CHAPTER II

REVIEW OF LITERATURE

For the literature review of the present research work, the author has followed the general strategy of searching publications (papers from various journals, and books) that will aid the author and readers in understanding organizational learning and competency. The leading journals (Journal of People Management, European Industrial Training, The Learning Organization, SAM Advanced Management Journal, Sloan Management Review, Human Resource Development International) and books that were published between 1980 - 2005 including a few important past and present/recent works have been surveyed in this connection. By taking the advantage of the latest trends in information technology, various websites like emeraldinsight.com have been included as one of the rich resources to conduct literature survey for this research work.

From the days of Taylor to Drucker, management gurus have been constantly endeavoring to understand human behavior in organizations and exploring better ways to shape the organizational structures for improving productivity. Learning in an organization proved to be one of the reasons behind its success and survival in the backdrop of stiff competition prevailing in the current business environment. As we are moving towards the 21st century, one
more variable ‘Organizational Learning’ is added to the list of ‘performance controlling variables’ in organizations. For learning to be more than a local affair knowledge must be spread quickly and efficiently throughout the organization.

2.1 DISTINCTION BETWEEN ORGANIZATIONAL LEARNING AND LEARNING ORGANIZATION

According to Burnes, Cooper and West, (2003) the term "Organizational Learning" is often used interchangeably with the term "Learning Organization". The difference, as Tsang (1997) points out, is that: Organizational learning is a concept used to describe certain types of activity that take place in an organization while the learning organization refers to a particular type of organization in and of itself. Nevertheless, there is a simple relationship between the two - a learning organization is one which is good at organizational learning. Therefore, according to Tsang (1997), the difference appears to be between "becoming" and "being". Organizational learning describes attempts by organizations to become learning organizations by promoting learning in a conscious, systematic and synergistic fashion, which involves everyone in the organization. A learning organization is the highest state of organizational learning, in which an organization has achieved the ability to transform itself continuously through the development and involvement of all its members.
A further, and perhaps more significant, distinction between the two terms relates to those who use them. Argyris (1999) asserts: We divide the literature that pays attention to a learning organization into two main categories: the practice-oriented, prescriptive literature of "the learning organization" promulgated mainly by consultants and practitioners, and the predominately skeptical scholarly literature of "Organizational learning", produced by academics. The literature on organizational learning concentrates on the detached collection and analysis of the processes involved in individual and collective learning inside organization whereas the learning organizations literature has an action orientation and is geared toward using specific diagnostic and evaluative mythological tools, which can help to identify, promote and evaluate the quality of learning processes inside organization (Easterby-Smith and Araujo, 1999).

Organization learning is the activity and the process by which organizations eventually reach the ideal of a learning organization. The learning organization is an ideal towards which organizations have to evolve in order to be able to respond to the various pressures they face (Finger and Brand, 1999). Learning organization is an organization skilled at creating, acquiring, and transferring knowledge and modifying its behaviour to reflect new knowledge and insights while organizational learning is the process by which an
organization acquires, retains, and uses inputs for development, resulting in an enhanced capacity for continued self-learning and self-renewal (Pareek, 2004).

Though some authors have tried to differentiate between the two terms, we can say that the organizational learning is the process by which the end result of learning organization can be achieved. Both the terms signify continuous learning. The learning organization (LO) and organizational learning (OL) are two sides of the same coin. The LO can be seen as the goal to be achieved while OL is the process through which this goal is achieved. No organization can claim to be a learning organization as the concept of LO itself implies that an organization must be continuously learning from, and driving to influence its internal and external environments. A LO has to go through a continual process of becoming a LO. An adequate description of a learning organization has to include both process (organizational learning) and goal (learning organization) (Nyhan et al, 2004).

2.2 RELEVANCE OF LEARNING ORGANISATION

Responding to the question, ‘Why bother about a learning organization?’ Karash(2005) answered:

It’s more fun to go to work in learning organizations, learning organizations give people hope that things can be better, learning organizations
provide a playground for creative ideas, learning organizations provide a safe place to take risks with new ideas and behaviors and the challenge needed to stretch beyond perceived limits. In learning organizations everyone's opinions are valued and amount that people can contribute is not determined by position in the organization.

According to Kleiner (who orchestrated the writing of Fifth Discipline Fieldbook), the reasons are:

Superior performance and competitive advantage, better customer relations, to avoid decline, to improve quality, to understand risks and diversity more deeply, for innovation, for our personal and spiritual well being, to increase our ability to manage change, for understanding, for energized committed work force, to expand boundaries, to engage in community, for independence and liberty, for awareness of the critical nature of interdependence and because the times demand it.

In the website hosted by Karash (rkarash@world.std.com), employees from different organizations gave the following answer to the question, ‘why a learning organization?’:

➢ LO not only aims at increasing joy in work and the quality of products and services but also overall quality of life. It channels supports, enhances the basic human passion to learn.
❖ LO empower people to effect and to change attitudinal and institutional barriers of learning. It allows organization to thrive rather than survive resulting in achievement of extraordinary results.
❖ Learning organizations offer an opportunity to challenge us to find and apply our gifts, and to recognize and appreciate the gifts of others.
❖ LO encourages its members to improve their personal skills and qualities, so that they can learn and develop. They benefit from their own and other people's experience, whether it be positive or negative. People are appreciated for their own skills, values and work. This encourages creativity and freethinking, hence leading to novel ideas and solutions to problems, which results in increase in job satisfaction. It makes workforce more flexible. Learning improves social interaction and interpersonal communication skills.
❖ LO provides the perfect environment to learn, grow and develop continuous learning. It helps in improving the organizations techniques, methods and technology. A learning organization combines the essential elements of strategy development and
personal development. It creates a space for people to achieve tremendous business and personal results. It values the scientific method of hypothesis development, testing and validation, as well as the personal development pathway found in the concepts of "personal mastery." Connecting humans to organizations in a vital mutually beneficial way is why learning organizations are worth creating. The organizations that will excel in the future will be those who discover how to top people’s commitment and capacity to learn at all levels of the organization. On the other hand if the organization has a learning disability, it will gradually work towards self-extinction.

2.3 CHARACTERISTICS OF A LEARNING ORGANIZATION:

To gain a better understanding of how learning organization looks like, Marsick and Watkins (1999) have identified seven dimensions of the learning organization: creating continuous learning opportunities, promoting dialogue and enquiry, promoting collaboration and team learning, empowering people towards a collective vision, establishing systems to capture and share learning, connecting the organization to its environment and providing strategic leadership for learning.
Karash (2005) has given the following characteristics for a LO:

- **Thrive on Change:** "In a fast-paced, continually shifting environment resilience to change is often the single most important factor that distinguishes those who succeed from those who fail."

- **Encourage Experimentation:** If learning comes through experience, it follows that the more one participates in guided experiences, the more one learns. Therefore venturing into uncharted waters - and experiencing the failures that may occur - is an important part of organizational learning.

- **Communicate Success and Failure:** Incorporate others' good points into oneself so that one improves; self-reflect upon others' bad points so that one does not commit the same mistake.

- **Facilitate Learning from the Surrounding Environment:** Enthusiastic borrowing replaces the ‘not invented here’ syndrome.

- **Facilitate Learning from Employees:** Some of the most effective consultants your organization could ever hire are already working for you.

- **Reward Learning:** A learning culture rewards breakthroughs and initiative.
A Proper Selfishness: If the Learning Organization is properly selfish, it is clear about its role, its goals, its future, and is determined to reach them.

A Sense of Caring: Learning Organizations want everyone to learn and they go to great effort to make that possible.

Wick and Leon (1993) in the book ‘the Learning Edge’ also emphasizes five elements as characteristics of a LO:

\[
\text{Learning Organization} = \text{Leader with Vision} \times (\text{Plan/Metrics}) \times \text{Information} \times \text{Inventiveness} \times \text{Implementation}
\]

The elements of a learning organization, briefly explained are:

- Leader with vision: Without a leader committed to learning, an organization will never approach its potential for success.

- Plan / Metrics: With a leader and a vision in place, an organization next needs the ability to develop a plan of action with detailed metrics.

- Information: To be uninformed is to be vulnerable to threats lurking outside the company and missed opportunities inside the company.

