept of the learning organization centers on the entire corporation's standpoint on learning and development. It associates the growth of the potential of each member of the organization for increase of the enterprise as a whole. It underscores the significance of organizational adaptability, responsiveness, flexibility, and conscious methodology to change (Senge, 2004) and emphasizes the importance of eliminating outmoded attitudes, ideas, and practices before developing new values, structures and skills (Pettigrew and Whipp, 1991). The learning organization transforms to: an establishment that enables the learning of utterly all its members and deliberately changes itself and is about understanding and grasping the art of collaborate learning...as learning is vital to existence and development for the corporations of today (Miller, 1999 p.6).

1.1.2 Benefits of the Learning Organization

Watkins et.al. (1998, p.4) stated that learning organizations exist where work and learning are assimilated in a continuing systematic manner so that to support uninterrupted individual, group and organizational progresses.

Argyris (1999) indicated that among learning organizations, the employees serve as the reps in external environs declaring the impact, significance, and value of their corresponding institution to its stakeholders. According to Joo and Lim (2009) it is the learning within an organization that glues the employees strongly into an integrated workforce and influences their behavior for organizational vision achievement.

Nonaka (1991) states that when technologies proliferate, competitors multiply, markets shift and products become outdated almost overnight, prosperous institutions are those that steadily create new knowledge and learn, circulate it extensively throughout the company and swiftly embody it in new products and technologies. These happenings describe the learning organization whose exclusive business is constant adaptation. While a study distinguished that learning organization always look for ways to capture learned concepts to operate continuously (Alipour, Khairuddin, & Karimi, 2011).

1.1.3 Organizational Performance

Performance is at the center of all undertakings in any establishment. An organization's performance defines its continued existence in any given economy. Organizational performance is defined by Mackie (2008) as "the effectiveness of the organization in accomplishing its purpose". Some of the measures of organizational performance: profitability, public reputation of employer of choice, impact on the community through corporate social responsibility, low labor turnover, and an increase in variety of product choices in the market these are in the light of a competitive global scenario. A great emphasis is being given to a performance measurement system that focus on non-financial measures like employee learning, customer satisfaction and innovation. This is due to the perceived insufficiencies in a traditional performance measurement system that centers on financial measures (Ittner and Larcker, 2003).

Organization performance is dependent on various factors such as: the business strategy; the organizational structure and this comprises of the number of employees, years of operation, the flexibility and malleability of functions; the level of information technology in the organization which leads to improved processes and efficiencies; leadership that has a link between the success factors of an organization, employees, development and innovation. The issue of attracting and retaining critical talent by an organization is key for competitive advantage and organizational performance (Hosmer, 2001).

Van and Herholdt (2004) found that various factors were responsible for influencing employee performance in an organization. The factors have been grouped into two headings for a more detailed discussion: organizational factors and individual factors. The factors include the organizations administrative policies and strategies such as downsizing, rotating work shifts, use of advanced technology, the structure and design of the organization, organizational processes and working conditions of an organization. These factors are basically what drive employees to efficiently and effectively work for the organization (Whitener et al 1998).

1.1.4 The Learning Organization and Organizational Performance

The learning organization as a concept was developed with a vision to enhancing general organizational performance. The philosophy supporting this notion as discussed by Garvin (1993) is that learning is a vital component for the existence of organizations. Senge (1990) in his definition of a learning organization, states that it is one in which "people constantly enlarge their capability to create the outcomes they truly want, where collective aspiration is set free, where expansive and new patterns of thinking are fostered, and where people are continually learning how to learn together". According to Senge (1990), the concept of the learning organization is all about producing organizational outcomes from individual learning.

The key values of the learning organization as championed by Miller (1999) are meant to ensure improved organizational performance through the individuals in the institution. The concern is that information systems and technology aid to maintain learning rather than regulate it, that business strategy and learning are closely connected, that individuals, groups and the organization are also learning how to learn, that the organization intentionally studies from business prospects and pressures, that there are well defined procedures for defining, producing, capturing, distributing and implementing the knowledge, and lastly that these different systems and scopes are poised and managed as a whole.

1.1.5 Microfinance Institutions

Microfinance (MF) has evolved as an economic development methodology proposed to help the low-income part of a given society. Microfinance Institutions, (MFIs) can be credit unions, non-governmental organizations (NGOs), government banks, saving and loan cooperatives, commercial banks, or non-bank financial institutions (Muhammad, 2010 P.2). Microfinance provides access to financial and non-financial services to low-income people, who desire to have money for opening or developing a revenue generating venture (Ojo, 2009).

Microfinance entails the provision of financial services such as insurance, loans and savings to economically disadvantaged people living in both rural and urban areas and who were not included to acquire such services from the formal financial institutions (Ojo, 2009).

Microfinance is referred as provision of insurance, credit, and saving facilities can enable the poor people to smooth their consumption, boost their income earning aptitude, progressively build their asset base, improve their micro enterprises, manage their risk better, and relish an enriched quality of life (Kessy, 2006 P.3).

Three key challenges of the microfinance industry in Africa are: expanding outreach to poorer customers, escalating outreach to huge numbers of individuals, and decreasing cost to progress sustainability of services (Dondo (2007). Adeyemi (2008 P.27) acknowledged some of the challenges which MFIs face that encroach on their capability to perform to include; undercapitalization, ineffective management and governing and controlling

loopholes. Mohammed et al. (2009, P.169) added usurious interest rates and poor outreach. Further strengthening the challenges experienced by microfinance banks, Nwanyanwu (2011) recognized diversion of funds, heavy transaction costs, insufficient finance, regular changes in government policies, huge loan losses, low aptitude and low technical expertise in the industry as obstacles to the development of this subsector.

