



# **Organizational Learning – a Sustainable Competitive Advantage**

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# Content

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1. Introduction
2. Knowledge Management and Organizational Learning
3. The four-cell model of Learning Organizations
4. Conclusions and Challenges
5. References

## Introduction

In order to remain competitive, an organization needs to continuously develop new knowledge. The literature on organizational learning and capabilities is extremely diversified, both in its origins and aims. Without claiming to be exhaustive and original, this paper focuses on the literature produced by different fields of research. The aim is to highlight the contribution of these different approaches and the basic questions linked to the complex notions of Organizational Learning and Human Resources Management and sustainable competitive advantage, through a survey of the scanned part of dedicated literature. According to (Mehra, K., 2001) the basic entity of knowledge generation is the individual. In this respect, knowledge resides as human capital or a knowledge pool.

The notion of Organizational Learning is to be found in different studies, mostly in the evolutionary theory (Weienstein, O. and Nicole Azoulay, 1999). The dedicated literature can be divided into two large categories:

- the first one, that has been developed by consultants, is prescriptive, practice-oriented;
- the second one, produced by researchers is “non-prescriptive and neutral with respect to its definition of learning – that is, open to the view that learning may be good or bad, linked or not linked, to effective action or desirable outcomes” (Argyris, C. & Schon, 1996).

## 2. Knowledge Management and Organizational Learning

1. What is knowledge management?
2. What is Organizational Learning?
3. What is a Learning Organization?
4. Areas of Consensus
5. Capabilities and competitiveness

## 2. Knowledge Management and Organizational Learning

### What is knowledge management?

According to (Bender and Fish, 2000; Groenewald, T.) knowledge management (KM) is a way of working. Laszlo and Laszlo (2002), McElroy (2000), and Senge (1990) differentiate between two generations of KM:

- the first generation focused on information indexing, retrieval and dissemination, usually through technology;
- the second generation is about sustainable creation, transfer and dissemination of corporate knowledge.

The first generation concentrated on standards and benchmarks (imitation), the second promotes education and innovation.

## What is Organizational Learning?

"**Organizational Learning**" (OL) is an area of knowledge within organizational theory that studies models and theories about the way an organization learns and adapts. In organizational development (OD), learning is a characteristic of an adaptive organization, i.e., an organization that is able to sense changes in signals from its environment (both internal and external) and adapt accordingly. OD specialists endeavor to assist their clients to learn from experience and incorporate the learning as feedback into the planning process.

Argyris (1977) defines OL as the process of "*detection and correction of errors.*" In his view organizations learn through individuals acting as agents for them: "*The individuals' learning activities, in turn, are facilitated or inhibited by an ecological system of factors that may be called an organizational learning system*".

Huber (1991) considers four constructs as integrally linked to organizational learning: **knowledge acquisition, information distribution, information interpretation, and organizational memory**. In his opinion, learning need not be conscious or intentional. Further, learning does not always increase the learner's effectiveness, or even potential effectiveness. Moreover, learning need not result in observable changes in behaviour. Taking a behavioral perspective, Huber (1991) notes: *An entity learns if, through its processing of information, the range of its potential behaviours is changed.*

Weick (1991) argues that the defining property of learning is the combination of same stimulus and different responses, however it is rare in organizations meaning either organizations don't learn or that organizations learn but in nontraditional ways.

# What is a Learning Organization?

Senge (1990) defines the Learning Organization (LO) as the organization "*in which you cannot not learn because learning is so insinuated into the fabric of life.*" Also, Senge (1990) defines Learning Organization as "*a group of people continually enhancing their capacity to create what they want to create.*" The LO is also defined as an "*Organization with an ingrained philosophy for anticipating, reacting and responding to change, complexity and uncertainty.*" The concept of LO is increasingly relevant given the increasing complexity and uncertainty of the organizational environment. As Senge (1990) remarks: "***The rate at which organizations learn may become the only sustainable source of competitive advantage.***"

McGill et al. (1992) define the LO as "*a company that can respond to new information by altering the very "programming" by which information is processed and evaluated.*"

Ang & Joseph (1996) contrast OL and LO in terms of process versus structure. McGill et al. (1992) do not distinguish between LO and OL, they defining Organizational Learning as "*the ability of an organization to gain insight and understanding from experience through experimentation, observation, analysis, and a willingness to examine both successes and failures.*"

Literature on organizational learning is very rich, fragmented.