- Inventiveness: Once an organization has a leader with a vision, a strong, measurable plan, and accurate information from both inside and outside the company, it’s time to get the creative juices flowing. When it
comes to solving problems, the best learning companies spend little time trying to adapt an old solution to fit a new problem. They face the issue with new eyes open to fresh ideas and theories. They see problem solving as a real learning opportunity.

➢ Implementation: Now it's time to act. Without action, the other elements in the formula are only a mind game. All the learning and creativity in the world is worthless if it does not get implemented through action.

Senge (1990) gave five disciplines, which are essential to a learning organization and should be encouraged at all times. These are:

➢ Team Learning: Virtually all-important decisions occur in groups. Teams, not individuals, are the fundamental learning units. Unless a team can learn, the organization cannot learn. Team learning focuses on the learning ability of the group. Adults learn best from each other, by reflecting on how they are addressing problems, questioning assumptions, and receiving feedback from their team and from their results. With team learning, the learning ability of the group becomes greater than the learning ability of any individual in the group.
Shared Visions: To create a shared vision, large numbers of people within the organization must draft it, empowering them to create a single image of the future. All members of the organization must understand, share and contribute to the vision for it to become reality. With a shared vision, people will do things because they want to, not because they have to.

Mental Models: Each individual has an internal image of the world, with deeply ingrained assumptions. Individuals will act according to the true mental model that they subconsciously hold, not according to the theories, which they claim to believe. If team members can constructively challenge each other's ideas and assumptions, they can begin to perceive their mental models and to change these to create a shared mental model for the team. This is important as the individual's mental model will control what they think can or cannot be done.

Personal Mastery: Personal mastery is the process of continually clarifying and deepening an individual's personal vision. This is a matter of personal choice for the individual and involves continually assessing the gap between their current and desired proficiencies in an objective
manner, and practicing and refining skills until they are internalized. This develops self-esteem and creates the confidence to tackle new challenges.

The Fifth Discipline - Systems Thinking: The cornerstone of any learning organization is the fifth discipline - systems thinking. This is the ability to see the bigger picture, to look at the interrelationships of a system as opposed to simple cause-effect chains, allowing continuous processes to be studied rather than single snapshots. The fifth discipline shows us that the essential properties of a system are not determined by the sum of its parts but by the process of interactions between those parts.

Senge (1990) has also highlighted the role for learning leader in a LO. Learning leaders embody characteristics that go beyond those commonly found in typical leaders. Learning leaders are concerned not only with their own learning but are constantly prodding and provoking others around them to learn. The learning is never for its own sake but is always focused on meeting the challenge at hand and achieving the economic results needed for business success. These leaders anticipate change, and manage it at optimum speed. By consistently stretching the abilities of those who work for them, learning leaders create a dynamic environment that not only places a high value on innovation and knowledge but also generates the energy needed to move the organization from contemplation to action. Peter Senge explains the role of the learning
leader this way: In a learning organization, leaders' roles differ dramatically from that of the charismatic decision maker. Leaders are designers, teachers, and stewards. These roles require new skills: the ability to build shared vision, to bring to the surface and challenge prevailing mental models, and to foster more systemic patterns of thinking. In short, leaders in learning organizations are responsible for building organizations where people are continually expanding their capabilities to shape their future – that is, leaders are responsible for learning.

Rowden (2001) is of the view that LO requires continuous learning opportunities, using learning – Individual and Organization wide – to achieve organizational goals, linking individual performance with overall organizational performance, fostering inquiry and dialogue, embracing creative tension as a source of energy and renewal, encouraging people to take risks (and recognizing that sometimes things fail), encouraging and facilitating the open sharing of experience, ensuring an active awareness of, and interaction with, the environment (both internal and external), in which the organization operates.
O’Keeffe (2002) has identified eight characteristics. A brief description of each is given below:

<table>
<thead>
<tr>
<th>CHARACTERISTICS</th>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>Learning Process</td>
<td>Learning is a deliberate, conscious part of strategy.</td>
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<td>Learning antecedents</td>
<td>The building blocks of organizational learning. The increasing realization</td>
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<td></td>
<td>of the importance of intellectual capital as a key source. Flexible,</td>
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<td></td>
<td>efficient structure supporting learning systems.</td>
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<tr>
<td>Environment of innovation</td>
<td>The creation of knowledge is seen as central to the firm from all parts of</td>
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<tr>
<td>Perceived need and learning mechanisms</td>
<td>the organization. Where benchmarking, scenario planning and related</td>
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<td></td>
<td>techniques are used to scan the environment.</td>
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<td>Executive challenge and learning</td>
<td>Managers have difficulty releasing current assumptions or envisioning</td>
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<td>processes</td>
<td>possible ideal features.</td>
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<td>Cultural issues with resourcing learning</td>
<td>Small groups of people work closely together. Networks are effectively</td>
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<td>learning</td>
<td>teams operating outside the organization.</td>
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<td>Organizational wide learning</td>
<td>Excellent results require productive individuals, who feel a sense of</td>
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<td></td>
<td>ownership and empowerment.</td>
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<tr>
<td>Learning organization</td>
<td>Stores belief systems, memories of past events, frames of reference and</td>
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<td></td>
<td>values.</td>
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Pedler (1997) enumerates eleven characteristics or practices, which help organizations to learn. They are: A Learning Approach to Strategy, Participative Policy Making, Informating, Formative Accounting and Control, Internal Exchange, Reward Flexibility, Enabling Structures, Boundary Workers as Environmental Scanners, Inter-company Learning, A Learning Climate and Self-Development Opportunities for all. Below is a brief description of each characteristic.

1. **A Learning Approach to Strategy**: Deciding on the collective direction of the organization should itself be a learning process. The processes of strategy making and of implementation, evaluation and improvement are consciously structured to produce learning.

2. **Participative Policy Making**: This means that, as many people as possible are involved in the policy or strategy-making process. All members of the company (including stakeholders such as suppliers, customers & business partners) have a chance to contribute to and debate major policy decisions.

3. **Informating**: Here Information Technology and Information Management is used to assist the free flow of information and to inform and empower all members of the company to ask questions and take decisions based on available data.
1. **Formative Accounting and Control:** Here the essential control systems of accounting, budgeting and reporting are structured to generate learning from managerial decisions. Systems aim for autonomy by encouraging individuals and units to act as small businesses within a regulated environment, - auditing, controlling and accounting for one's own actions. Whilst this sounds simple, it needs a big shift in perspective for many of the people who currently run the accounting systems of large organizations. It requires such people to ask themselves the question "who are the customers for this system and what do they want?"

5. **Internal Exchange:** Internal Exchange involves internal units and departments seeing themselves as customers and suppliers to each other in a partly regulated market economy. Individuals, groups, departments and divisions exchange information on expectations and give feedback on goods and services received. Control is achieved via mutual adjustment and negotiation instead of top-down management control.

6. **Reward Flexibility:** Do the rewards and conditions for people in the company reinforce learning? In seeking "gain sharing" - a fair sharing of rewards - the Learning Company explores alternative approaches to financial reward, attempting to create flexible packages for individuals. This involves
questioning assumptions: Why do we pay some people more than others? What values underlie the pay system? What do we pay people for?

7. **Enabling Structures:** Enabling Structures are those, which promote adaptability and flexibility and create opportunities for individual and business development. The aim is an organizational architecture that gives space and headroom for meeting current needs and responding to future events. For example, roles can be loosely rather than tightly defined; departmental boundaries may overlap and cross over with project groups. Organizational structures can be conceived as "scaffolding" or temporary structures which allows other forms to emerge - like a building with movable partitions so that you can change your mind about where you want to create the rooms as new needs arise.

8. **Boundary Workers as Environmental Scanners:** How well does your company learns from its environment? Rather than employing market research agencies and consultancies, the Learning Company involves its entire people, especially those in the front line with regular customer, supplier and outside contacts, in scanning the environment for important data.

9. **Inter-company Learning:** This refers to the way organizations can learn with and from each other. The Learning Company is always on the lookout for opportunities to learn with other organizations - especially with trading partners.
Joint ventures, joint training, sharing investment in research & development and job exchanges are some of the ways in which companies can work together with a specific learning purpose.

10. **A Learning Climate:** Learning Company has a particular culture and climate, which fosters learning. Two litmus tests for this climate are:

   Managers who see their primary task as facilitating the learning of their people - taking time out to reflect, to question and to seek feedback is normal.

