CHAPTER 1: INTRODUCTION

1.1 Importance of Learning in the World of Rapid Change

The world is advancing rapidly with the infusion of revolutionary technologies, and the astute human thinking ability. As we move into the twenty-first century, we are entering a new era in the evolution of organizational life and structure. The immense changes in the economic environment caused by globalisation and technological advancement, have forced organizations to make significant transformation in order to adapt and survive in this new world.

The nations and markets, which stay in the forefront, are those who are innovative and intelligent in devising new business approaches, and deploying the up-to-date technologies. These two important elements add up to render business entities the "competitive advantage" against their competitors. Competitive advantage is derived. They are derived from knowledge, continuous learning, critical thinking, and experimentation. To obtain and sustain the competitive advantage in this new environment, organizations need to learn better and faster from their own and others' successes and failures. They need to continuously transform themselves into a learning organization, to become places where groups and individuals continuously engage in new learning processes (Michael J. Marquardt, 1996).

According to Peter Drucker (1993), one of the earliest thinkers who noticed a sign of this great transformation in the economies, "Knowledge will be the new capital of the twenty-first century. ...... Those who control knowledge will have the power and wealth that comes with it". However, knowledge on its own may not generate the expected power and wealth if it is not leveraged appropriately. To leverage knowledge or to learn effectively and speedily, organizations are required to adopt the right tools and right approach, to flourish it and utilize it for competitive advantage.
As the world becomes more interconnected and business becomes more complex and dynamic, the learning, and knowledge acquisition become the core function of everyone in the organization. It's just not possible any longer to 'figure it out' from the top, and have everyone else following the orders of the 'grand strategist'. The organizations that will truly excel in the future will be the organizations that discover how to tap people's commitment and capacity to learn at all levels in an organization (Peter Senge, 1990).

This is what Drucker (1993) said about today's organizations: -

"The Organization of the post-capitalist society of organizations is a destabilizer. Because its function is to put knowledge to work – on tools, processes and products; on work; on knowledge itself – it must be organized for constant change. It must be organized for innovation – and innovation as the Austro-American economist Joseph Schumpeter said, is 'creative destruction'. It must be organized for systematic abandonment of the established, the customary, the familiar, the comfortable, whether the products, services and processes, human and social relationships, skills or organizations themselves. It is of the nature of knowledge that it changes fast and that today's certainties become tomorrow's absurdities."

1.2 The Advent of Learning Organization

Knowledge acquisition and learning at individuals level is essential but it is not as powerful as organization learning. Organizational learning is seen as more than a sum of individual and/or group learning (Marquardt, 1996).

According to Senge (1990), a 'learning organization' which practices organizational learning is a place where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspirations are set free and where people are continually learning how to learn together.

Organizational learning may have been practised in substance by many successful organizations in the long past, but its dynamics were not researched
and conceptualised until the emergence of the management researchers in this area sometime in the middle of eighteen century.

Although the concept and importance of organization-wide learning can be traced in the research literature as far back as the 1940s, it was not until the 1980s that a few companies began to adopt the more comprehensive approach of organizational learning to realize the potential power of corporate learning in increasing organizational performance and competitiveness.

Today, organizations increasingly realized that to sustain competitive advantage in this new world lies with learning and thinking, and therefore they are making head ways to transform themselves into an organization where every member could increase their adaptive and productive capabilities through facilitated-learning.

David Garvin (2000) commented in his book, *Learning In Action* that, by now the value of organizational learning is widely recognised. Managers view knowledge as a key corporate asset, to be leveraged and exploited for competitive purposes. They see best practices as sources of superior productivity and growth, to be disseminated as quickly as possible. They consider creative ideas and innovative thinking essential to success in emerging, rapidly changing markets.

As such, having a knowledge-oriented culture, creating an organizational infrastructure, finding effective motivational tools, and developing senior management support appear to be the most important for today's organizations.