## 2. Knowledge Management and Organizational Learning

*"The relevance of OL term is gaining at this moment and that it is a factor accounting for the different forms of organizational change. Thus, it is a notion that can be applied to many disciplines, since it can combine organizational phenomena"* (Ubeda Garcia Mercedes et. all.):

- *Change.* In terms of change, the aim of OL is located at the development of structures and systems so that organizations can learn to generate and understand environmental changes (Argyris & Schon, 1978; Fiol & Lyles, 1985).
- *Technology.* As regards technology, OL is implemented in the technological changes affecting the relationship between firms and their environment. This is a notion than has been recently introduced by industrial economists with the aim of trying to explain technological innovation as a process of organizational learning (Le Bas, 1993).
- *Dynamism.* OL corresponds to a dynamic organization, insofar as it is integrated into organizations at different analysis levels: individuals, groups and organizations as such.
- *Global firm.* Finally, the notion of OL can also be applied to the process of firm internationalisation, since, through this process, new mental patterns, new behaviours and new organizational capabilities can be learnt.



## 2. Knowledge Management and Organizational Learning

### Areas of Consensus

In (Ubeda Garcia Mercedes et al.) has been established four consensus areas:

1. The first consensus area has to do with **the combination of organizational and individual learning**, which appear as different but indissolubly linked phenomena. At present, there seems to exist a convergence between two schools. The first group of authors focused their attention in the way individual learning processes were reflected inside the context of the organization. The results of these learning processes are translated into short-term organizational actions which come as a consequence of responses to the environment, whose interpretation remains stored in the individuals' memories and which influence future actions. The second group of authors (Argyris, C. & Schon, D., 1978) still focusing on individual learning as the main engine driving organizational learning, distinguishes those two phenomena and their combination more clearly. The results of individual learning are stored in the organizational memory and codified in individual images as well as in shared representations (theory in use); even, some behaviours and values are stored in the organizational memory and remain, even though individuals come and go, in other words, organizational learning is based on past knowledge, in the organizational memory. That memory depends on the institutional mechanisms (policies, strategies, procedures, etc.) used to retain knowledge (Stata, 1989).
2. **The role of memory**. At the organizational level, Argyris & Schon (1978) introduce the notion of shared mental patterns; the organization responds to problems through the theories used by its members; thus, shared mental patterns depend on individual mental patterns, since as Kim (1993) points out, the importance of individual learning for organizational learning is obvious and subtle.
3. The third consensus area, linked to the preceding one, is **the existence of different learning levels and styles** (Fiol & Lyles, 1985; Miner & Mezias, 1996).
4. The last consensus area consists in **the consideration of learning processes as located inside the table of relationships between entities and environments**. There seems to be a certain unanimity to consider that environments being too placid or static, too turbulent or dynamic, or even too simple or too complex, are not favourable to stimulate learning, which also needs change and stability conditions in relationships between firms and their environment (Ingman, 1994).

## 2. Knowledge Management and Organizational Learning

### **Capabilities and competitiveness**

Christensen (1996) defines capabilities as a "*lower order functional or inter-functional technical capacity to mobilize resources for productive activities*" and competence as a "*higher-order management capacity of the firm to mobilize, harmonize and develop resources and capabilities to create value and competitive advantage*".

The scope given to the notion of a firm's capabilities can be more or less extensive. Chandler (1990) offers a broader definition: "*The organizational capabilities were the collective physical facilities and human skills as they were organized within the enterprise. These included the physical facilities in each of the many operating units - the factories, offices, laboratories - and the skills of the employees working in such units*". Some others, like Leonard-Barton (1992, 1995), go so far as to identify, in what is probably the widest approach, four dimensions in firms' capabilities:

- (1) "*Employee knowledge and skills*";
- (2) "*Physical technical systems*" (equipment, software, data base, expert systems... );
- (3) "*managerial systems*" (organizational structure; regulations, routines, decision procedures; incentive systems);
- (4) "*Values and norms*" ("systems of castes and status, rituals of behavior and passionate beliefs").