Another significant factor identified to derail the performance of microfinance banks (Irobi, 2008) is inadequate support for building capability with the human resource in the institution. One of the main difficulties of the microfinance sub-sector is recruitment of effective and suitable manpower. This he attributed to the failure of the sector to satisfactorily compensate staff. Other human resource problems confronted by microfinance banks include poor conditions of service and lack of training opportunities. The quality of talent in these banks is mirrored in the poor performance of a lot of them, inefficiency and great levels of forgeries and frauds. The banks also suffer from high employee turnover an additional sign of low staff inspiration and poor employees' practices (Ikeanyibe, 2009 P.119-121).

There are over 10,000 microfinance institutions serving in excess of 150 million customers, 100 million of them being the poorest families. Global demand is estimated at 500 million families. The Kenyan microfinance sector contains of a huge and different group of institutions, 11% of the formal listed institutions are companies limited either by shares or by guarantee Dondo (2007).

1.1.6 Faulu Microfinance Bank Ltd

Faulu is a Micro-Finance Bank, registered under the Micro-Finance Act and is regulated by the Central Bank of Kenya. Faulu began as a development program by Food for the Hungry [FHI], an international NGO that was providing food hand-outs to the slum dwellers of Mathare in Nairobi. FH's mantra was "they die one at a time, we can help them one at a time", referring to the poor.

FHI started with a pilot phase of micro enterprise lending in the Mathare slums east of Nairobi in 1992. As the methodologies and systems were defined, it formally became the Faulu Loan Scheme in 1992. Thereafter, in 1993, a commitment was made to expand the program and major funding availed. Finally in October 1994, Faulu Microfinance Bank Ltd (FMBL) officially came into being and was registered as a limited liability company in 1999. A lot of support was received in the formative years from USAID, DFID and the European Union. Faulu is currently a sustainable and profitable micro finance bank.

Since then, the institution has grown in leaps and bounds, achieving many firsts, in the passion to bring holistic transformation for Kenyans, as articulated in the vision, Giving Kenyans hope and a vision, "To listen and to empower Kenyans by providing relevant financial solutions.". The company has grown immensely since its inception, with over 110 outlets in Kenya. Faulu Microfinance Bank Ltd on 21th May 2009, was the first Deposit Taking Microfinance to be licensed by the Central Bank of Kenya. It was transformed to a Microfinance Bank Ltd on 4th February 2014. It is now able to offer both credit and savings products and services. Faulu is currently a flourishing and profitable financial institution.

Faulu strives to reach more Kenyans, with both credit and savings solutions. This is made possible by all staff by embracing a selling culture and passionate desire and drive to offer solutions to a growing populace, who seek for financial solutions. Faulu's clientele base ranges from customers who want individual products and those that require them to be in groups. The groups however fulfills more than just the financial needs as members get to socialize and thus serve to attain Faulu's goal of transforming its clients holistically. Faulu also has a deduction code from the government of Kenya to offer check-off loans to civil servants, members of the armed forces, the police and the Teachers Service commission fraternity through its vast network.

1.2 Statement of the Problem

The world has become a global market and has resulted in increased competition. In May 2009, Central Bank of Kenya started issuing licenses to MFIs to take customer deposits. This has enabled the institutions to provide products that are competitive with those offered by the fully pledged banks. The enlargement of the market scope for the MFI has come with opportunities and threats to existing MFIs. Faulu Microfinance Bank Ltd operates in this industry. Over and above instilling lean operating models and competitive strategies, investing in their employees is also important. Due to competitive challenges, the organization and its employees need to have embraced learning new ways of undertaking work in order to remain competitively feasible.

A number of studies such as Nonaka (1991), Armstrong and Foley (2003), Joo and Lim (2009), Akhtar et al. (2012) have shown that the recognition and establishment of the concept and principles of the learning organization has been fundamental in leading organizations down the path of success. It is not conceivable for a corporate to survive in the marketplace if most of its employees are not innovating and learning. In Kenya, few studies have been undertaken on the concept and practice of the learning organization among MFIs. Studies carried out in the past have concentrated on total quality management (TQM) and teamwork all of which form an important basis for the practice of the learning organization. Studies such as the role of microfinance institutions in the Kenyan economy by Apalia (2017) and the effects of competitive strategy on performance of microfinance institutions in Kenya by Ombati (2017) show a keen interest in the academia to increase the knowledge of the importance on

MFIs in the economy and also the various competitive strategies that will bring about growth in the sector. In regards to performance of microfinance studies have ranged from effects of leadership styles on performance (Kariuki, 2017), management is relevant to success of MFIs (Pinz and Helmig, 2014), training having a favorable influence of performance (Sila, 2014).

From all the studies conducted in the past, it is evident that there is little empirical study that has been done in regards to the effects of a learning organization on both employee performance and organizational performance in a MFI. In this regard, this study sought to assess the principles of a learning organization on organizational performance in Kenyan MFIs and in particular Faulu Microfinance Bank Ltd.

1.3 Objectives of the Study

The main objective of the study was to establish the effects of a Learning Organization on organizational performance in Faulu Microfinance Bank Ltd, Nairobi region, Kenya. The specific objectives of the study included the following:-

- I. To establish the existence of the principles of a learning organization in Faulu Microfinance Bank Ltd.
- II. To assess the influence of the principles of a learning organization on organizational performance in Faulu Microfinance Bank Ltd.