### 1.3 Position in Malaysia

Malaysia predominantly practises production base economy – distinctively in the primary and manufacturing sectors. To prepare all the production units in the economy for a successful switchover to a new platform – the knowledge-based
economy, the fundamental challenge before the development agencies and corporations, therefore lies in revitalising the people's knowledge systems. The sustainability, however, depends on a simultaneous process of social re-engineering of the traditional institutions of governance, making them equitable and participatory. And the success of this in turn depends on a community level knowledge management with more equitable systems of access and control over knowledge production, sharing and application. (The New Straits Times, 2001).

According to Marquardt (1996), there were a growing number of organizational people who were becoming increasingly aware that the knowledge, the strategies, the leadership, and the technology of yesterday will not lead to success in tomorrow's world. It was obvious to them that companies have to increase their 'corporate capacity to learn' if they were to function successfully in an environment that includes continual mergers, rapid technological changes, massive societal change, and increasing competition. To increase 'corporate capability to learn', organizations must first transform themselves into a structure which extensively generate, share and utilize knowledge – generally termed as learning organization.

The former finance minister, Tun Daim Zainuddin, said the following, in his speech at the Parliament (The 2000 Budget Speech, 2000): "To facilitate the shift to K-economy, we have to increase our workforce equipped with IT knowledge, particularly in ensuring the success of the Multimedia Super Corridor and Cyberjaya projects. ... I would like to urge the private sector to complement the Government's efforts in expediting and facilitating the shift to a K-economy." In the Malaysia context, the knowledge-based economy refers to 'the optimal and ever increasing application of knowledge in all the sectors of the economy and development of viable, profitable and high value-added knowledge-intensive industries' (New Straits Times, 2001).
The Governor of the Central Bank of Malaysia, Tan Sri Zeti Akhtar Aziz has also said this in the Bank Negara Malaysia Annual Report 2000, "...competition is no longer based on access to traditional factors of production but, increasingly, on productivity, innovation and exploitation of knowledge and skills. Knowledge has become the new source of competitive edge and value creation."

Within the new framework of the economy, the financial sector was urged to be more competitive, innovative and technology-driven. The structure of the financial system must evolve to serve the increasingly demanding, complex and more diversified economy, and the expanding new areas of activity, including technology and services activities (Bank Negara Malaysia Annual Report 2001).

1.4 Purpose of the Study
As Malaysia has set its vision to transform the country into a knowledge-based economy to remain relevant and competitive in the global marketplace, all economic sectors in the country by now should have already been looking for the appropriate mechanisms to move towards achieving this common goal of the nation.

As financial sector plays a central role in energizing the economic growth and development of this country, the transformation of financial institutions into a learning organization, which practise powerful learning, is of paramount important.

With that as the background, the researcher intends to find out the current state of affairs of the sector. The purpose of this study is therefore to assess the readiness of Malaysian financial institutions in transforming themselves into a learning organization to meet the country's new paradigm shift, and to defence and excel in the continuous competition of the ever-changing environment.
1.5 **Significance of the Study**

As a whole, the researcher hopes that the findings of this preliminary study could achieve the following purposes: -

(i) To provide the local financial institutions an insight of the levels of learning capabilities in their organizations;

(ii) To help the management to focus their strategies in respect of building a true learning organization; and

(iii) To support future policy decisions of the nation with regard to the establishment of a knowledge society and knowledge economy.

1.6 **Organization of the Report**

This research report is arranged in the following manner: -

**Chapter 1 – Introduction**, provides a brief background to this research. It relates the importance of learning organizations and organizational learning to the new economic concept adopted by Malaysia, and provides a clear account of the purpose and significance of the research.

**Chapter 2 – A Review of Related Literature**, covers the relevant literatures and work done by other researchers on this research subject. It covers the concepts, models and definitions of learning organization, and also discusses the benefits, the skills/disciplines and obstacles to the learning organization.

**Chapter 3 – Research Methodology**, describes the scope and research design of this study. It includes the research questions, theoretical framework, research method, research instruments, sampling design, data collection, and data analysis of this study.
Chapter 4 – Findings and Discussions, presents the findings of both the quantitative and qualitative studies and a short discussion based on the pertinent findings obtained from this research.

Chapter 5 – Conclusion and Recommendations, attempts to provide an overall picture of the study. Inferences and recommendations were made based on the overall results of the research.