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ABSTRACT

An organization's strategy consists of the moves and approaches devised by management to produce successful organization performance. Formulating competitive brand strategy is an important problem for marketing managers but how these strategies are positioned is more important because strategies can always be replicated by competitors. The purpose of this study was to assess the effect of strategic organizational learning on performance of micro finance institutions in Rwanda. The study adopted a cross sectional survey which was descriptive in nature. This study used positivism research philosophy. The target population for the study comprised of the MFIs managers and some selected employees of the 21 Micro finance intuitions in Rusizi District. Stratified sampling was used to divide the target group into four strata. Purposive sampling was used to ensure that the elements in each stratum had certain characteristics relevant to the study. A pilot study was undertaken on four (4) firms to test the reliability and validity of the questionnaire. Data for the study was collected by use of questionnaires, interviews and observation using descriptive and inferential statistics. Data collected was analyzed through SPSS version 21. Data for the study was collected by use of questionnaires, interviews and observation using descriptive and inferential statistics to establish the relationship between the dependent and independent variable. The findings showed a coefficient of determination (R^2) of 0.570, which meant that this variable alone explained up to 57.0% of the variations in the dependent variable, performance of micro-finance institutions in Rwanda. This implied that there exists a positive significant relationship between strategic organizational learning, and performance of micro-finance institutions in Rwanda. The hypothesis was tested by using multiple linear regression and determined using p-value. The acceptance/rejection criteria were that, if the p value is less than 0.05, was to reject the H_{A1} but if it was more than 0.05, the H_{A1} is not rejected. Therefore, the alternative hypothesis is that there is significant influence between strategic organizational learning on performance of micro finance institutions in Rwanda. Results indicated that the p-value was 0.021. This was supported by a calculated t-statistic of 2.112 that is larger than the critical t-statistic of 1.96. The alternative hypothesis was therefore not rejected. The study therefore adopted the alternative hypothesis that there is significant effect of strategic organization learning on performance of micro-finance institutions in Rwanda. The study concluded that strategic organizational learning was statistically significant in explaining the performance of micro finance institutions in Rwanda. The findings confirmed that Strategic organizational learning has significant *influence on performance of micro finance institutions in Rwanda hence the need for organizations to consider use of good management practices to be able to focus on the organizational learning that may impact on the micro finance institutions in Rwanda. The study therefore recommended the micro finance institutions in Rwanda to consider adoption of good strategic management practices and review of policies related organizational learning from time to time*

Keywords: *Strategic Organization Learning, MFIs, Performance, and Rwanda*

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INTRODUCTION

Globally, there is great need for firms to embrace strategic organizational learning and matching with the organization structure to adopt and adapt to the ever-rapid changing environmental forces (Mintzberg *et al,* 2009). Strategy of any organization is administered through its design which is ideally its structure. Thus, successful implementation of a new strategy may require a new structure to avoid any administrative problems thereof (Kavale 2012).

An organization's strategy consists of the moves and approaches devised by management to produce successful organization performance. A strategy is thus a management game plan for the business (Kugun, Wanyonyi, & Sangoro, 2016). With growing business, there came the disenchantment period which was characterized by dissatisfaction planning because there was increased environmental turbulence, reduced Business opportunities and increased competition. The essence of formulating a competitive strategy is to relate a company to its environment (Ciobota & Velea, 2015). Formulating competitive brand strategy is an important problem for marketing managers but how these strategies are positioned is more important because strategies can always be replicated by competitors.

The microfinance sector in Rwanda is relatively young. Although small self-help peasant organizations such as IBIMINA have existed for some time, the sector growth accelerated with the creation of the Rwanda BanquesPopulaires or Union des BanquesPopulaires du Rwanda (UBPR) in 1975 whose network dominates the microfinance industry today (Kantengwa 2007).

After the Genocide perpetrated against Tutsi in 1994, Union of the BanquesPopulaires du Rwanda and all other MFIs stopped and lost their assets. In 1995 the financial sector launched a remarkable reform. The Government of Rwanda started reforms of the financial sector aiming at creating an efficient system. The principal objectives of these reforms include the reinforcement of the Central Bank (BNR), legal powers of coordination and supervision of the banking structure, the introduction of new financial instruments, the liberalization of interest rates and the opening of the banking structure to foreign banks. These reforms had brought a considerable impact on the development of the Rwanda's financial sector.

In this regard, the ultimate objective of Rwanda's long-term development plan is to transform the country into a middle-income country and an economic trade, communication and financial hub by the year 2020. Towards the achievement of this the Government of Rwanda has recently adopted an Economic Development and Poverty Reduction Strategy (EDPRS), with Financial Sector Development as one of its key components (MINECOFIN 2007).

Rwanda's economic development agenda can't be achieved without a financial sector that is effective, in particular that is capable to expand access to credit and financial services, and to enhance saving mobilization and to mobilize long-term capital for investment. No economic development will be possible as long as the current situation will persist with domestic savings constantly negative and more than 50% of the population totally excluded from financial services, even from informal ones (MINECOFIN, 2007).