1.4 Research questions

The following research questions guided the study:-

- I. Do the principles of a learning organization exist in Faulu Microfinance Bank Ltd.?
- II. What effects do the principles of a learning organization have on organizational performance in Faulu Microfinance Bank Ltd.?

1.5 Significance of the Study

To Human Resource Policy Makers

The study will assist human resource policy makers in Faulu Microfinance Bank Ltd enhance the policies to be in line with the strategic objectives through the establishment of an environment that promotes the principles of a learning organization, promoting a culture of continuous improvement.

To Human Resource Practitioners

The study will assist human resource practitioners at Faulu Microfinance Bank Ltd to further understand the linkage between the different functions within HR by increase in knowledge on the importance of establishing and preserving a learning organization and how this directly affects organizational performance and the achievement of organizational goals. The functions will therefore be streamlined in order to enhance the competitiveness of the organization in the business environment.

To Faulu Microfinance Bank Management

The study will assist management understand the concept of a learning organization and its significance to the organization's performance. They will be able to appreciate the existing gaps in the performance management process which are brought about due to lack of or minimal information of the importance of a holistic approach to the themes of work in the organization.

1.6 Limitations of the Study

Nature of Work

Most staff in the target organization had strict deadlines to deliver on their assignments and hence did not cooperate much of the time. This was addressed by presenting the respondents with the data collection instrument early enough and organizing for interview sessions well in advance to avoid a last minute rush in collecting feedback information.

Location of Respondents

The Nairobi region of the organization is geographically diversely spread and therefore it took quite some time to distribute and collect the data collection instrument. This was tackled by coming up with a distribution and collection schedule for the various branches to ensure efficiency.

2.0 Literature Review

This section reviews related past studies on the subject matter. The following is the sequence of presentation of the chapter: the theoretical framework of the study, the dimensions of a learning organization, the measure of performance and critical review.

2.1 Review of Past Studies

The study is based on the theoretical framework of System Theory and the Fifth Discipline: The Art and Practice of the Learning Organization by Peter N. Senge (2004). According Senge (2004) there are five disciplines that

comprise a learning organization. These are:

2.1.1 Personal Mastery

Personal mastery is the discipline of continually clarifying and deepening our personal vision, of focusing our energies, of developing patience, and of seeing reality objectively (Senge, 2004). To foster personal growth managers create an environment where people become more committed, challenge their basic assumptions and create their capabilities to change their organizations' present status (Pareek, 2008).

The principle of creative tension is the central principle of personal mastery, integrating all elements of the discipline. Mastery of creative tension renovates the way one perceives "failure." Failure is, basically, a deficit, indication of the fissure between vision and current reality. Failure is a chance for learning— about imprecise images of existing reality, about plans that didn't work as predicted, about the precision of the vision. When one masters creative tension this develops ability for diligence and forbearance. Creative tension guides one to a fundamental shift in the whole attitude toward reality. Present reality becomes the ally not the adversary (Senge, 2004).

2.1.2 Mental Models

"Mental models" are profoundly deep-seated assumptions, overviews, or even images or pictures that influence how we appreciate the world and how we act. Many visions into new markets or old-fashioned organizational practices miss the mark to get put into practice because they clash with dominant, unspoken mental models. The discipline of operating with mental models begins with turning the mirror inward; learning to exhume our inner images of the world, to bring them to the surface and hold them meticulously to scrutiny. (Senge, 2004). Johnson-Laird et al (2005, p.11-12) the mental model theory assumes that people do not distinctively rely on official rules of interpretation, but in its place trust on their mental models which are founded on their consideration of the premises and their overall knowledge.

People are generally poor in developing mental models that handle unintuitive concepts. "People generally adopt an event-based, 'open-loop' view of causality, ignore feedback processes, fail to appreciate time delays between action and response and in the reporting of information, do not understand stocks and flows, and are insensitive to nonlinearities which may alter the strengths of different feedback loops as a system evolves (Paich & Sterman, 1993 p.3; Forrester, 1994 p.60; Shiffrin & Nosofsky, 1994 p.360).

2.1.3 Shared Vision

A shared vision is a shared picture of the future of the company that encourage genuine promise and enrolment, rather than compliance to organizational goals (Senge, 1990 p.85). The main objective of a shared vision is to inspire individuals to realize the vision and mission of the corporation. A person without a shared vision cannot become a successful leader (Kouzes and Posner, 2009 p.13).

When there is a candid vision, people outshine and learn because they want to and not because they are told to. In Faulu there is a stated vision for the organization which governs the policies and procedures in the organization. The vision of Faulu is coined from the Bible, "Jeremiah 29:9....For I know the plans I have for you says the Lord...to give you a Hope and a Future."

Shared vision fosters risk taking and experimentation. It may simply not be possible to persuade human beings realistically to take a long term view. Shared visions arise from personal visions. This is how they originate their vitality and how they nurture commitment (Senge, 1990, P.196).

2.1.4 Team Learning

Team learning can be distinguished from individual learning because team learning occurs when one person is engaged with or coordinating with another person or persons. Unlike individual learning, team learning requires individuals to share experiences with other team members (Kayes et.al, 2005 p.337). These individuals are associates of groups that: perform interdependently on a mutual assignment or goal; have clear boundaries, and are recognized with a team which is accepted by others (Hackman, 1987 p.59). Exposure to individuals with diverse proficiency and knowledge is a vital basis of team learning. Collaboration with different people stimulates learning by revealing actors to new patterns and by assisting the exchange of ideas (Van DerVegt, Bunderson, & Stuart, 2005 p.538).