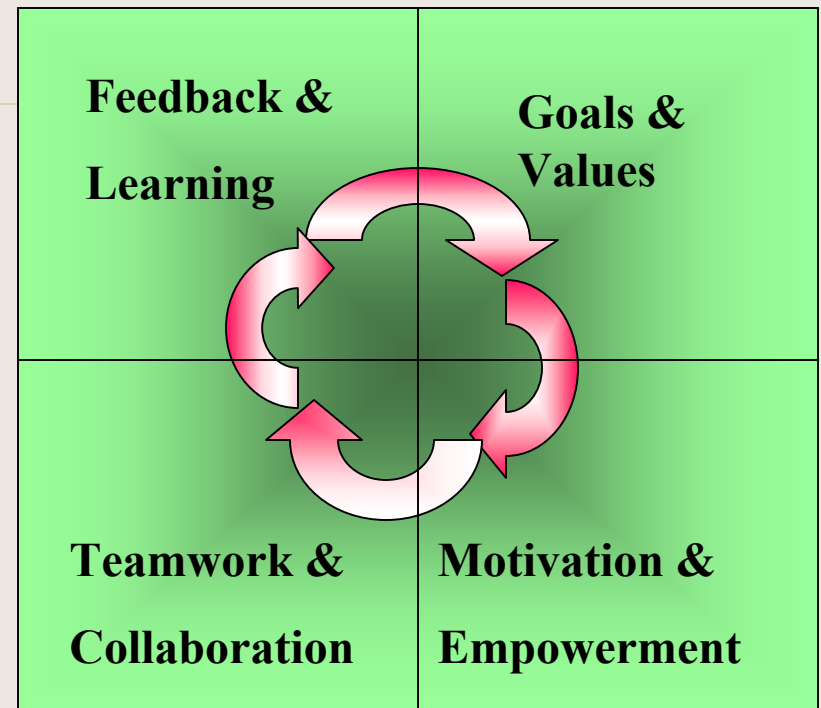
Similarly, Coombs & Hull (1998) link a firm's capabilities to three kinds of elements: namely "*technology as hardware*", that is to say the material and technical support; the knowledge base ("*shared mental framework of fundamental mental framework*"); "*the collection of routines which are carried out in the firm in order for it to conduct its regular business*".

These reflexions essentially emphasize the complex nature of capabilities' determinants and raise the question of the various elements in which these capabilities are embedded.

### 3. The four-cell model of Learning Organizations

There is no current consensus regarding a model for organizational learning. In the literature several models have been proposed to facilitate understanding of organizational learning and are mentioned more aspects of the elements required to build and sustain an organization. Howard Rowley (2002) established a core elements outlined in a four-cell model having a few basic attributes and dynamics:

- each cell must achieve tangible outcomes;
- mutual dependencies and tensions exist between cells;
- circular arrows indicate that cells must perform consistently to sustain momentum;
- the model can be scaled to any level; functional department or entire branch, a project or program, a total organization or linked/virtual organizations.



***Source: Howard Rowley, 2002***

## 4. Conclusions and Challenges

Making a synthesis of the definitions from the literature, a ***Learning Organization*** is one in which people at all levels, individually and collectively, are increasing their capacity to produce results they really care about (Richard Karash, 1994-2001). Peter Senge (1990) defined a ***learning organization*** as dynamical systems that are in a state of continuous adaptation and improvement. That is, organisations that are adapted for maximum ***organizational learning*** and that build feedback loops deliberately to maximize their own learning. This is accomplished by paying attention to three key areas:

- Shared vision and a common sense of purpose – able to clearly articulated the vision;
- Common language for communicating information within the organization – productive conversation to make results happen;
- Understanding of organizational dynamics and complex business processes – tools and thinking to management the complexities involved.

## 4. Conclusions and Challenges

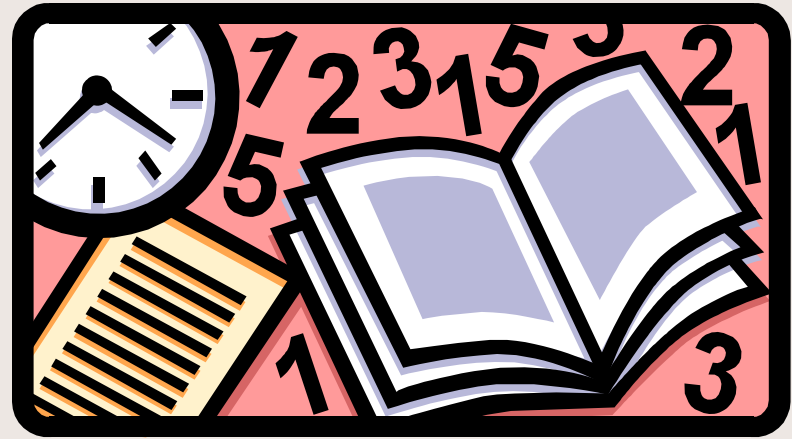
**Rapid Change:** In a Learning Organization, change is seen as an opportunity to learn through problem solving.

**Shifting Focus:** A Learning Organization can ensure that there is a strategic alignment between customer needs, organizational goals, individual learning, and resource allocations.

**Eroding Knowledge Bases:** A Learning Organization fosters information exchange and captures expertise from all levels of personnel. And, technology is leverage to support information exchange.

**Limited Training Resources:** A Learning Organization can make use of alternative strategies that integrate learning into the workplace. These alternative methods cost less and are effective.

**Evolving Roles of Supervisors:** In a Learning Organization, managers serve as teachers and each individual is empowered to be responsible for his or her own learning.



Thank you for your attention!