   Senior people set the tone by demonstrating their own learning, by asking for feedback and by questioning their own assumptions and actions.

11. **Self-Development Opportunities for all:** Resources and facilities for learning are made available for everyone in the organization. In a Learning Company people are encouraged to exercise self-management and self-control over their own career development and learning as opposed to feeling that they're being moved around in some hidden chess game, occasionally being sent on training courses if they're lucky.

   These are the characteristics which are used in the Learning company questionnaire (LCQ) which is used in this research.
2.4 TYPES OF LEARNING THAT CONTRIBUTE TO ORGANIZATIONAL LEARNING

Various types of learning that are significant in contributing to OL are:

2.4.1 INDIVIDUAL LEARNING: Although learning of the individual is not identical with learning of organizations, individual learning is the first condition for organizational learning to take place (Argyris & Schon, 1978; Hedberg, 1981). According to Garratt (1990), the three important individual learning processes of gaining, sharing and utilizing knowledge help to initiate OL. Individual learning is held to occur when individuals learn to learn by the use of varied experiences, reflection and experimentation, acquire the knowledge, skills and behaviors relevant to their job through varied learning experiences, challenge the status quo and continually seek opportunities to improve themselves and the job they do, thus contributing to the overall growth of the organization.

What is organizational learning, and how does it differ from individual learning? The answer to this question was given by Stata (1989). According to him, though both individual and organizational learning entail new insights and modified behavior, they differ on at least two counts: First, organizational learning occurs through shared insights, knowledge, and mental
models. Change is blocked unless all of the major decision makers learn together, come to share beliefs and goals, and are committed to take the actions necessary for change. Second, learning builds on past knowledge and experience – that is, on memory. Organizational memory depends on institutional mechanisms (e.g., policies, strategies, and explicit models) used to retain knowledge. The challenge, then, is to discover new management tools and methods to accelerate organizational learning, build consensus for change, and facilitate the change process.

2.4.2 TEAM LEARNING: As given by Marsick and Watkins (1999), ‘Team learning is critical to building a learning organization’. Teams are key to the learning organization because they are a forum for dialogue and support the reflective learning (Senge et al, 1994) necessary to advance the value of lessons learned and meaning attributed to team experiences. For leaders and facilitators, teams are crucial for developing the group learning skills of the organization.

In terms of team learning, Senge (1990) has identified three essential elements, namely: A common purpose, a shared vision and an understanding of how to complement each other’s efforts.

Team learning occurs when the team understands its goals, and is committed to their achievement, individual learning is shared and discussed
within the group, group work is seen as an opportunity for the group to learn together. The group expands its horizons beyond day-to-day activities, and questions existing processes in a continual search for improvement in what is done and the way in which it is done. Management facilitates the team’s learning on a structured basis. Learning research shows that–provided that the group is well formed and well set up–the developmental potential of individuals working in groups is greater than that of individuals working alone. This is the crucial reason for establishing work teams. When group motivation to learn is considered, research indicates that the structure for learning should be a group context, and rewards should be based on collaborative effort (Baldwin & Magjuka, 1997).

Team learning could be enhanced through developing positive behaviors and group learning. But teams do not become effective learning units just because they have been called a team. Team design and management must be formed by a clear understanding of how productive team dynamics and processes can be fostered and sustained.

2.4.3 EXTERNAL ORGANIZATIONAL LEARNING: External organizational learning means that an organization acquires or generates new knowledge in an organizational learning process. For organizational learning by
external information acquisition. Dixon (1994) has compiled the following list of methods by which information can be acquired: Borrowing (from conferences, consultants and printed materials), searching (by economic, technological or social reports), grafting (by new members, acquisitions or mergers) or collaborating (by joint ventures or consortiums). Further ways by which suppliers can acquire external knowledge from their customers are temporary or permanent exchange of employees, joint problem solving, on-site training, technical or managerial assistance etc.

2.4.4 INTERNAL ORGANIZATIONAL LEARNING: It means that an organization acquires or generates new knowledge inside the organization. Dixon (1994) suggests a list of methods by which internal information can be acquired, which can be congenital (by founders or prevailing technology), experimental (by success or mistakes), experimenting (by R&D or pilot projects), continuous process improvement (by process improvement teams) or critical reflection (by dialogue or questioning assumptions).
2.5 FACTORS EFFECTING A LEARNING ORGANISATION

2.5.1 FACTORS THAT ENFORCE ORGANIZATIONAL LEARNING

There are various factors that enforce learning, which are mentioned in the literature (Rosengarten, 1999).

- Difference in opinions within organizations i.e. discord about aims and strategies, are essential factors that should not be suppressed. A too conformist behaviour should neither be promoted, as it makes organizations blind to changes in the environment.

- Thinking in alternatives i.e. alternative scenarios, including all sorts of possible consequences for the present and the future, provides flexibility through new learning opportunities. This is important, as organizational learning processes need sufficient time and resources.

- Promoting of experimentation begins with the selection of organizational members, who are interested in experimenting and are not averse to uncertainty. Also, the reward systems have to be designed in a way to foster experimentation (Hedberg 1981).

Nevis et al. (1995) have suggested the following facilitating factors for organizational learning: scanning imperative (awareness of the environment and outside worlds), performance gap (between actual and desired performance), concern for measurement, experimental mindset, climate of openness, continuous education, operational variety, multiple advocates (employees from all levels) and involved leadership.
2.5.2 FACTORS THAT OBSTRUCT ORGANIZATIONAL LEARNING

Argyris & Schon (1978) suggest a situation that obstructs learning, labeled double bind (i.e., whatever you do is wrong). This describes a circumstance in which a person, or a group of people, is not able to change a situation, which is inhibiting organizational learning, because of organizational norms. This is especially the case with incorrigible errors, which cannot be solved through simple single-loop learning. The exposure of the error would question the norms of the organization, which might lead to hiding that error. But not disclosing the error will be an obstacle to organizational learning.

Argyris (1990) developed another concept for learning obstacles, which he calls defensive routines. The organization and its members generate these, in order to defend themselves against dangers. Defensive routines are all actions and intentions that save the organization from danger or damage. However, at the same time defensive routines hinder the organization’s ability to learn how possible causes of dangers can be removed. Organizational defensive routines support overprotection and, thereby, prevent organizational learning.

Schein (1993) suggests that there is an anxiety to learn. He calls it anxiety ‘I’, which is “the feeling that is associated with an inability or unwillingness to learn something new because it appears too difficult or disruptive”. Denying the problem, i.e. double bind, by simplifying it, normally eludes this anxiety.
Problems encountered in implementation of organization learning as given by Reynolds and Ablett (1998) are: difficulty in interpreting some initiatives, outcomes are present but the route is not clear, lack of clarity of some outcomes, making evaluation impossible, inappropriate / rigid organizational structures / system, inadequate guiding / diagnosis at the outlet, insufficient time scale for implementing organizational learning, difficulties experienced as a result of the implementation of HRD initiatives in isolation.

In UK a study conducted by Sambook and Steward (2000) found that the factors that inhibit learning are – Short termisms, bureaucracy, task orientation, fear of change, low opinion of training, lack of people management, poor managerial skills, learning seen only as going on courses, cynical staff, lack of confidence, fear of exposure, resistance to change, sheer workload, business pressures and lack of time, limited HRD resources and old fashioned trade union approach.

The factors that enhance learning are investors in people, young age of organization, OK to make mistakes if learning from them, support of senior managers and board, improved managerial skills, role clarity, leadership and management styles, team briefing, suggestion schemes, increased employee involvement, time for learning, improved training facilities, dedicated trainers, work environment, work time learning, open learning centers, creative
budgeting, networking, quality of HRD staff, trade union involvement in introduction of joint working groups.

2.6 CRITICISM OF LEARNING ORGANIZATION CONCEPT

Despite the wide interest in the concept of the "learning organization" as is evidenced by the proliferation of research literature as well as popular books, it is a problematic concept. There is criticism among many sociologists and researchers in adult and community education but also in the vocational education and training (VET) community. For example, in Germany, they see the concept of the learning organization as being rooted in a normative or prescriptive business-school management concept that is founded on hard-nosed American/Anglo-Saxon economic principles of organizational effectiveness (Fischer, 2003). They criticize the use of sophisticated cultural and psychological theories by modern management to maximize benefits for the company without paying a great deal of attention to ensuring personal learning benefits for employees or workers.