Team learning effects organizational learning (Chan, Lin & Keasberry, 2003), the swiftness of technology deployment (Edmondson, 2003 p.1429), and new product development (Sarin & McDermott, 2003 p.728).

2.1.5 System Thinking

System thinking is a planned approach that underscores examining glitches more accurately and completely before developing and executing solutions. It is frequently referred to as the foundation of a learning organization. It focuses on: the organization as a whole, the way systems influence other systems, interfaces between parts, not the parts themselves, change over time, reoccurring patterns and not just individual events and how feedback influences the parts (Gilley and Maybunich, 2000).

Systems thinking seeks to get to the root cause of issues so that the accurate problem solution can be identified, addressed and enhanced, generating positive impacts that resound all over the entire system. Accuracy is achieved by involving the whole system and all stakeholders in the process. Intellectual processing of assumptions together,

challenging them and generating a shared understanding are key principles. Meaningful change is neither bottom-up nor even top-down; it is participative in all levels and aligned through a mutual understanding of the system as a whole. (Gilley and Maybunich, 2000).

2.1.6 System Theory

The systems theory was developed by Ludwig Von Bertalanffy Littlejohn in 1969. It defines a system as a set of objects or entities that interrelate with one another to form a whole and views organization as a social system that consists of individuals who depend on each other to draw inputs from the environment, process them and send outputs back to the environment in exchange for feedback within a formal framework. It proposes that an organization does not exist in a vacuum because it is a part of its environment, society and the economic system in which it belongs.

The systems theory is concerned with relationships, structures, their inter dependence and inter reliance. It purports that each element has an effect on the functioning of the whole and that each element is affected by at least one other element within the system. It emphasizes unity and integrity within an organization while focusing on its interaction with the environment. The theory support and assist the organization to increase their outlook as a whole and define the roots to determine each sub-set effects on their outputs to minimize conflicts for greater performance (Lee, 2012).

2.1.7 Dimensions of Learning Organizations

Mission and vision are essential elements for an organization which have been mentioned widely in the management literature (Goh, 2003 p.225). One of the key to a successful learning organization is a positive and supportive culture. In a collaborative culture, where shared goals and team working are the norm, shared learning experiences are likely to happen. A customer-focused culture, where the customer is at the heart of all action, this may lead to a company's image of great customer service than an organization which depends heavily on customer service training. A performance culture is present when all employees individually see themselves as part of the larger organization and clearly appreciates their role in generating success for all. Organizations that operate on a global scale may have different cultures within the company. Learning organizations take up these challenges and turn them into opportunities for learning (Chang et.al, 2007 p.161).

Lastly, effective knowledge transfer is a significant component in a learning organization. It focuses on personal knowledge, experience and transferring skills with each other (Armstrong, et al., 2003 p.56).

2.1.8 The Learning Organization Differentiated from Organizational Learning

It is important that one understands the difference between a learning organization and organizational learning. The outcomes of both types of learning are substantial differences. One of the major differences that has been acknowledged in the literatures is that organizational learning is regarded as a process or set of activities while a learning organization is appreciated as a form of organization (Tsang, 1997 p57).

Another main difference is that by offering a learning opportunity one cannot assume that the learning will be translated to the work space nor that the learning will be disseminated. A learning organization takes what is learned in the classroom, uses and improves upon what has been learned (Tsang, 1997 p.59).

2.1.9 Performance Measurement

Performance is at the core of all undertakings in any organization. An organization's performance defines its existence in any given economy. Mackie (2008) describes organizational performance as "the effectiveness of the organization in accomplishing its purpose". In measuring performance, institutions consider key performance indicators that are usually established in line with the establishment's structure, objectives and strategies. Key performance indicators play a critical role in defining an organization's level of performance and it can either be non-financial or financial. Illustrations of such indicators include measures of finances, customer growth, staff turnover, sales, and efficiency ratios (Nzuve & Omolo, 2012 p.2).

2.2 Critical Review of the Literature Review

There are some particular glitches associated with Senge's learning organization model. These include the relative complexity of the intellectual he needs of managers; a failure to fully appreciate and include the essentials that animate modern organizations; and queries around his handling of organizational politics. It is definitely challenging to find actual examples of learning organizations (Kerka 1995). There has also been a lack of critical analysis of the theoretical framework.

Established in their study of efforts to reform the Swiss Postal Service, Finger and Brand (1999, p.90-105) provide a useful list of more important shortcomings of the learning organization concept. They conclude that it is unlikely to transform a bureaucratic institute by learning initiatives only. They believe that by using the idea of the learning organization it was probable to bring out change as less intimidating and more acceptable to members. However, individual and collective learning which has undeniably taken place has not really been linked to organizational change and transformation' (Finger & Brand, 1999). They dispute the following points on the model of the learning organization:

Focuses primarily on the cultural dimension, and does not adequately take into account the other

dimensions of an organization. To change an institute it is essential to pay attention to structures and the management of work as well as the culture and procedures. Focusing solely on training activities in order to nurture learning, is culturally skewed (Gilley et.al, 2000).

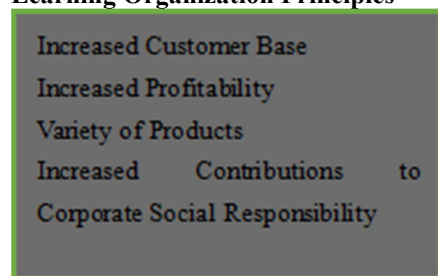
Favors collective learning and individual developments at all levels of the organization, but does not link them correctly to the organization’s strategic objectives. Popular models of organizational learning assume such a link (Dixon 1994 p.46). It is imperative that the connection between the organization’s strategic objectives and individual and collective learning is made (Pedler et. al, 1996 p.85). This shortcoming, Finger and Brand (1999) contend, creates a case for some form of measurement of organizational learning – so that it is probable to measure the degree to which such learning contributes or not to strategic goals.