Statement of the Problem

Strategy and structure are related and whether one follows the other, interdependent or independent of each other is an area that has been debated by many scholars. Regardless of whether structure follows strategy or vice versa, it is clear that change in strategy requires change in structure and vice versa. Strategy refers to the future long-term goals and objectives of the company and adoption of course of action and consequently allocating the necessary resources to carry out goals while structure is the particular system of arrangements, lines of authority and communication in an organization, ensuring a smooth flow of resources culminating to the achievement of the organizational goals. It is very clear that the match of an organization structure and its strategy can influence the performance of an organization.

The main goal of every MFI is to operate profitably in order to maintain its stability and improve growth and sustainability. However, this is not always achieved (Hitt, Ireland & Hoskisson, 2012). A key justification for the advancement of microfinance is that, a microfinance sector that is both profitable and sustainable can ultimately impact positively on economic growth and development. In essence, growth-oriented firms are a significant contributor in a nation's economic gain. Saxena and Maru, (2016) noted that firm growth is an important indicator of a thriving economy.

Greiner (1998) asserts that growth in firms takes place in series of steps and phases of evolution and revolution.

It seems that not even very strong explanatory factors have been identified, though various explanatory approaches have been presented. These studies, though very important to the industry players, fell short in identifying the effects of strategic organizational learning on MFI performance. Thus, there was a compelling need to establish the effects of effects of strategic organizational learning on MFI performance in Rwanda. This is because the research hypothesizes that the effects of strategic organizational learning on performance of micro finance institutions in Rwanda

Theoretical Perspective

This paper discussed the profit-maximizing and competition-based theory upon which the study was anchored.

The profit-maximizing and competition-based theory

The industrial-organization (I/O) perspective is the basis of this theory as it views the organization external market positioning as the critical factor for attaining and sustaining competitive advantage, or in other words, the traditional I/O perspective offered strategic management a systematic model for assessing competition within an industry (Porter, 1981).

The study was based on establishing the effect of use of strategic competitive positioning in MFIs. Therefore, the profit-maximizing and competition-based theory which provides a rationale for analyzing different factors that a corporation considers helping it to maximize profit and develop a sustainable competitive advantage will be adopted in this study to form a framework of reference for analysis of how each of the study objectives have either affected or contributed to the MFI performance.

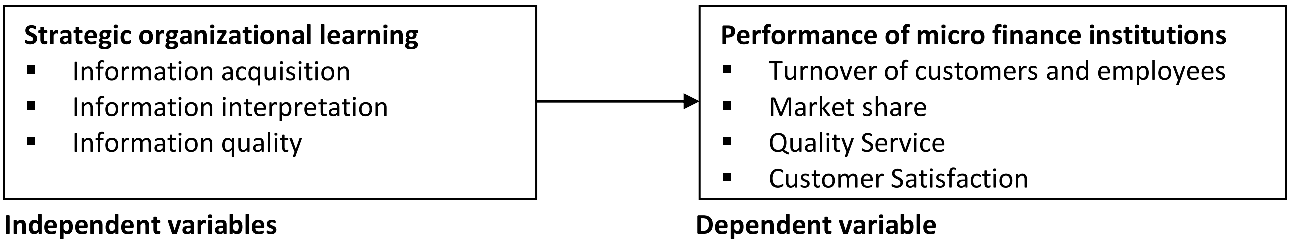

Figure 1: Conceptual Framework

Strategic organizational learning

Njuguna (2009) states that organizational learning is a fundamental source of competitive advantage in organizations. He further stated that it helps firms to obtain sustainable competitive advantage through the development of its unique learning knowledge resources and capabilities. Micro finances like many other businesses are facing a lot of competitive challenges arising from the dynamism and complexity of the business environment.

Denison (2008) states that through organizational learning a firm can develop unique intellectual capital that other firms cannot imitate. Organizational learning helps people in the organization to question themselves about organizational systems and challenges and endeavor to seek for solutions (Johnson, 2008). There are various forms of organizational learning in organizations which include training which may be either in-house or external. Any form of organizational learning will be quite beneficial to organizations because they are not easily imitable (King, 2008).

METHODOLOGY

The study adopted a cross sectional survey which was descriptive in nature. Bowen (2005); Njanja, Ogutu and Pellisier (2012); Namusonge, Nteere and Mukulu (2012) have used both designs in their studies successfully. Therefore, this study applied quantitative research design to determine the effects of strategic organization learning on performance of MFIs in Rwanda. The target population for the study comprised of the MFIs managers and some selected employees of the 21 Micro finance intuitions in Rusizi District. The managers and employees were found useful for this study because they were the market drivers tasked with the strategic organizational learning for performance of Micro finance intuitions in Rusizi District. The MFIs selected were deemed to have been operating in Rusizi District as at 31st December 2018 as per AMFI records. From each micro finance five respondents were targeted. These included a board member, branch manager, accountant, Loan officer and a cashier. The target population for this study therefore comprised of 105 respondents.

