

CHAPTER I

INTRODUCTION

1.1 Research Background

Change is a constant thing and it cannot be avoided by anyone. This condition is also encountered by the banking industry which from time to time must face changes in rules and regulations as imposed by the regulators. Currently competition between banks is not limited in the context of local scale but already surpassed national boundaries to reach global extent. Numerous investment problems, industrial issues, banking fraud and crimes have affected the banking industry in many different parts of the world including in Indonesia.

In Indonesia, the crisis faced by the banking sectors in 1997-1998 has become a valuable yet expensive lesson on the importance of strategic management in dealing with risks and threats. Changes in business environments and global economy are not easy to predict nowadays. The level of competition in all type of industry including banking is getting more intense, encouraged by the rapid developments of technology and information system. This indication is made evident in the latest publication of PwC Indonesia's Indonesian Banking Survey Report (2012) which indicates that 72 percent of the respondents predict that net interest margin will tighten in 2012. This is based on questionnaires from over 100 senior banking executives in Indonesia. The report also states that among the top three obstacles to growth in the banking industry are regulatory environment, scarcity of human resources and competition.

These facts have urged banks as organizations to adapt to their environment so that they can sustain against all the changes and threats they have to endure. To adapt, banks are required to constantly develop their organization and learn, or in other word, to change their organizations into learning organizations (Garvin, Edmondson and Gino, 2008). Learning organization is acknowledged to have an important role in developing the effectiveness of the organization (Serrat, 2009). Learning organization is also considered to the one of the key success factors of any organizations because it is associated to motivation, job satisfaction and corporate performance (Yang, Watkins and Marsick, 2004; Song, Joo and Chermack, 2009; Ellinger, Ellinger, Yang and Howton, 2002; Zhang, Zhang and Yang, 2004; Coulter, 2005; Dirani, 2009; Kontoghiorghes, Awbrey and Feurig, 2005).

There are some examples of successful learning organizations including corporations such as General Electric, Pizza Hut, Microsoft, Johnson & Johnson, Apple and Toyota Motor Co. (Wilhelm, 2006) or Ford, Wal-Mart, Xerox and Motorola (Greenberg, 2008 : 646), or even military organization like US Army (Garvin, Edmondson and Gino, 2008). Medias also offer awards and recognitions annually to organizations regarded as successful learning organization such as Elearning! Media Group which has announced The 2012 Learning! 100 Corporate Enterprise Honorees which includes Starbucks, Cisco, Google, Yum! Brands and Deloitte Touche Tohmatsu Ltd. (PRWeb.com, July 25, 2012).

Since the first time publicized by Peter Senge in *The Fifth Discipline*, there have been many advances in the development of learning organization

concept. One of the concepts which is mostly assessed and used is the Dimensions of the Learning Organization Questionnaire or DLOQ which is developed by Marsick and Watkins (2003). Marsick and Watkins (2003) describe the seven dimensions of learning organization which includes continuous learning, inquiry and dialogue, team learning, empowerment, embedded system, system connection and strategic leadership.

Transforming a company to become a learning organization is not an easy thing since the learning process and the seven dimensions take place in three different levels of working environment, which are the personal or individual level, group or team level and organizational level as a whole. Nevertheless, despite all the challenges which may be encountered, the necessity to become a learning organization is growing since it is often related to the sustainability of the organization (Dymock and McCarthy, 2006; Yang, Watkins and Marsick, 2004).

The same as other banks, Bank X is also required to adapt and transform itself in the midst of competition and ever-changing environment which is full of uncertainties. There have been many important changes experienced by Bank X especially in Indonesia during the past few years. Bank X entered Indonesian banking industry by acquiring another foreign bank in 2007. However, this move was immediately followed by the global economic crisis in 2008 which forced Bank X to reformulate their corporate strategy to rebuild their corporate strength. All of these changes have pressured Bank X in Indonesia and globally with the need to be able to learn and adapt swiftly.

As quoted from their latest Annual Report 2011, Bank X would like to ensure a strong commitment to providing all its employees with the opportunity to grow through learning and development, which in turn helps to achieve business objectives and drive excellent customer service. How this practice is perceived by employees is shown in Bank X's annual Employee Opinion Survey (EOS) as reported in their Annual Sustainability Report (2011). The latest EOS indicates that Job Satisfaction and Engagement category with 72 points falls 3 points behind the benchmark. Another phenomenon which is also revealed is that the three lowest categories in the survey are Managing Change, Developing People and Innovation and Empowerment with 50, 65 and 65 points respectively.