Finger and Brand (1999) conclude, that there is a need to cultivate a real management system of an organization’s developing learning capacity. They suggest this can be attained through significant indicators of learning (collective and individual) and by linking them to other indicators.

Conceptual Framework

Independent Variable

Learning Organization Principles



Dependent Variable

Organizational Performance

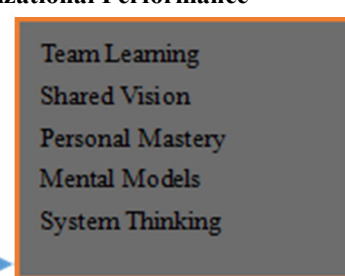


Figure 2.1 The Conceptual Framework

Source: Author (2017)

3.0 Research Methodology

This section defines the research design, the target population and procedure, data collection instruments, data analysis and research ethics.

3.1 Research Design

The researcher adopted a descriptive research design. This is a scientific research method that entails observing and describing the behavior and status quo of a subject without influencing it in any way (Martyn, 2008). This helped to describe the state of affairs as they exist. It involved getting respondents views and opinions on various issues. Descriptive research primarily uses questionnaires and interviews to acquire information. It also includes measuring and analysis of data. Descriptive research is used to attain information regarding the current status of the phenomena and to describe "what exists" with respect to variables or conditions in a situation. (Helen & Maria, 2009).

The respondents of this research consisted of the entire population of the six Nairobi branches.

3.2 Target Population and the Respondents

Sekaran, (1990) stated that population denotes the total group of people, proceedings or things of interest that the researcher desires to examine. Sekaran, (1990) describes a sample as a part of the population that has characteristics as the whole population.

Target population refers to a group of respondents that the researcher focused on in the study. The target population for the study consisted of all staff of Faulu Microfinance Bank Limited working in the 6 branches of Nairobi region of the bank. The total number of employees constituting the population was sixty nine (69). It was comprised of all the managers, operations officers and sales officers. The operations officers comprised of tellers, customer service officers and branch operations supervisors. The sales officers comprised of relationship officers, senior relationship officers and team leader sales.

The researcher conducted a census of Faulu Microfinance Bank Ltd six Nairobi region branches. These are Kariobangi - 11 staff, Kayole-10 staff, Kawangware-11 staff, OTC-11 staff, Ngong Road – 13 staff and Kimathi-13 staff.

3.3 Data Collection Instruments and Procedures

The researcher collected primary data by the use of a questionnaire. A questionnaire is a device for eliciting

information which one may tabularize and deliberate. In many evaluations, a questionnaire aids in getting critical information (Ellen, 1996). The questionnaire had structured questions with multiple choices and other questions requiring some explanation so as to get detailed information in summary from the respondents. The questionnaire was developed by the researcher.

3.4 Pilot Testing

The researcher carried out a pilot test by administering the questionnaire to two randomly selected people in each of the six Nairobi branches. This was useful in modification of the instrument to ensure that it captured all the relevant information and questions to get correct answers. The researcher proceeded to seek approval for data collection with the updated instrument.

3.5 The Analytical Model

According to Cox, 1970 and Maddala, 1983, the uncertainty of the choice between logit and probit models is inoffensive as long as the two models yield similar results. The outputs are consistent because both normal distribution and logistic distribution are alike except for that the latter has heavier tails (Greene, 2002). According to Amemiya (1984), logit model is favored since logistic distribution is more alike to normal distribution and has a simpler form.

Since the dependent variable in this study is binary in nature, a binary logistic model is used to assess the determinants of organizational performance. The dependent variable, organizational performance, takes the value of 1 for favorable performance and 0 for otherwise. Explanatory variables include the learning organization principles and socio economic factors of the respondent which include team learning, system thinking, personal mastery, mental models and shared vision, age, gender, length of service and educational level as summarized in table 3.2.

The Logit model is specified as follows:

$$Y_i = \beta_0 + \beta_1 \text{Team Learning} + \beta_2 \text{System Thinking} + \beta_3 \text{Personal Mastery} + \beta_4 \text{Mental Model} + \beta_5 \text{Shared Vision} + \beta_6 \text{Age} + \beta_7 \text{Gender} + \beta_8 \text{Length of Service} + \beta_9 \text{Education Level} + e_i \dots \dots (3.1)$$

Where Y_i is the dependent variable, organizational performance, β_i are the coefficients to be estimated while e_i is the error term.

Table 3.2 Description of Variables and Their Expected Effect on Dependent Variable

Variable	Nature of the variable	Units of measure	Effect of dependent variable
Dependent Variable:			
Organizational performance	Binary variable	1= Agreed, 0=Disagreed	
Explanatory variables			
Age	Continuous variable	Complete years	+ / -
Gender	Binary variable	1 = Male, 2 Female	+
Length of services	Continuous variable	Complete months	+
Level of education	Binary variable	1= Degree & Above 0= No degree	+
System thinking	Binary variable	1=Agreed, 0=Disagreed	+
Team learning	Binary variable	1=Agreed, 0=Disagreed	+
Personal mastery	Binary variable	1=Agreed, 0=Disagreed	+
Mental models	Binary variable	1=Agreed, 0=Disagreed	+
Shared vision	Binary variable	1=Agreed, 0=Disagreed	+

Source: Author (2016)

Following Greene (2002), the probability that the i th employee will agree that organizational performance is favorable can be modeled as

$$\text{Prob} = \left[Y_{ij} = 1 \right] = \frac{\exp(\beta'X_i)}{1 + \exp \beta'X_i} = \wedge(\beta'X_i) = \text{Pr} \left[Y_i = 1 \right] = \beta_i X_i + \varepsilon_i \quad (3.2)$$

Where X_i is a vector of explanatory variables, β_i is a vector of parameters to be estimated while ε_i is the random term.