This critique is reinforced by a feeling of being let down by the non-fulfillment of the optimistic forecasts in the 1980s concerning the emergence of more human-centered workplaces in the post-Tayloristic era that would improve the quality of working life for everybody (Piore and Sabel,
1984). They point out that the reality for many workers, today, is a reincarnation of Taylorism in the form of neo-Taylorism or perhaps disguised in the form of "lean-production" or "flexible working". The lack of evidence of examples of organizations illustrating, in an empirical verifiable manner, concerning the implementation of learning organization theory is also cited as a reason for discrediting the conceptual validity or practical usefulness of the concept (Cressey and Kelleher, 2003; Fischer, 2003). The learning organization concept is rejected, therefore, by some critics as nothing more than a decontextualised theory that has been popularized in management literature as a formula or recipe for instant success. Critics like Mayo argue that most writings on the learning organization describe ideal cultural status where power agendas, politics and short-term thinking are subsumed under the greater issue of encouraging learning. Furthermore, other critics point out that regardless of the arguments about the validity of the learning organization concept, it is now seen to be out of date with the interest in it having peaked during the mid-1990s and now being replaced by theories of knowledge management (Brown and Keep, 2003). Extreme critics see it to be nothing more than an effort by management to delude people into becoming "organizational men and women". For these, it is a discredited concept and merely a controlling device (Sennett, 1998).
Based on their study of attempts to reform the Swiss Postal Service, Finger and Brand (1999) provide us with a useful list of more important shortcomings of the learning organization concept. They conclude that it is not possible to transform a bureaucratic organization by learning initiatives alone. They believe that by referring to the notion of the learning organization it was possible to make change less threatening and more acceptable to participants. However, individual and collective learning, which has undoubtedly taken place, has not really been connected to organizational change and transformation. Part of the issue, they suggest, is to do with the concept of the learning organization itself. They argue the following points. OL focuses mainly on the cultural dimension, and does not adequately take into account the other dimensions of an organization. To transform an organization it is necessary to attend to structures and the organization of work as well as the culture and processes.

The criticism of the theorists can be countered by the success stories of some organizations, which are presented briefly as case studies.
2.7 CASE STUDIES ON ORGANIZATIONAL LEARNING

2.7.1 Motorola  (MOTOROLA UNIVERSITY<www.motorola.com>)
Continues to grow at a significant rate, so it has the need to train people for their own hiring. Jeff Oberlin, director of Motorola University's Department of Emerging Technologies and Human Resource Trends explained, "We can't keep on using traditional classroom methods of instruction to spread the message for Motorola". Our reach isn't far enough to get to everybody. We must find creative ways to help new associates, world-wide, become productive members of a team and receive consistent messages about how we do business; the core values of Motorola, and the tools and techniques we use." He went on to say; "The use of CD-ROM, Internet applications, wireless data, and a host of other emerging technologies must be fully explored. Multimedia training would allow Motorola to: Get training to all Motorolans world-wide including emerging markets, reduce training times and costs, increase knowledge of the firm. The first step was to build a department of technology to research, develop, and eventually teach the how-to aspects of multimedia-based learning. The second step was to start Motorola University in 1981 as the Motorola Training and Education Center. It was created to provide training needs and established itself as a corporate department. During the 1980s, Motorola University's original aim was to help its company build a quality culture, which would then develop an internal
training system. In addition, they set up corporate-wide training plans and training investment policies. By 1990, Motorola University had expanded its operations in the United States, Eastern Europe, South America and the Asia-Pacific region.

2.7.2 Apple Japan (www.apple.com), the Japanese arm of the multinational Apple Computing Corporation, until 1989 held only 1 percent of the country's personal computer market. The appointment of a new company president marked the beginning of an era. He started the drive to increase Apple's presence in the market and accelerated change.

In order to implement learning organization techniques, Apple was advised by American management consultant firm Arthur D Little to tackle the five disciplines which are essential to a learning organization: Team Learning, Shared Visions, Mental Models, Personal Mastery and Systems Thinking. Although group meetings were a regular part of company practice, more time was allowed for group discussions and team education. This kept the work teams well informed and increased every individual's input to their project. With the increased emphasis on team learning, a shared vision was naturally introduced, allowing members to work towards the same goal irrespective of their position. Each employee of the company had their own mental model of how the
organization, their managers and team colleagues operate. By trying to bring each person's mental model into line with the rest of the team, the learning process was made more efficient and teams acted more coherently. Personal Mastery was also addressed by encouraging managers to set their staff challenging but reasonable goals, and introducing training programs. The crucial discipline was Systems Thinking, which brought all the other factors together. This enabled each employee to make decisions, taking the whole system into account, instead of focusing specifically on their own problems. Moderate restructuring and a program of education that was applied to everyone in the organization implemented these disciplines.

The re-organization resulted in a marked improvement in the company's sales, and the market share grew to 15% in 1995 from 1% in 1989. The learning organization was a major player in instituting this growth.

2.7.3 Yacimientos Petrolíferos Fiscales (YPF)(www.see.ed.ac.uk) YPF, the largest company in Argentina, is today a focused, highly productive oil and gas company involved in the exploration and production of oil and natural gas. In 1989, the company employed 52,000 permanent and temporary staff. The challenge facing the company was to transform itself from an inefficient state-owned bureaucratic center into an efficient private company that could attract
international investment. In order to facilitate this change, the company went about re-designing its organizational structure and culture. With the help of Arthur D Little team the concept of the learning organization was introduced.

The establishment of a measurement system was perhaps the biggest step -- this enabled the employees to evaluate and review what was going on in the company, thus learning about current processes and seeing what worked well. The introduction of working groups also benefited the business, as ideas could be discussed, and perceptions aired. Everyone in the business became more aware of the company's purpose and the collective effort reaped dramatic results.

This entire restructuring was completed in just two years, leaving the company with a strong framework and tools for continuous learning and improvement. Losses of almost $579 million in 1990 were transformed into profits of $256 million in 1992 and $706 million in 1993. The number of staff was reduced from 52000 to around 6000.

Pedler and Aspinwall (1998) published the following case studies of ABB and Rover in their book "A concise guide to the learning organization":

2.7.4 ABB: The electrical engineering firm was created in a 1987 Swedish/Swiss merger to transform two national institutions into a new kind of company able to operate successfully worldwide. At ABB strong, centralized reporting goes hand
in hand with local autonomy. ‘Abacus’, a monthly reporting system, provides performance data on all profit centers, which is instantly communicated via electronic data interchange. Other powerful structures and processes link the units together in various networks including the "Global Networking Hubs" where managers link by business area and country. Great efforts are made to communicate via overlapping information systems. Promoting continuous exchange of learning is a core value and each ABB Company is expected to learn both from elsewhere in the group and to make contributions to the learning of other units. Because of the widely available reporting data, benchmarking within business areas is easy and it is the job of both Business Area leaders and Country CEO's to facilitate learning between companies.

2.7.5 Rover: Rover Group, the carmaker has a history studded with the famous names - Austin, Morris and MG for example. Yet by the 1980's a new direction was needed. Collaboration with Honda of Japan was a radical step and challenged many of the assumptions of the Rover people. But it stemmed, as the then MD said, from a critical need to learn: "As a company we desperately needed to learn. We thought there was only one way to run a car manufacturing plant. Our collaboration with Honda taught us differently."
To help with the learning, Rover established the Rover Learning Business, a business within a business, to provide learning and development opportunities to all employees. The message is that everyone needs to be up to date and to keep on developing, and also that the company supports the learning of all employees, and not just a few "high flyers". Everyone is entitled to a Personal Development Budget to follow a Personal Development Plan agreed with their manager, and increasing numbers of people are taking up this offer. Learning has become an important part of company image and the activities of the Rover Learning Business are widely published both inside and outside the company.

This major shock to the system, and the transformation that was eventually achieved, paved the way for Rover's later merger with BMW of Germany.

