# The Zimbabwean Banking Sector in the 21st Century: A Journey Towards Organisational Learning

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## Abstract

Organisational Learning (OL) has become a crucial strategic and dynamic capability, enabling firms to adapt their business models for sustained relevance and competitiveness in today's dynamic business environment. However, its adoption in the developing world has been slow. The collapse of nearly half (48.6%) of Zimbabwean banks, primarily indigenous institutions, within two decades starkly illustrates this challenge, especially considering the banking sector's critical role in any economy. This study examines the extent to which organisational learning has been adopted within the Zimbabwean banking sector and its impact on bank performance. A mixed methods approach was used, employing a self-administered questionnaire with open-ended questions distributed to 211 executives and senior managers at nineteen Zimbabwean banks, yielding a 79.6% response rate. Data were analysed using the Framework Analysis method. The findings suggest a positive trend in organisational learning levels, with most banks progressing from single loop to adaptive or generative learning. Significantly, foreign and dually owned banks were more likely to demonstrate generative learning, a level associated with greater effectiveness in turbulent environments, potentially explaining the disproportionate failure of indigenous banks between 1998 and 2018. This study contributed to the academic understanding of organisational learning, a concept that remained under-explored and under-appreciated in developing economies. Moreover, it emphasised the importance of continuously challenging existing business models to navigate dynamic market conditions like those in Zimbabwe. It is essential for organisational survival and success to continue to develop and actively promote higher levels of organisational learning.

**Keywords:** Organisational learning, Dynamic capability, Strategic capability, Competitiveness, Generative learning

## Introduction

Today's business environment is dynamic, challenging, disruptive and demanding due to high levels of volatility, uncertainty, complexity and ambiguity (VUCA), rendering traditional strategic planning processes inadequate. Intense global competition, a complex global financial system, evolving customer and investor demands, increasing regulatory requirements and rapid advancements in information technology characterise this environment (Nzuve & Omolo, 2012; Ouma & Kombo, 2016). In this dynamic and discontinuous landscape, organisational learning, a unique and difficult-to-imitate strategic capability, is crucial for firms to redefine their business models, adapt quickly to unpredictable circumstances and foster competitiveness and sustainable growth (Nzuve & Omolo, 2012; Makabila et al., 2017).

OL is a dynamic capability that is difficult to replicate and provides a sustained competitive advantage aligned with the resource-based view (RBV) of the firm, which emphasises the development and utilisation of inimitable strategic resources and capabilities, (Makabila et al., 2017). OL enables firms to rapidly change, adapt, evolve and outperform competitors. Survival in a VUCA environment requires vision, understanding, clarity and agility (the VUCA philosophy) in strategy formulation. Rapid adaptation and crisis management are critical; a proactive approach is necessary rather than a passive, reactive stance.

Organisational learning occurs at four primary levels. At the base is zero-loop learning (also termed "zero learning" by Georges, Romme & Witteloostijn, 1999), representing organisational inaction or docility. When problems arise, management takes no corrective action, hoping the challenges will disappear. Organisations operating at this level will struggle to compete and their survival will be severely compromised (Burnes, 2009; Kantamara & Ractham, 2014).

The next level is single-loop learning (adaptive learning), which involves detecting and correcting errors to maintain course and achieve current objectives and policies (Canessa-Terrazas et al, 2017; Burnes, 2009; Chiva, Grandio & Algre, 2010; Cook & Yanow, 2011). This type of learning often results in superficial changes, as existing practices, rules, norms, procedures, processes and assumptions are not sufficiently questioned or challenged (Kantamara & Ractham, 2014). It leads to "surface change" rather than "deep change" (Kantamara & Ractham, 2014).

Given the constant and disruptive pace of change (Kantamara & Ractham, 2014), single-loop learning is no longer sufficient. Organisations must progress to higher levels: double-loop learning (generative learning) and the revolutionary triple-loop or transformative learning (Burnes, 2009). Double-loop learning allows organisations to question existing practices, procedures, policies, norms and objectives to identify better ways of operating in response to evolving challenges (Kantamara & Ractham, 2014; Burnes, 2009; Subramani, 2004; Canessa-Terrazas et al, 2017). This embodies the concept of metanoia (Greek) or a fundamental shift in mindset and behaviour (Chiva et al., 2010).