In binary modeling, the coefficients do not indicate the actual probabilities and therefore the need to compute marginal effects. The study estimated the marginal effects for continuous variables according to Greene (2002) as indicated in equation 3.3 for continuous variables and equation 3.4 for dummy variables.

$$\beta_m = \left[\frac{\partial(\beta_i X_i + \varepsilon_i)}{\partial \beta_i X_i} \right] \beta_i \quad (3.3)$$

$$\beta_m = \Pr[Y_i = 1] - \Pr[Y_i = 0] \quad (3.4)$$

The actual age, gender and length of services of the respondent was captured. To measure and analyze the respondents perceptions the 5-point Likert scale was used; (1) - Strongly Disagree, (2)-Disagree, (3)-Neutral, (4)-Agree and (5) -Strongly agree. If more than 50% of the respondents said agree and strongly agree, then the researcher concluded the principle in question was present. This was the approach to assess the existence of the principles in Faulu.

The continuous variables, age and length of services were not coded. The level of education was collapsed into two categories non-graduate comprising of certificate and diploma qualification while graduate was comprised of degree, high diploma, masters and PhD. These were coded as 1 for graduate and 0 for non-graduate. Gender was coded 1 for male and 2 for female. The answers for the five principles and organizational performance were categorized and coded as agreed and strongly agreed taking 1 and neutral, disagreed and strongly disagreed being 0. This was used in the Logit model to assess the influence of the principles of Learning Organization on Organizational performance.

3.6 Data Gathering

The researcher acquired approval from St. Paul's University and from Faulu to facilitate the data collection exercise. The researcher physically distributed the questionnaire to the respondents at the various Nairobi branches as per the schedule developed. The researcher then explained how the questionnaire was to be filled and waited for feedback from the respondent, collected the completed questionnaire and went to the next respondent.

3.7 Data Analysis Methods

The researcher compiled the data for analyses. Then analysis was carried out using Stata because of the quantitative nature of the data to be collected and it is versatile software. Quantitative data was presented in form of tables, pie charts, bar graphs and linear graphs to ease analysis and interpretation of data. There was a correlation analysis of the relationship between age of staff, duration of service in organization and organizational performance. Cross tabulation was used to compare the relationship between variables.

4.0 Findings

This section presents the findings in the light of the objectives of the study. Descriptive and inferential statistics were used to analyze the data. Summary statistics were used to describe data used to answer the research questions. The linktest, log likelihood chi-square, Cragg-Uhler R² goodness of fit tests were carried out to determine whether the model fits the data, to ensure that the conclusions may not be incorrect or misleading. The researcher used the Logit regression to analyze data in order to determine the effects of the learning organization on organizational performance. The 0.10 level of confidence was used to determine the statistical significance.

Length of Service by Gender and Staff Type

The overall mean years of services is 3.2 years. The overall length of service for male is 2.86 years while for female is 3.61 years. The mean age for managers is 3.52 years, operations is 3.44 years and sales is 2.98 years. For an organization to harness benefits of synergies of a learning organization the length of service is meant to be longer since learning or improvement is a continuous process. The female managers' is 7.25 years which shows that their career has progressed within the organization. Talent retention strategy is important to have to ensure that an organization maintains growth rate by decreasing the learning curve to performance in the organization. The diagnosis of feedback given by employees when carrying out an exit interview would add value to the business. Stiff competition from fully pledged banks for talent is a challenge faced by the organization. According to Sadia & Uzma (2012) some motivational factors used to retain employees have confirmed that employment motivation of bank staff is significantly dependent on efficiency in employment, upon their pay or salary, quality management, fringe benefit and co-worker association. Due fast growing industry of banking sector and, competitive nature of career in banking sector retaining of a worker for a long period becomes a big task for banking industry.

A successful establishment will build courage of teamwork and fulfillment within its authority among workers and management. A well-built and supportive motivation at the different levels, departments and subdivisions in the business leads to the groundwork of fulfilled employees and their pledge to their occupations within the organization (Tella, Ayeni, & Popoola, 2007).

Table 4.1: Length of Service by Gender and Staff Type

Staff Type	Gender	n	Minimum	Maximum	Mean	Std. Deviation
Overall	Male	38.00	0.10	9.00	2.86	2.05
	Female	31.00	1.00	13.00	3.61	2.39
	All	69.00	0.10	13.00	3.20	2.22
Manager	Male	4.00	0.10	4.00	1.65	1.67
	Female	2.00	1.50	13.00	7.25	8.13
	All	6.00	0.10	13.00	3.52	4.82
Operations	Male	12.00	1.00	7.00	3.00	1.71
	Female	14.00	1.00	7.00	3.82	1.99
	All	26.00	1.00	7.00	3.44	1.87
Sales	Male	22.00	0.50	9.00	3.01	2.27
	Female	15.00	1.00	6.00	2.93	1.21
	All	37.00	0.50	9.00	2.98	1.89

Source: Author (2017)

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When the workers experience fulfillment in the job, they don't contemplate about quitting the current job. Retaining quality performing employees quite basically adds to output and morale, while reducing the associated costs of turnover. According to Samuel & Chipunza (2009) there are numerous variables which are vital in influencing employees' decision to either stay or depart in a business. These variables include development/growth, training/coaching, reward, competitive salary package, and recognition and job security. These variables and many others ought to be considered when making plans for a retention policy.