2.7.6 BICC Telephone Cables: It is part of a large UK-based engineering company. The 11 Characteristics of the Learning Company are brought to life at BICC Telephone Cables (Pedler, Boydell and Burgoyne, 1991). The privatization of main customer British Telecom presented a considerable challenge for BICC with market share cut to 17% and a healthy profit turned into a major loss. To remain in business BICC Cables had to make major improvements in quality and delivery, whilst reducing price significantly in a
shrinking UK market for copper-based cable. In order to respond positively to this threat a two-year organization development project was created with the help of outside consultants. This fell into 4 main phases, which became more apparent in retrospect:

1. Setting the Scene: A learning organization strategy was chosen because it was not a standard blueprint but a process, which encouraged a "learning through" to BICC's own solution. The company set out to empower people enabling them to use their insight and skills, hitherto largely ignored, and aimed to integrate individual with organizational development.

2. Removing the Barriers and Creating the Right Environment: A major hindrance to any form of job flexibility was a cumbersome set of over 30 wage scales and the move to a single, unified wage scale took a long time but was a major change, covering as it did all production employees across all processes and areas. Part of this negotiation was a People Contract with Employer's Undertakings such "stating expectations and setting standards", "listening to employees' views and opinions and providing feedback" and "increasing job-related skills and knowledge and providing further education opportunities" on one side, and Employees' Commitments such as "attending regularly and punctually", "operating the
required quality system and standards", "providing training to colleagues" and "operating flexibly" on the other.

3. Introducing Team working in Manufacturing: The consultants provided support on the shifts, working with teams and team leaders, facilitating the resolution of issues and using all opportunities for development. Inter-company learning was encouraged with leaders and team members visiting other organizations where team working had been established.

4. Creating a Learning Environment: An open learning facility was opened on site and a personal development programme for skills such as literary, innumeracy and foreign languages was established. As a result over two years the measurable outcomes of this learning organization effort were impressive. They included reductions in absenteeism and scrap of more than 50% and gains in employee productivity of up 113%.

2.7.7 OTHER COMPANIES: The exceptional examples of integrating formal training with the concept of a learning organization are seen in the case of Ford Motor Company with its continuous teaching and learning system. There are also examples of Corporations like detergent giant, tao of Japan, which considers itself an educational institution. Alan Mulally, vice president and general manager of the 777 Division, said in an interview: “If we learn well, our reward
is to stay in business and keep our name in the phone book. And if we learn really well, we grow and create opportunities for our people, customers, stockholders, and community. If we don’t learn, we are out of business”.

In these companies, learning goes far beyond simply training and developing individuals. For them, learning permeates the processes used throughout the organization, with the goal being to produce the best possible product for its customers. Such learning, put into action, creates new competencies, new capabilities, and improved performance.

2.8 AN OVERVIEW OF COMPETENCY

According to Sanchez (2001), the four “cornerstones” of the competent organization are the ability of its managers to recognize, develop, and integrate the *dynamic, cognitive, systemic, and holistic* dimensions.

The first cornerstone of organizational competence is the ability of an organization to respond advantageously and promptly to a dynamic environment. The competent organization will be able to sense changes in market needs and in the technological possibilities for serving those needs. To do this, an organization must have the cognitive capacity to detect change in its environment and to devise strategic logics for responding effectively to those changes (the second cornerstone of the competent organization). Sensing
environmental change and carrying out an appropriate organizational response requires the third cornerstone of competence – effectively managing change in an organization as an open system of resource flows. Managers must assure continued flows of critical resources (including new knowledge) the organization will need. As the organization evolves with its environment, managers must recognize and manage the changing interrelated economic and social interests of all its resource providers. The fourth cornerstone of the competent organization is therefore the ability of its managers to holistically define organizational goals and incentives that will bring satisfactory level of goal attainment to each provider of critical resources.

2.8.1 VARIOUS APPROACHES TO INDIVIDUAL COMPETENCY

Various authors (Boam & Sparrow, 1992; Bowden and Masters, 1993) explain competencies as observable performance or the outputs of learning process. This focus on a person’s performance was concerned with whether they were competent as described in the written standards (Strebler et al, 1997). Individuals’ performances were described as competencies in order for them to be performed, observed, and assessed to obtain accreditation as competent. In this approach the focus is on the jobs and tasks to be done. The assessment can be done on the basis of output required to demonstrate competent performance.
Some authors saw competency as a standard or quality of outcome (Rutherford, 1995; Hager et al. 1994). Competency in this sense may be used to pursue increase in productivity or efficiency in the work place. The quality of performance indicates a need to improve the standards or adapt them in some way. By clarifying standards required for the assessment, both the learner and the assessor have unambiguous descriptions with which to start. Both these approaches take an output-based view in which competency is taken as what an individual can do.

Others (Boyatzis. 1982: Sternberg and Kolligian, 1990) refer competency to the underlying attributes of a person such as the knowledge, skills or abilities. This creates a focus on the required inputs of individuals in order for them to produce competent performances. By describing the existing knowledge skills or attitudes of competent performer the input needed for the development of a learning program could be defined. The task of pursuing the development of competency descriptions may be an easier task when looking at specific input rather than indeterminate outputs in more complex jobs. If competency means performance, then the rationale for using the approach is to improve, or in some way change human performance. Where competency means standards or quality of performance, then the rationale is to standardize skills, raise standards, introduce change or set minimum standards of performance.
Where competency means the underlying attributes of individuals, then the rationale is to determine the syllabus or content of learning that will lead to competent performance. In a study conducted by Abraham et al (2001) in USA, firms were surveyed and asked which competencies they consider descriptive of successful managerial employees, whether they use those competencies in appraising their managerial employees and which six competencies constitute their critical competencies. Out of the 277 survey respondents, 85.9% found the following six competencies to be the most critical: leadership skills, customer focus, results oriented, problem solver, communication skills and team worker.

2.8.2 DIMENSIONS OF INDIVIDUAL COMPETENCY IN LITERATURE
Dimensions identified in literature review revealed that authors have given different characteristics and skills required in a competent person. The various characteristics and skill given by different authors are: Burgoyne (1989) gave higher order skills such as’ learning to learn ´ forecasting and analysis, as well as personal characteristics which include diligence, tenacity and integrity. Constable (1988) identifies personal characteristics such as decisiveness, initiative, tenacity and creativity as essential for competent manager. The McBer research covered over 1000 managers, in eight private sector and four public sector organizations. The eighteen groups of competency uncovered by Mcber
and Company as given by Boyatzis (1982) were divided into efficiency orientation, proactivity, concern with impact, diagnostic use of concepts, use of unilateral power, developing others, spontaneity, accurate self-assessment, self-control, stamina and adaptability, perceptual objectivity, positive regard, managing group process, use of socialized power, self-confidence, conceptualization, logical though, use of oral presentations, accurate self assessment, positive regard, developing others, spontaneity, use of unilateral power and logical thought.

In a project, Klemp and McClelland analyzed the results of six separate pieces of competency research in different organizational sectors to derive the competencies of outstanding senior managers (Klemp, 1980). The result is a list of 21 skills and behaviours, organized into following eight group: planning/casual thinking, diagnostic information seeking, conceptualization/synthetic thinking, concern for influence, directive influence, collaborative influence, symbolic influence, self-confidence.

The competence model developed by Harry Schroder in Florida as given by Cockerill (1989) has eleven competency groupings: information search, concept formation, conceptual flexibility, presentation skills, self-confidence, proactive orientation, achievement orientation, interpersonal search, managing interaction, development orientation, impact. Carnevale (1990) the New
Economy, lists the following competencies, required of workers in an economy where new, competitive standards are radically changing workplace:

a. Learning to learn – Foundation skills

b. Academic Basics – Reading skills, Writing skills, Computational skills

c. Communication – Speaking skills, Listening Skills

d. Adaptability – Problem-Solving skills, Creativity skills

e. Development skills – Self-Esteem skills, Motivation and Goal setting skills, Personal and Career development skills

f. Group Effectiveness – Interpersonal skills, Negotiation skills, Team work skills

g. Influencing skills – Organizational Effectiveness skills, Leadership skills

2.8.3 COMPETENCE vs. COMPETENCY

The terms competency (competencies) and competence (competences) are frequently confused. Pedler et al (1997), for example refer to competencies that are needed in certain jobs’ and the ‘skills, competences and capabilities that will be required in the organization without giving the difference between the two terms. Some authors consistently use ‘competency’ when meaning competence (Boam and Sparrow, 1992; Mitrani et al, 1992 and Smith, 1993) or treat the two as synonymous (McBeath 1990; Brown 1993; 1994 and Doyle 1997). Dale and
Iles (1992) distinguish occupational skills from psychosocial characteristics, but use competence and competency to describe both in discussing their role in assessing managerial skills.