The highest level, triple-loop learning, is a revolutionary approach that questions the organisation's fundamental rationale, leading to radical transformation (Burnes, 2009). This involves self-recreation or self-reinvention in response to radical environmental changes (Jain, 2014; Cummings & Worley, 2005). The distinction between generative and transformative learning can be subtle, but both are crucial for innovativeness and effectiveness (Jain, 2014).

In turbulent and unpredictable environments like Zimbabwe's, double-loop and triple-loop learning are essential. Organisations must question existing business models and transform themselves for survival and excellence. Empirical studies demonstrate the significant role of OL in fostering superior performance and sustained competitive advantage across various industries and sectors (Salim & Sulaiman, 2011; Hui et al., 2013; Kombo & Ouma, 2016; Namada, 2017). Examples of organisations that have embraced continuous learning and reached higher levels include Google (Tran, 2017), General Electric, Goldman Sachs, Microsoft, Honda, Corning (Odor & Samuel, 2018), McDonald’s, the United States Marine

Corps (USMC), Walmart (McKenna, 2023), Mellat Bank of Mashhad (Laalkazemian & Titkanloo, 2022), Toyota (Gino & Staats, 2015), Nigerian Breweries Plc, Guinness Nigeria Plc (Odor & Samuel, 2018), Deutsche Bank (Pant, 2019) and U.S. Bank (Venkatachari, 2023).

These organisations, predominantly from developed countries, where OL is more established, have successfully navigated environmental challenges. While banks in Zimbabwe and other developing countries may have also adopted higher levels of learning, research in this area is limited. This study aims to address this gap by exploring the adoption of OL in Zimbabwe's banking sector, particularly given the tight regulatory controls they face.

Despite the importance of OL for operational excellence and sustainable growth, adoption rates, especially in developing countries, remain disturbingly low (Makabila et al., 2017). This is often attributed to the lack of a prescriptive model for encouraging and facilitating continuous learning (Odor, 2019).

Given the banking sector's critical role in driving economic growth (Gathaiya, 2017), the scarcity of research on OL adoption in Zimbabwean banks is notable. This study aims to contribute to the literature by examining the extent of OL adoption in this sector, particularly in the context of the VUCA environment. The instability of the Zimbabwean banking sector, evidenced by the collapse of 18 banks (48.6%) between 1998 and 2018, underscores the need for new strategic approaches. Organisational learning, recognised for its ability to revitalise businesses in turbulent environments (Nzuve & Omolo, 2012; Job & Bhattacharyya 2007; Santos-Vijandes et al. 2012; Kocoglu et al., 2011; Ramirez, Morales & Aranda, 2012), offers a promising avenue for such reinvention.

**Research Methodology**

This study explored organisational learning within the Zimbabwean banking sector, examining the perceptions, beliefs, feelings, thoughts, actions and attitudes of executives and senior managers involved in strategy formulation and execution. A mixed-methods approach was employed, primarily qualitative but incorporating quantitative data on participant demographics (age, gender, qualifications, years of experience and employer type) to contextualise the qualitative findings.

The target population comprised 454 individuals from all 19 registered banks in Zimbabwe (13 commercial banks, 5 building societies, and 1 savings bank). A representative sample of 211 participants was determined using both the Krejcie and Morgan (1970) and Yamane (1967) formulas, averaged for validation.

Stratified sampling with optimum allocation (Neyman allocation) ensured proportional representation of each stratum. Given that executives constituted 47.4% and senior managers 52.6% of the population, the sample comprised 100 executives (47.4%) and 111 senior managers (52.6%).

A cross-sectional survey design was selected for its efficiency and cost-effectiveness, given the study's time constraints. Data collection relied primarily on questionnaires with open-ended questions, designed to explore and describe participant behaviour (Pronto, 2015; Singh, 2006). Questionnaires were hand-delivered to each bank, proportionally allocated based on the bank's contribution to the overall population. Personal follow-up contributed to a high response rate of 79.6%, with 168 completed questionnaires returned for analysis.

Descriptive statistics were used to analyse quantitative data. The respondents had a near-equal gender split, with 51.98% females and 48.02% males. The majority were executives (61.41%), while the rest were senior managers. The respondents were highly experienced and educated, with 81% having over ten years of banking experience and 71.4% holding at least a master's degree. This high level of experience and education aligns with the fact that most respondents (85.6%) were over forty years old, and it reflects the stringent regulatory requirements for recruiting and promoting executives and senior managers in the banking sector.