4.2 The Learning Organization

The respondents were requested to rate their perception on the principles of a learning organization which are system thinking and shared vision. To measure and analyze the respondents perceptions the 5-point Likert scale was used; (1) - Strongly Disagree, (2)-Disagree, (3)-Neutral, (4)- Agree and (5) -Strongly agree. If more than 50% of the respondents said agree and strongly agree, then the researcher concluded the principle in question was present.

Table 4.2: Overall Descriptive Statistics Results on Learning Organization

Principle	Disagreed	Agreed	Total
System Thinking	24.3%	75.7%	100%
Mental Models	20.0%	80.0%	100%
Personal Mastery	21.9%	78.3%	100%
Shared Vision	14.5%	85.5%	100%
Team Learning	17.8%	82.2%	100%

Source: Author (2017)

The overall descriptive results of the principles of a learning organization are presented in table 4.2. The results constitute "agreed" which is comprised of the results of agreed and strongly agreed while neutral, disagree and strongly disagreed constitute "disagreed". It shows that 75.7 % of the respondent agreed that system thinking exist, 80% agreed that mental model exist, 78.3 % that personal mastery exist, 85.5% agreed that shared vision exist and 82.2 % that team learning exists. All the principles meet the 50% threshold which shows that they exist in Faulu.

4.3 Organizational Performance and Learning Organization Diagnosis

The Logit model was used to analyze the relationship between the organization's performance and the principles of a learning organization according to Peter Senge (2004) and various demographic variables inclusive of age, length of service, gender and the level of education of the respondents. The report consists of the marginal effects of the Logit regression.

Table 4.3 Logit Model Variables

Variable Name	Variable Description	Value
Organizational performance	% of respondent who agreed	71.1%
Age	In years	Mean is 31.81
Gender	Code 1 for male and 0 otherwise	55 % male
Length of services	In years	Mean is 3.20
Level of education	Code 1 for graduate and 0 for otherwise	82.6% graduate
System thinking	% of respondent who agreed	75.7%
Team learning	% of respondent who agreed	78.3%
Mental models	% of respondent who agreed	85.5%
Personal mastery	% of respondent who agreed	80.0%
Shared vision	% of respondent who agreed	82.2%

Source: Author (2017)

4.3.1 Goodness of Fit Tests & Model Specification

Model Specification

Marginal Effect after Logit: $y = \text{Pr}(\text{OPOV}) (\text{predict}) = 0.3696$. This shows that logistic model correctly predicts **37%** of the organizational performance. The model parameter estimates were mutually significantly different from zero as revealed by the chi-square statistic at 10% level of significance.

Table 4.4 Logistic Model Properties

Item	Results
Number of Observations	69
LR chi2(9)	17.14
Prob > chi2	0.0002
Log Likelihood	-38.023
_hat	0.004
_hatsq	0.942
Cragg-Uhler(Nagelkerke) R2	0.297
Prob > LR	0.047

Source: Author (2017)

Linktest

The link test is based on the idea that if a regression or regression-like equation is properly specified, you should be able to find no additional independent variables that are significant except by chance. Linktest uses the linear predicted value (**_hat**) and linear predicted value squared (**_hatsq**) as the predictors to rebuild the model. Although linktest is formally a test of the specification of the dependent variable, it is often interpreted as a test that, conditional on the specification, the independent variables are specified incorrectly. The link test can be used with any single-equation estimation procedure, not solely regression.

The variable **_hat** should be a statistically significant predictor, since it is the predicted value from the model. As such if model is properly specified, variable **_hatsq** shouldn't have much predictive power except by chance. The **_hat** for the specified model was $P > |z|$ **0.004** which is significant while **_hatsq** was $P > |z|$ **0.942** which is not significant. This indicates that the function was properly specified.

Goodness of Fit Tests:

Log likelihood chi-square: This is an omnibus test to see if the model as a whole is statistically significant. The variable log likelihood chi-square should be negative to indicate that the model is statistically significant. However, p-value of the Pearson chi-square statistics is meaningless when the expected cell frequencies are too small (all are less than one) to justify the use of chi-square distribution.

The log likelihood in this case is **-38.028** which indicates that the model is statistically significant.

The **Cragg-Uhler(Nagelkerke) R2** for the model used was **30%** which means that it was statistically fit. Table 4.10 below show the summary of the goodness-of fit results of the various test conducted.

Table 4.5 The Effects of a Learning Organization Principles on Organizational Performance

Variable	dy/dx	Std. Err	P> z
Age	-0.01	0.016	0.456
Years of Service	0.03	0.033	0.363
Gender	-0.26	0.134	0.052***
Level of Education	-0.14	0.165	0.384
System Thinking	0.24	0.13	0.06***
Mental Model	0.22	0.152	0.151
Personal Mastery	0.09	0.156	0.534
Shared Vision	0.29	0.143	0.041**
Team Learning	-0.17	0.172	0.335

Source: Author (2017)

Level of Significance Key:

- 1% = *
- 5% = **
- 10% = ***

Various studies showed that learning organization have strong connection with organizational performance (Akhtar et al., 2012). The dimensions are dialogue and inquiry, continuous learning, team learning, system connections, embedded system, empowerment and leadership. This was credited to the parallel enhancement of performance of organization and change consequently leading to enhanced organizational performance.