Table 1.1
Bank X Employee Opinion Survey 2011

Category	2011	vs Benchmark
Customer Focus	83	+3
Risk Management	84	+9
People Leadership	79	+5
Collaboration and Working Relationships	80	+5
Respect and Diversity	80	+6
Image, Reputation and Communication	78	+1
Strategic Leadership	69	+2
Job Satisfaction and Engagement	72	-3
Innovation and Empowerment	65	+4
Efficiency and Effectiveness	72	+5
Developing People	65	+5
Reward and Performance Management	66	+7
Managing Change	50	+3

Source : Bank X Sustainability Report, 2011

This result might indicate potential gap between employee perception and the effort that management has provided to manage change. The main problem which often becomes barrier in learning organization is the perception gap between different groups of members in the organization. In a company, the gap between employee and management perception on the concept of learning organization will create continual tension between the two groups (Dymock and McCarthy, 2006 : 535). Moreover, any variations in perception indicate lack of communication, involvement or participation which may hinder progress toward becoming a learning organization (Weldy and Gillis, 2010 : 467). On one side, management tries to empower employees since the future of the company depends on the willingness and capacity of employees to learn continuously. On the other side, some employees might not realize the importance of learning for them and will directly associate it with the interest of the company alone.

As Weldy and Gillis (2010 : 456) mention, a few studies have focused on determining how each level of the organization views whether learning is taking place. This research becomes important to evaluate whether employees have perceived the dimensions of learning organization the same way as management. With this research, barriers to learning organization in Bank X will be identified. And since each employee has their own role in learning organization system in the bank, it becomes important to formulate strategic effort to reduce the gap of perceptions which may be found. Eventually, hopefully the aspiration for sustainable organization learning can be achieved and Bank X can become a dynamic learning organization to prevail over the competition and changes.

1.2 Research Questions

As developed from the background, there are barriers for organizations such as Bank X in becoming a learning organization. Specifically, this research addresses the following research questions :

- a. Are there any differences in employees and management perceptions in Bank X on concept of learning organization as described in the seven dimensions of DOLQ ?
- b. What are challenges faced by Bank X in becoming a learning organization ?
- c. What is suitable strategy to reduce perception gap between employees and management on the learning organization concept in Bank X ?

1.3 Research Objectives

From the aforementioned research questions, this research is conducted with objectives of :

- a. To identify the differences in employees and management perceptions in Bank X on concept of learning organization as described in the seven dimensions of DOLQ.
- b. To identify the challenges faced by Bank X in becoming a learning organization.
- c. To formulate suitable strategy to reduce perception gap between employees and management on the learning organization concept in Bank X.

1.4 Research Benefits

This research contributes some benefits as follows :

a. For the researcher

By conducting the research, researcher can improve personal skill especially in conducting qualitative research. Researcher will also gain valuable exposure to strategic thinking in identifying problems and formulating steps to solve problems, especially in learning segment of a banking organization.

b. For Bank X

For Bank X where this case study is conducted, the result of the research will provide valuable insight which can be used to overcome barriers which are encountered in the learning and development of the organization. Ultimately, all of the employees and the bank can continuously improve their performance.

c. For banking sector

For the banking sector which is facing ever growing changes and challenges, this research hopefully will be useful in evaluating the development of learning process of each bank. Eventually, each bank will be able to identify the challenges which might be encountered and find the way to overcome the problems.

d. For STIE Perbanas Surabaya

This research provides valuable reference especially in incorporating the combination of quantitative and qualitative studies in the form of case study with the focus on human resource management.

e. For the society

This research will provide essential insight for various organizations in any field of industry regarding the importance of learning process and organizational development in becoming a learning organization. Hopefully this research will become a reference in conducting further research in solving human resource related problems in the organizations.

1.5 Thesis Organization

To provide proper and detailed description of thesis organization, this thesis is arranged into five chapters. The arrangement structure of this thesis as a whole would be as follows :

CHAPTER I INTRODUCTION

The first chapter of this thesis will explain the research background, research questions, research objectives, research benefits and also thesis organization.

CHAPTER II LITERATURE REVIEW

This chapter will describe the previous researches, theoretical background, theoretical framework and also the hypothesis and the proposition of this research.

CHAPTER III RESEARCH METHODOLOGY

The third chapter of the thesis will explain the research design, research constraints, variables identification, operational definition and measurement of variables, research instrument, sample population and sampling technique, data and data

collecting method, validity and reliability of research instrument and also data analysis technique.

CHAPTER IV ANALYSIS AND DISCUSSION

This next chapter of this thesis will explain the description of research subject both from quantitative and qualitative perspectives, as well as the discussion as presented in data analysis.

CHAPTER V CONCLUDING REMARKS

This last chapter of the thesis consists of conclusion, limitations, recommendation for further research directions and managerial implication.