This study adopted Yamane (1967) simplified formula to calculate the sample size which provided the number of responses that needed to be obtained using the equation:

$$n = \frac{N}{1 + Ne^2}$$

Where;

n is the sample size,

N is the population size (105)

e is the desired level of precision (0.05)

$$n = \frac{105}{1+105\,(0.05)^2} = 84$$

Both stratified sampling and purposive sampling methods were deployed. Stratified sampling method was used to divide the population into distinct, independent strata that enabled the researcher to draw inferences about specific subgroups that may be lost in a more generalized random sample thus lead to more efficient statistical estimates (Creswell, 2013). The main instruments of primary data collection for this study were the questionnaire. Structured questionnaires were most appropriate for their ability to be easily administered, completed and analyzed (Creswell, 2013). Valid and detailed questions about the effects of strategic organizational learning on performance of MFIs in Rwanda was structured.

A pilot study was undertaken on four (4) firms to test the reliability and validity of the questionnaire. The rule of the thumb is that 1% of the sample should constitute the pilot test (Cooper & Schindler, 2013). The four firms were selected from Kigali province.

FINDINGS

Regression analysis was performed in order to determine whether the independent variable, strategic organizational learning, could be reliable for explaining the change in the dependent variable, performance of micro-finance institutions in Rwanda. The coefficients obtained indicated that the correlation coefficient (R) between the independent variable and the performance of micro-finance institutions in Rwanda was 0.755 which is a positive correlation relationship. Table 1 showed a coefficient of determination (R^2) of 0.570, which meant that this variable alone explained up to 57.0% of the variations in the dependent variable, performance of micro-finance institutions in Rwanda. This implied that there exists a positive significant relationship between strategic organizational learning, and performance of micro-finance institutions in Rwanda.

Table 1: Model summary showing strategic organizational learning

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.755[a]	.570	.567	.65724

a. Predictors: (Constant), strategic organizational learning

The results of an Analysis of Variance (ANOVA) test performed on the variable strategic organizational learning are summarized in Table 1. The findings further confirm that the regression model of variable strategic organizational learning on performance of micro-finance institutions in Rwanda is significant and supported by F=201.134, p<0.01) since p-values was 0.00 which is less than 0.05.

Table 2: ANOVA for strategic organizational learning

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	42.431	1	42.431	201.134	.000[a]
1	Residual	33.811	82	.617		
	Total	76.242	83			

b. Dependent Variable: Performance
c. Predictors: (Constant), strategic organizational learning

The coefficients of strategic organizational learning were presented in Table 2 which indicated that the model has a significant p-value =.000. The study at 95% confidence interval solved the first research question by indicating that the variable strategic organizational learning is statistically significant in the performance of micro-finance institutions in Rwanda.

Table 3: Coefficients of strategic organizational learning

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.773	.231		5.973	.000
	Strategic organizational learning (X1)	.539	.062	.444	8.815	.000

a. Dependent variable: Performance

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Using the summary of Coefficients presented in Table 3, a linear regression model of the form, Y = α + βXi can be fitted as follows:

Y = 0.773+0.539X1................................. Equation 1

This implied that a unit change in strategic organizational learning would increase performance of micro-finance institutions in Rwanda by the rate of 0.539.

Hypothesis Testing

H_0: There is no significant effect between strategic organizational learning and performance of micro finance institutions in Rwanda

The hypothesis was tested by using multiple linear regression and determined using p-value. The acceptance/rejection criteria were that, if the p value is less than 0.05, was to reject the H_{A1} but if it was more than 0.05, the H_{A1} is not rejected. Therefore, the alternative hypothesis is that there is significant influence between strategic organizational learning on performance of micro finance institutions in Rwanda. Results in Table 2 shows that the p-value was 0.021. This was supported by a calculated t-statistic of 2.112 that is larger than the critical t-statistic of 1.96. The alternative hypothesis was therefore not rejected. The study therefore adopted the alternative hypothesis that there is significant effect of strategic organization learning on performance of micro-finance institutions in Rwanda.

CONCLUSION AND RECOMMENDATIONS

The study hypothesis H_0, was that there is no significant effect between strategic organizational learning and performance of micro finance institutions in Rwanda. The hypothesis was tested and the results indicated that strategic organizational learning had a positive effect on performance of micro finance institutions in Rwanda. Therefore, it can be concluded that strategic organizational learning was statistically significant in explaining the performance of micro finance institutions in Rwanda.

The findings confirmed that Strategic organizational learning has significant influence on performance of micro finance institutions in Rwanda hence the need for organizations to consider use of good management practices to be able to focus on the organizational learning that may impact on the micro finance institutions in Rwanda. The study therefore recommended the micro finance institutions in Rwanda to consider adoption of good strategic management practices and review of policies related organizational learning from time to time.

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