Some authors have though tried to differentiate them. Burgoyme (1988) distinguishes ‘being competence’ (meeting the job demands) from ‘having competencies’ (possessing the necessary attributes to perform competently). Elkin (1990) associates competence with micro-level job performance and competencies with higher management attributes. Woodruffe (1991) offers the clearest statement, contrasting areas of competence, defined as aspects of the job, which an individual can perform, with competency, referring to a person’s behaviour underpinning competent performance. Woodruffe’s definition is endorsed by Tate (1995) who warns against confusing ‘input competencies with output competences’. When what are being referred to are the dimensions of behavior lying behind competent performance, a meaning that can be regarded as being "person-related", Woodruffe (1991) recommends the term "competency" should be used. In defining ‘managerial competencies for the future’, Cockerill (1989) combines output competences, like effective presentation skills, with input competencies such as self-confidence. The term “competency” has been used to refer to the meaning expressed as behaviours, while the term “competences” has been used to refer to the meaning expressed
as standards (Strebler, 1997). According to Whiddett and Hollyforde, (1999), 'an ability based on work tasks or job outputs tends to be referred to as a competence', where as 'an ability based on behavior tends to be referred to as a competency'. Armstrong's perspective was that "competences" describe what people need, to be able to perform a job well; the emphasis is on doing, while "competency", in contrast defined in terms referring to those dimensions of behavior lying behind competent performance. Boak (1991) argues that 'competency' in the American sense complements 'competence' as used in the UK occupational standards.
Table 2.1
DIFFERENCES IN DEFINITION OF COMPETENCIES
THE UK VERSUS THE US APPROACH

<table>
<thead>
<tr>
<th>Basis for difference</th>
<th>UK approach</th>
<th>US approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Assessment and certification of employees.</td>
<td>Development of competencies to enhance performance.</td>
</tr>
<tr>
<td>Focus</td>
<td>Focus on job individual characteristics and skill accumulation.</td>
<td>Focus on individual behavior and attributes.</td>
</tr>
<tr>
<td>Procedure to develop</td>
<td>Produce performance standards for job functions and professions.</td>
<td>Produce descriptions of excellent behaviors and attributes to define standards.</td>
</tr>
<tr>
<td>Role of organizational context</td>
<td>Context is not as significant as professional area and specific job functions.</td>
<td>Context defines the behaviors and traits required.</td>
</tr>
<tr>
<td>Conceptualization of work/ individual</td>
<td>The characteristics of the work are the point of departure.</td>
<td>Greater emphasis on the individual rather than specific tasks.</td>
</tr>
<tr>
<td>Methodological approach</td>
<td>More multi-method and quantitative</td>
<td>Rationalistic and positivistic</td>
</tr>
<tr>
<td>Scope</td>
<td>Competencies are specific to professions and job functions.</td>
<td>Competencies are specific to organizations.</td>
</tr>
<tr>
<td>Measurement</td>
<td>Documentation of evidence of work activities and experiences denotes evidence of competency.</td>
<td>Quantitative measurement and identification of a correlation between possession of attributes and work performance.</td>
</tr>
<tr>
<td>Role of assessor</td>
<td>Formally assessed by external assessor to determine level.</td>
<td>Assessment of performance by job supervisors and job incumbent.</td>
</tr>
<tr>
<td>Perspective of learning advocated</td>
<td>Constructivist perspective of learning</td>
<td>Cognitive perspective of learning</td>
</tr>
</tbody>
</table>

Source: Garavan and McGuire (2001), Competencies and workplace learning
2.8.4 DIFFERENT CONNOTATIONS OF INDIVIDUAL COMPETENCY

Burgoyne (1993) places in perspective the different connotations of individual competency as used in various disciplines:

Psychologists were concerned with the concept as a measure of ability (Sternberg and Kolligian, 1990) and whether the observable performance of a person represented their underlying traits or capacity. Management theorists applied a functional analysis to define how organizational goals were to be best achieved through improved individual performance (Burgoyne, 1993). Human resource managers viewed the concept as a technical tool to implement strategic direction through the tactics of recruitment, placement, training, assessment, promotion, reward systems and personnel planning (Burgoyne, 1993). Educationists attempted to relate the idea of work preparation and professional recognition with that of a broad education (Bowden and Masters, 1993). Politicians, including those involved in the political process such as Trade Unions, Employer groups and political parties, particularly in the UK and Australia, have used the concept as a means of improving the efficiency of the labor market (Burgoyne, 1993).
2.8.5 APPLICATION OF COMPETENCIES

Whiddett & Hollyforde (1999) gave the following applications of competency:

- Selection: Competencies can be used to establish a match between people and the demand of work before placing them in a job or role. The best match is likely to be where individuals can show that they can produce the outputs that are required in the job in the way that the organization requires. Competencies will support the selection process by providing a framework against which the ‘how’ part of the job can be measured.

- Reviewing performance: Competencies will support the process of reviewing performance by providing a framework against which the ‘how’ part of the jobholder’s performance can be measured.

- Training and development: Competency can assist in all key stages of training and development, from identifying the original need to designing the event and measuring not only the success of the event but the progress of individuals through structured programs.

- Information gathering: A competency framework can provide a set of criteria to gather information and can also assist in the design of information-gathering tools and exercises.
Evaluation and assessment: Competencies can provide benchmarks for comparing actual performance with desired performance.

Decision-making: They can also inform decision rules, such as those established for performance rating and pay awards.

The reasons of introducing competencies in organizations published in Competency journal (1996), cited in Whiddett and Hollyfordge (1999) are: Performance, clarity of role, cultural change, integrating HR strategy, training and development, enforcing standards/quality, recruitment and selection, reward, business objectives, Competitiveness, motivating employees, career-succession-planning, increased efficiency, skills analysis, investors in people, flexibility and equal opportunities.

2.8.6 ORGANIZATION COMPETENCY

The concept of organization competency and how it is developed is mostly analyzed by various academicians (Abell and Hammond, 1979; Aaker et al, 1995; Dunphy et al, 1997 and Kotler, 1997) from its ability to create and nurture effective mechanisms which will not only help to train and to tap the best out of its personnel, but also to outperform its competitors. The organization must allocate resources and develop functional strategies to maintain its competence
and protect itself against competitive inroads. An organization competency is
developed as a result of linking together its internal skills, activities and
resources.

The various types of competencies required by organizations
(Prahalad and Hamel, 1994) are:

➢ Market access competencies: Skills that help place a firm in close
proximity to its customers e.g. management of brand, sales and
marketing, distribution and logistics, technical support etc.

➢ Integrity-related competencies: Skills. that allow a company to do
things much more quickly, with greater flexibility or with a higher caliber
of reliability than competitors. For example competencies such as,
quality, cycle time management and Just-In-Time.

➢ Functionality-related competencies: Skills, which enable the company
to invest its services or products with unique functionality, which invest
the product with distinctive customer benefits, rather than merely making
it incrementally better.

2.8.7 INTERPRETATIONS OF ORGANIZATION COMPETENCY

In the existing literature, different interpretations of organization competency
have been identified. Significant interpretations of organization competency are:
Distinctive competencies: The set of core skills and technologies, which provide the enterprise with its competitive advantage and which can exist at multinational levels (Prahalad and Hamel, 1990).


Competitive competencies: It is a measure of the extent to which the core business processes of a company measure up to an acknowledged best practice standard within its sector. Competitive competence is determined by comparison with an external standard based on the performance of other comparable individuals or organizations (Baker et al., 1997).

Capability competencies: In this sense, every organization or individual possesses a set of competencies or things that they are good at.

Congruency competencies: This is to do with the sufficiency sense, which is to denote the matching of abilities with requirements.
Insight/foresight competencies: These enable a company to discover or learn facts or patterns that create first-mover advantages. Such insights might derive from technical or scientific knowledge that produce a string of inventions. An example is Canon’s optics knowledge and miniaturization ability of pure creative flair in inventing successful products, that are displayed in Walt Disney animated films.