Shared vision and system thinking are independent variables included in the logistic model were statistically significant at 5% and 10% level. The shared vision and system thinking are factors that were important in influencing organizational performance. These results are in line with the hypothesized state of each, shared vision and system thinking having a positive influence on organizational performance.

Shared Vision: Has a probability to increase organizational performance by 29% ($p=0.041$). This means that the employees are appreciating the organization vision and have developed a commitment to drive as a team towards attaining the vision. This also speaks to the leadership of the organization being able to communicate the vision to the employees. A shared vision gives a rudder to preserve the learning process on progress when stresses build up (Zenger and Edinger, 2009). This shows that when the stretched targets are set to be met by the employees, the fact that they have a mental image of where they are going as an organization keeps them on track towards meeting the set goals. According to Senge (1990) a shared vision is an extra ordinary influence which encourages people genuine promise and enrollment to the attainment of organizational goals. Nanus (1996) observed that an intensified vision is a strong inspiration to motivate employees to perform so that they can more efficiently and effectively achieve the organization's objectives.

System Thinking: has 24% probability to increase the organizational performance ($p=0.060$). It positively influenced organizational performance. This is as per the expectation that the principle of system thinking has a positive influence on organizational performance. Richard et al. (1994) state that systems' thinking inspires organization members not only to comprehend their own roles in the system, but also appreciate the roles and purposes of others in the system. A collection of systems thinkers thus will be keen to establish shared trust, commit them to team learning, cognize organizational visions, and explore and alter individual mental models

According to Peter Senge (2004), the more an organization embraces system thinking the greater the synergies harnessed in the organization resulting to increased organizational performance. The employees have an appreciation of the organization as one entity with different functions which are harnessing their energies towards the same goals and they are inter-related. Systems' thinking is a way holistic. It is a framework that emphasize on understanding of internal relations of phenomena, not on identifying them one by one (Reza & Homa, 2010).

According to the results it is proof that the principles of a learning organization exist in Faulu since all had a score above the set threshold of 50%. Evidence suggests that within this organization a percentage of organizational performance score was as a resulted of a learning organization score. System thinking and shared vision were found to have a significant influence in the prediction relationship. The study found out that the employees held highly feedback on their performance which is key in a learning organization. The concept of Peter Senge advocates for feedback to improve and advocate for continuous learning and improvement.

5.0 Summary, Conclusions and Recommendations

The section centers on the outcomes in relation to the study objectives and purpose, a summary of the research findings, conclusions reached in this study and recommendations of the study. The overarching purpose was to examine the relationship between Peter Senge's (1990) five learning organization principles and organizational performance. To examine this relationship, the study focused on assessing employees' perception of a learning

organization and organizational performance within Faulu Microfinance Bank Ltd.

5.1 Summary of Findings

The study sought to find out whether the learning organization's principles according to Peter Senge (1990) existed in the organization. The results of the descriptive statistics were: 75.7 % of the respondents agreed that system thinking exist, 85.5% agreed that mental model exist, 80.0 % that personal mastery exist, 82.2% agreed that shared vision exist and 78.3 % that team learning exists. The results of performance indicators of organization performance show that 71.7% of the respondents agree that the overall performance of the organization is high.

The diagnosis of the effects of the principles on organization performance showed that system thinking and shared vision have a significance influence on the organization's performance, having a p-value of 0.06 and 0.041 respectively. System thinking has a probability of increasing organization performance by 24% while shared vision by 29%.

5.2 Conclusions

The principles of a learning organization exist in Faulu Microfinance Bank Ltd. They are however, in different degrees as per the overall response for the various principles. This may be because of the different experiences the staff go through the organization hence uphold different perceptions for the various principles. This would indicate that Faulu is a learning organization which seeks to improve itself with the changing trends in the markets so as to remain relevant.

The various principles that comprise a learning organization have different magnitudes effects on organizational performance of Faulu Microfinance Bank Ltd. All the principles had a probability of increasing the organizational performance except for team learning which had a probability to decrease the performance of the organization. System thinking and shared vision had a significant contribution towards the performance of the institution.

5.3 Recommendations

1. The study found out that Faulu is a learning organization since all the principles of a learning organization exist and hence the organization should evaluate their employee value proposition which will enhance the employee experience in the organization making them an employer of choice because of the holistic approach in engaging the employees.
2. The study found out that shared vision has a favorable effect on organizational performance, it is therefore recommended that the recruitment process may entail personal visioning test and also to include in the onboarding program of new employees the engagement with the business unit general manager so as to be able to appreciate the organization's vision at the onset and be more informed on how they are going to add value to the business vision. The management should also engage the employees on any review of products, processes and activities that involve them so that they may be able to contribute and have a high level of enrollment of the staff.

The study further found out that system thinking has a positive influence on the performance of the organization hence it is recommended that Faulu invests in end to end process training to all staff which will lead to them appreciating how they are all linked in one system which is working towards adding value to the external clients. The management should constantly engage the staff advocating for inter-dependency amongst the different departments seeking to eliminate silos at the working environment. Hence harnessing the values of system thinking.

5.3 Further Research

The study may be conducted other sectors of the economy to enable build the evidence of the practical utilization of the theory. This will also increase the body of knowledge as different types of models are developed to improve the performance of organizations in the market.

A further research would be conducted to look into the motivating factors of employees in the financial institutions especially micro-finance since the study showed that the average length of service in the organization was 3.2 years. An organization to harness the benefits for the principles of a learning organization then the duration needs to be longer since it is based on continuous learning.

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