The Framework Analysis method, as developed by Jane Ritchie and Liz Spencer (Srivastava & Thomson, 2009; Gale et al., 2013) was used for the qualitative components of the study. This systematic approach helped in structuring and analysing the rich qualitative data from the questionnaire's open-ended questions. The process involved five key stages:

1. **Familiarisation:** The researcher thoroughly read all 168 returned questionnaires to gain a deep understanding of the data.
2. **Developing a Thematic Framework:** A coding template based on a combination of a priori themes (derived from the research questions) and emergent themes (identified during familiarisation) was developed.
3. **Indexing:** The developed framework was then applied to the data, systematically coding and categorising specific sections of text according to the established themes.
4. **Charting:** The coded data was summarised and organised into matrices (charts). The rows represented individual respondents, and the columns represented the thematic categories. This allowed for a systematic comparison of data across participants.
5. **Interpretation:** The final stage involved analysing the charted data to identify key patterns and connections. The themes were then discussed and interpreted in relation to existing literature and current industry practices, drawing conclusions that directly addressed the study's research questions.

**Results and Discussion**

The reviewed literature identifies four types of organisational learning: zero-loop, single-loop (adaptive), double-loop (generative), and triple-loop (transformative) (Chiva & Habib, 2015). This study reveals that Zimbabwean banks have progressed beyond zero-loop learning, primarily utilising adaptive or generative approaches. A majority (50.6%) of respondents, mainly from foreign-owned and dually owned banks, reported shifting between adaptive and generative learning based on operating conditions. One respondent observed, "Both approaches are applicable, with generative learning representing a higher level of learning," a view shared by another who stated, "You can't depend entirely on one type of learning as circumstances change."

Adaptive learning focuses on incremental improvements, while generative learning is more radical, questioning existing practices to create new perspectives (Chiva, Alegre & Grandio, 2008). Given the dynamic environment, Miner and Mezias (1996) stress the importance of both learning streams, particularly in turbulent contexts like Zimbabwe's, for organisational preparedness. The adoption of this dual adaptive-generative approach in some banks may reflect the influence of parent companies based in developed countries, where organisational learning frameworks originated (Burnes, 2009). Generative and even transformative (triple-loop) learning is considered crucial for survival and excellence in turbulent environments (Shukla & Singh, 2015; Kantamara & Ractham, 2014; Chiva et al., 2010).

The remaining 49.4% of respondents, primarily from indigenously owned institutions, reported using adaptive learning. While prevalent, the efficacy of this approach is diminishing due to the accelerating pace of disruptive change (Kantamara & Ractham, 2014). One respondent explained, "*We modify our strategies whenever there are changes in the operating environment,*" a point echoed by another who stated, "*As changes happen, we change our strategies accordingly.*" While this shift from zero-loop to adaptive learning is positive, these institutions need to progress to generative learning. The turbulent environment requires a critical examination of underlying operational assumptions to develop more effective ways of doing business and maintain competitiveness.

In conclusion, this study demonstrates the prevalence of adaptive and generative learning in the Zimbabwean banking sector. However, it also highlights the need for indigenously owned institutions to advance their learning capabilities to compete effectively with foreign and dually owned banks. The higher mortality rate among indigenously owned banks, compared to others operating under similar regulatory conditions, may be attributable to their slower progression to higher levels of organisational learning.

## Conclusion and Recommendations

This study reveals that Zimbabwean banks have made strides in organisational learning, progressing from inaction to varying degrees of adaptive and generative learning. However, the findings underscore a critical need for broader understanding and more robust implementation of generative learning, particularly within indigenously owned banks, to ensure sustained competitiveness and prevent the recurrence of past failures.

Operating within a volatile economic landscape and facing the pressures of globalization, Zimbabwean organisations must embrace strategic fluidity and agility, both of which are intrinsically linked to generative learning. This study, therefore, recommends a multi-pronged approach to advance organisational learning practices. This includes engaging consultants to establish effective organisational learning structures and processes, revamping higher education curricula to incorporate comprehensive organisational learning modules, and conducting further research across other sectors of the Zimbabwean economy. Ultimately, this research serves as a foundation for developing dedicated organisational learning modules for higher education institutions and emphasizes the urgency for Zimbabwe to catch up with developed nations in this crucial area to thrive in the face of rapid global change.

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