Frontline execution competencies: These arise in cases where the quality of an end product or service can vary appreciably according to the activities of frontline personnel. For instance McDonald’s uses its frontline execution competence to engineer the food delivery system at individual restaurants and to develop its insight/foresight competencies to identify winning sites for its outlets (Coyne et al, 1997).

Strategic competencies: Vickery (1991) and Kim and Arnold (1992) use the term "strategic" competence to refer to the goodness of fit between the business strategy adopted by a firm and the requirements imposed by the external business environment.

Network competencies: It is the degree of network management task execution and the degree of network management qualification possessed by the people handling a company’s relationships (Ritter, 1999).
Customers’ competencies: It is defined as a function of the knowledge and skills customers possess, their willingness to learn and experiment, and their ability to engage in an active dialogue (Prahalad and Ramaswamy, 2000), while others (Bjerken et al., 1990) refer to customers' competency as the organizations' ability to act with effectiveness and efficiency when called on to satisfy the needs and wishes of its customers.

2.9 ORGANIZATIONAL LEARNING & COMPETENCY

From the literature, knowledge acquisition is very much associated with organizational learning, leading to competence. According to Dunphy et al. (1997), the learning, which takes place in an organization, is embodied in individual and organization competency. When an individual, group or organization has learned something it develops a competence (capacity) to use continuously that learning to achieve purpose (outcomes). The actions are the manifestation of the competence, which the learning has created and made possible. So a learning organization is one, which develops and maintains competencies both to perform and to change the organization to maintain or improve performance.
The process of learning is volatile and knowledge acquisition occurs at several levels, therefore any attempt to measure intangibles can be problematic. Organizations already employ a mix of performance measures and what needs to be explored is a broader spectrum, which takes into account non-traditional, especially non-financial approaches to performance measurement (Oakland, 1999 and Martin, 2000). Studies have found that some competencies can be positively correlated to current business performance while others with effective organizational change (Grant, 1991; Barney, 1991 and Dunphy et al, 1996).

OL is a dynamic process of creation, acquisition and integration of knowledge aimed at the development of resources and capabilities that contribute to better organizational performance (Lopez et al, 2005). OL establishes a link between the organization and the environment that encourages proactive rather than reactive behavior. The knowledge resulting from learning implies an improvement in response capacity through a broader understanding of the environment (Dodgson, 1993 and Sinkula, 1994). The organizational learning processes helps people discover why problems are seen in a one-dimensional framework, posing questions of the current systems, and challenging and questioning paradoxes as they occur (Murray and Donegan, 2003). On the other hand, the wish to learn and to know more leads to the establishment of relationships with customers, suppliers and other market agents.
so that favorable attitudes towards collaboration and conflict solution are generated (Webster, 1992). Finally, because of their inherent flexibility, learning-oriented organizations are able to quickly reconfigure their architecture and reallocate their resources to focus on emergent opportunities or threats (Slater and Narver, 1995). Organizational learning influences organizational performance by increasing employee competence through upgrading of skills and knowledge to match the job requirements set out by the corporate vision and mission. The relationship between competency and learning is reinforced by the definition of competency given by Prahalad and Hamel (1990). According to them competency is the collective learning in the organization especially how to coordinate diverse production skills and integrate multiple streams of technologies. The firm’s capability to develop competencies depends upon firms learning capacity that is on firm’s ability to acquire, create and disseminate new knowledge. In the book ‘The competent organization’ by Hodgkinson and Sparrow (2002) an entire chapter is on learning organization. According to them strategically competent organization is one that engages in processes of organizational learning.

Despite the above pointers, very little conceptual and empirical attention has been given by researchers to the relationships that may exist between organizational learning and performance (Hedges, 1997 and Chaston et
al, 1999). The difficulty could be due to the fact that such cause-and-effect relationships are not necessarily straightforward and hardly clearly defined. Another factor for the weak linkage between organizational learning and performance could be due to a phenomenon known as myopia of learning. This is when organizations tend to ignore the long run, ignore the larger picture and overlook failures (Levinthal and March, 1993). These problems impede learning and restrict performance outcomes. The appropriate management of knowledge and intellectual capital is also vital in sustaining an organization’s competitive advantage and performance (Marquardt, 2000). The organizations competitive advantage can be increased as a result of competencies that are established from a learning culture (Murray and Donegann, 2003).

2.10 RESEARCH STUDIES ON LEARNING ORGANIZATION

Empirical research studies on learning organization are meager. Some salient studies are presented below:

In a Case study done by Hill, Bullard, Caper, Hawes and Wilson between 1993-96 in New Zealand organizations, they found the examples of key learning opportunities and strategies are multiskilling and cross training through designing cross-functional team projects, unrestricted sharing and distribution of information and knowledge in team settings is vital,
congruency in reward systems i.e. reward and pay systems which are congruent with collective concepts of performance and expertise, “Just –in-time” and double-loop learning (including an on-site “learning laboratory”), providing learning opportunities at “hui” (marae-based meetings) that include all staffs and the wider community and formalized learning plans linked to qualifications and pay.

In a study by Reynolds and Ablett (1998) on 61 managers from organizations participating in Management Charter Initiative (MCI) standards 84% of the sample was interested in the concept of the learning organization. However, only 10% claimed to have adopted the concept in practice and only 0.25% were able to report on process of implementation. The conclusion that can be drawn from this seemingly conflicting result is that the notion of the learning organization is indeed attractive but that organizations are unable to transform the rhetoric into a process, which can be evaluated throughout implementation. More than 60 per cent of the sample believed that the benefits of the learning organization are that learning becomes a mainstream activity, continual learning leads to continual change and learning facilitates response to change.
The main sources of information identified for the learning organization were:

- Popular management texts – 59%
- Popular management journals – 56%
- General business press – 52%
- Management education – 51%

In a case study conducted in Singapore by Yeo (2000), learning climate was rated as the most important consideration in the development of organizational learning, followed by a flexible reward system, inquiry and dialogue. The two highly important factors that strengthen learning are strong management commitment to learning and clear communication of vision, mission and outcomes. The two very important factors that weaken learning were observed to be an absence of concerted effort (nine mentions), and the lack of reward and recognition.

In a study conducted by Matlay (2000) in small-scale industries, the results indicated that although learning can occur in the majority of small businesses in the sample, only minority of these manage new knowledge strategically to sustain and advance their competitive advantage.

In a study conducted by Findlay, McKinlay, Marks and Thompson (2000), the survey information suggested that managerial and organizational justice was one of the predominant predictors of a positive attitude towards organizational learning. Where management is seen to be fair and employees
have trust in their leadership, they feel more positive about learning. The study found that a further aspect of organizational governance, which is of importance for organizational learning, is the existence of adequate voice mechanisms for employees. Individuals tend to perceive greater procedural justice when they believe they have the chance to participate in the decision-making process. Employees who have had a positive experience of formal training/learning generally feel better about organizational learning in general. Older employees had more negative perception of learning than their younger counterparts.

In a study done by O’ Keeffe and Harington (2001) in 119 Irish multinationals, the findings suggest that those organizations possessing active learning strategies were more likely to possess those attributes that constitute the bedrock of the learning organization (Senge, 1990; Garvin, 1993). Attributes such as proactive leadership, effective communication, organization wide development programs, cross-functional matrix teams, innovative environment, an acceptance of failure as a fact of life and a willingness to learn from others as well as personal experience, were all important. At the same time, 25 % of respondents stated they did not understand the concept of a learning organization, while another 8 % thought it meant learning from past experiences through task performance. Of the remaining 67 %, only 18% understood it to be knowledge diffusion or double loop learning throughout the organization. Some
20% recognized it as continuous improvement or single loop learning. A further 16% perceived it to be a method of achieving organizational goals, while 13% stated it is a process of bringing about improvement by facilitating change.

A research was done, funded by the Royal Institution Of Chartered Surveyors at Sheffield Hallam University to examine the relationship between adoption of the 11 characteristics of Learning company questionnaire (LCQ) and the success of the companies. The survey conducted by Megginson, Banfield and Mathews(2001) had 281 respondents, 144 from ‘successful’ and 133 from ‘random’ firms. The result showed that the successful firms reported a higher level of activity with all of the 11 characteristics of LCQ. It was also found that the characteristics ‘internal exchange’, ‘learning climate’ and ‘self development opportunities for all’ were given high scores, while ‘participative policy making’, ‘reward flexibility’ and ‘inter company learning’ were rated as low. In another study conducted by Leitch et al in 1996 using the same LCQ, the results showed that the managers were most dissatisfied with characteristic of ‘internal exchange’, followed by ‘participative policy making’ and ‘reward flexibility’. The managers were found to be most satisfied with ‘learning climate’.

In a study conducted by Poell, Pluijmen and Krog(2003) on Dutch HRD practitioners the different strategies employed in learning-program
creation emerged from the data. The strategies that emerged relative to the three main phases of the learning program in which they are used are:

1. Orientation Phase: In this phase setting up of learning programs in a flexible manner, integral approach to organizing learning programs, delegating responsibility for learning to core actors in the organization and an active orientation on the way in which learning and work take place in the client organization was undertaken.

2. Learning and optimizing Phase :In this phase HRD professionals increasingly expect workers to take responsibility for their own learning. They try to tune the learning program to the learning views of the workers and work views of the participants.

3. Continuation Phase: One important strategy for the continuation phase emerged from the data, which approximately one third of the sample used: reflection on work and learning. This involves evaluating the way in which the learning program has been organized and drawing out lessons for the follow up. HRD professionals facilitate such processes for workers with a view to implementing what was learned during the program and, simultaneously, increasing their learning capacities. The barriers for HRD professionals in learning program creation were dependent position of HRD, resistance to change, lack of learning
transfers (due to constraints like time, unclear training needs, limited scope of the learning program) and role of management in not recognizing the importance of learning.

In an empirical research conducted by Chan, Lim and Kaesberry (2003) on 14 managers working in Seria, an oil rich town in Brunei, they found that contrary to expectation, individual learning was not significantly related to any organizational learning constructs of commitment to learning, shared vision and open learning. Internal team learning was significantly related to shared vision. External team learning was significantly related to all OL variables.

In a study conducted by Lines (2005) in 52 midsize Norwegian firms, (sample size 88 middle level managers) using the critical incident technique the findings showed social accounting and participation are positively associated with OL but the influence of social accounting is negatively moderated by participation. Social accounting is the activities, performed by those in charge of planning and implementing change to communicate the reasons for the change to those affected by the change.

In a study conducted by Jashapara (2003) in 225 small, medium and large UK construction industries, the conclusions were: OL in the form of double – loop learning does lead to competitive advantage and the firms needs to focus their OL on efficiency and proficiency to achieve competitive advantage.
The abilities of firms to align their learning to changes in the competitive environment are key to increased performance.

In a study conducted by Power and Waddell (2004) in 200 Australian organizations it was found that the learning organization concept displays a moderate to strong link with three measures of performance used in the study: knowledge performance, financial performance and customer satisfaction. It was also found that there is no significant relationship between self managed teams and the learning organization.

In a study conducted by Lopez, Peon and Ordas (2005) in 195 Spanish firms the results proved the hypothesis that organizational learning contributes positively both to innovation and competitiveness and to economic/financial results.

2.11 ORGANIZATIONAL LEARNING IN INDIA

In a developing country like India learning process is more difficult due to economic, political and social complexities. With the advent of globalization and resulting political and economical complexities, firms in developing countries are going through battles of survival and intervention. The liberalization of the economy and the extra competition from overseas firms has put a lot of pressure on the personnel function of Indian companies to prepare
and develop their human resources. Indian organizations have upgraded technology and now compete against global and multinational companies and are considering the need to develop a highly diverse workforce into well-trained, motivated and efficient employees. They are trying to get organized around learning and on the continuous cultivation and deployment of knowledge (Sharma and Khandekar, 2004). The foreign operators in India are known to have highly skilled human resources, and are more efficient and effective than their Indian counterparts (Venkataratnam, 1995; Sparrow and Budhwar, 1997). Thus the challenge is more acute for firms in India.

The concept of organizational learning has internationally emerged as an important mechanism for upgrading skills and competencies of the managers and workers; it has not been implemented widely in India. Some software companies like Wipro are striving towards a learning organization but the application of the concept of organizational learning is still in its nascent stage.

In the last decade a lot of researchers have concentrated on processes of learning within firms, however most research has mainly focused in the firms from the advanced countries (Kogut and Zonder, 1992; Nonaka, 1995 and Teece et al, 1999). Very few research studies have been done on organizational learning in India and this lack of empirical evidence of the
positive outcomes of being a learning organization is major hindrance to the spread of the concept of organizational learning. In Indian organizations lack of emphasis on creating a learning organization was identified as one of the critical factors acting as major constraint in promoting innovations (Mohanty, 1999). To get a broader view of development of organizational learning in India, some of the findings are quoted below.

In a study of organizational learning practices at the Indian Institute of Management, Ahmedabad (cited in Pareek, 2004) senior managers from over 50 relatively progressive private and public sector organizations were asked to fill up a questionnaire. The responses of managers from each organization were averaged to develop organizational scores for each of the 23 different learning mechanisms. The six most widely used mechanisms appeared to be the following:

- Sending employees to external training programs, conferences, etc.
- Identification and use of employees with relevant skills and expertise for implementing changes
- Modification of implementation plans for projects and innovations on the basis of actual experience
- Holding of periodic staff meetings for sharing results of organizational experiments, innovations, etc.
Inviting experts and innovative practitioners to share their ideas with members of the organization

Creation of task forces for implementing and monitoring new projects, experiments, etc.

Organizational learning mechanisms facilitate organizational excellence. The organizational learning mechanisms, which statistically correlated with at least, seven out of the 10 indicators of organizational performance (as subjectively assessed by the respondents on another questionnaire) were:

- Maintaining detailed records of the organization’s successes and failures
- Realistic appraisals of the support needed for stabilizing innovations
- Identification and use of employees with the necessary skills and expertise for implementing changes
- Modification of implementation plans based on experience
- New practices proposed by the management incorporating the strengths of old or well-known practices
- Holding of periodic meetings chaired by top or senior managers to review innovations and changes
- Creation of task forces for data-based evaluation of innovations
- Holding of seminars on new developments for the staff
Encouraging departments and task forces to consider alternative ways of implementing changes and innovations.

Ramnarayan and Bhatnagar (1993) conducted various studies and based on a large number of case studies, concluded that the following factors facilitate organizational learning:

- Commitment to well-defined organizational priorities
- Effective HRD systems
- Mechanism of collective thinking and reflection
- Flexible and participative leadership styles
- Collaboration and teamwork
- External orientation for learning
- Measuring devices for hitherto neglected aspects

Ramnarayan and Bhatnagar (1993) found the following hindering factors from their analysis of the case studies:

- Frequent changes at the top leading to loss of continuity and absence of a long-term orientation.
- A culture of complacency arising out of past success, inadequate efforts for improvement leading to the setting in of a slow decline.
➤ With a community of functional specialists, having little appreciation of each other’s area, learning gets fragmented and this leads to functional myopia. This tunnel vision of information-sharing blocks learning.

➤ In hierarchical organizations with strong command and control orientation, roles of organizational members become too narrowly defined and, as a result, they merely ensure implementation of decisions. Organizations thus loose employees’ ideas and inputs.

➤ Due to preoccupation with day-to-day fire fighting, time and attention do not get allocated to issues of change and innovation. As a result, changes are not backed up by visible support or energetic action.

In a series of studies conducted by Bhaduri (2000) and Pattanayak (2001) in India it was found that readiness of the management to support the learning plays a role in developing learning attitudes among employees for learning organizations. In a study conducted by Bhatnagar and Sharma (2004), cited in Khandekar and Sharma (2005), firm’s financial turnover was found to be significant predictor of OL, while firms profit as predictor of OL in Indian organizations was found to be insignificant. In another study conducted by Khandekar and Sharma (2005) in nine organizations (6 foreign and 3 Indian) situated in New Delhi, with a sample size of 300, it was found that there is
significant difference in the organizational learning in foreign and Indian organizations.

Thus in India we observe, the focus of theoretical framework is on practices or processes involved in managing and creating knowledge in contrast to other approaches used for exploring firm based learning processes. To survive in this competitive world it has become very essential for Indian organizations to work towards becoming a learning organization. Research studies are needed in India on organizational learning to show the Indian organizations the positive aspects of being a learning organization. Hence the need was felt for this research study.