CHAPTER – 2
SOME BASIC ISSUES IN LEARNING ORGANIZATIONS

In this chapter, some basic issues pertaining to learning organizations are briefly discussed. These issues are still hotly discussed by scholars in the field. They are crucial to our understanding of a learning organization. These five issues are as follows:

I. Learning Organization and Organizational Learning:

There is a relationship between the two and both fields have profoundly influenced each other. It is contended that there cannot be a learning organization without organizational learning though its opposite may not be necessarily true.

II. Theories of Learning in Learning Organizations:

We cannot understand learning organization or organizational learning without understanding two basic theories of learning which are their underpinnings: Individual Learning Theory and Social Learning Theory.

III. Problem of Knowledge Sharing:

There cannot be a learning organization if its employees do not share tacit and explicit knowledge. However there are several obstacles to knowledge sharing within organizations which are discussed.
IV. Learning Organization and Performance:

There is no perfect learning organization in the world and so there is no way to measure the performance of the non-existent entity. Of course, some positive relationship has been found between learning organizations howsoever imperfect they may be and their performance, but studies have been far from conclusive. But some scholars deny that all types of learning result in positive performance.

V. Learning through Acquisitions and Alliances:

An important source of learning for an organization is through its external linkages especially with its joint ventures, alliances, acquisitions and subsidies. Several scholars have found them as important sources of learning provided certain conditions such as mutual trust, mutualities of knowledge seeking behaviour and reciprocal give and take are fulfilled. This issue is especially included because all respondent companies in our study have considered external linkages like alliances and acquisitions as important sources of learning. Following discussion on each of the five issues mentioned above will further clarify each of them.

I. LEARNING ORGANIZATION AND ORGANIZATIONAL LEARNING

The first issue concerns the differences between Learning Organization and Organization Learning though many times they are used interchangeably. Some researchers argue that individuals are the only proper subjects of learning and that learning cannot be attributed to organizations. Only individuals learn and organizations cannot learn. But the idea that an organization could learn in ways which are independent of the individuals within it was the key break through which was first articulated by Cyret and March (1963). Cyret and March proposed a general theory of organizational learning as a part of model of decision-making and emphasized the role of rules, procedures, and routines in response to external changes in the firm’s environment. Their noteworthy idea is that it is through organizational learning process that the firm adapts to its environment and that firm learns through its experience. The book by Cyret and March (1963) could be described as the foundational work of organizational learning.
Organizations Do Learn

Organizational learning can be taken to mean learning by individuals and groups within organization while in learning organization employees learn by the organization as a total system. By the organization as a total system, we mean there are systematic features to learning beyond the activities of particular individuals who may come and go. However, organizational learning is not reducible to individual learning. Organizations remember and learn and the notion of learning is different from the additive sum of individual contributions. Much as individuals learn in different ways, so too organizations. These differences are a function of the diverse environments in which organizations must operate. Learning differences between organizations also occur as a result of differences in history, culture, size and age. New entrepreneurial firms learn differently from large established firms. This created opportunities for firms like Apple in 1970’s and 1980’s to take market share away from IBM.

Some researchers advocate that if the term, “Organizational Learning” means anything, it means learning on the part of individuals who happen to be functioning in an organizational setting. In response to this criticism, Huber (1989) suggests that, “an organization has learned if any of its components have acquired information available for use, either by other components or by itself, on behalf of the organization”.

According to the above criticism, organizational learning is a process in which whole organizations or their components adapt to changing environments by generating and selectively adopting organizational routines. The theory of organizational learning takes account of the interplay between actions and interactions of individuals as well as actions and interaction of higher level organizational entities such as departments divisions or groups of managers. Although the meaning of the term “learning” remains essentially the same as in the individuals’ case, the learning process is fundamentally different at organizational level.
Chris Argyris in his book, “On Organizational Learning” (1996), argues that the key concept here is that of enquiry, the intertwining of thought and action carried out by individuals in interaction with one another on behalf of the organization to which they belong in ways that change the organization’s theories of action and become embedded in organizational artifacts such as maps, memories and programmes. It is possible for individuals to think and act on behalf of an organization because organizations are collective entities in a fundamental sense of the term. It makes conceptual sense to say that individuals can act on behalf of an organization. It also makes conceptual sense to say that individuals can undertake learning process that can, in turn, yield learning outcomes as reflected in changes in organization’s theories of action and the artifacts that encode them.

Anthony J. DisBella (2003) starts with the major presumption that learning is an essential process of all organizations. From this core, a set of related characteristics can be derived:

- All organizations learn: Rather then face a bi-model world consisting of organizations that learn and those that do not, it is presumed that all organizations learn. Hence the notion of learning organization is as redundant as the notion of hot steam. Organizations do not have to be developed so they can learn, they already do.
- Sources of learning: Learning occurs through the natural social interaction of people being and working together. Organizations as contexts for social interaction naturally induce learning. Learning occurs through the very nature of organizational life.
- Learning is rooted in culture: as cultures, all organizations have embedded learning process. For an example, all organizations acculturate their new employees through the process of induction and orientation. However, for organizations to learn, they must have learning culture, a culture that values and rewards learning.
• Learning styles: Organizations learn in different ways. There is no way to learn or better ways for organizations to learn. Learning styles vary across an organization which may have different learning styles in its different divisions, departments or sections.

• Managerial focal point: Managers need to understand how existing behaviour and routines generate learning in their organization.

It must be mentioned here that the concept of organizational learning includes both learning and action. In fact, the concept emphasizes the interrelationship between cognition and behaviour and it encompasses both cognitive and behavioural change.

Individuals and groups learn by understanding and then by acting and then interpreting. Organizational learning thus is the process of change in individuals and shared thought and action, which is affected by and embedded in the institutions of organization. When individual and group learning becomes institutionalized, organizational learning occurs and knowledge is embedded in non-human repositories, such as routines, systems, structures, cultures and strategy.

**Learning Organization**

The main point made here is that it is not possible to create a learning organization without organizational learning. Learning organization has become synonymous with long term success and ability. It is asserted that the ability to learn faster than your competitor may be the only sustainable competitive advantage. As Peter Senge says in his book “Fifth Discipline” (1990), this, then is the basic meaning of “Learning Organization” – an organization that is continually expanding its capacity to create its future. For such an organization, it is not enough merely to survive. Survival learning or what is more often termed “adaptive learning” is important – indeed it is necessary. But for a learning organization, “adaptive learning” must be joined by “generative learning”, learning that enhances our capacity to learn. In the
learning organization, motivation is recognized as being inherent in each person. With shared vision and commitment to that vision, people motivate themselves. Rather than being threatened to learn, it is assumed that individuals and team will proactively set their own learning agendas. The learning organization perceives itself as living system. Every part is connected to every other part. As in living organism there is enormous pressure to maintain homeostasis. But the systems thinking allows the organization to focus on systems change rather than searching for one person or section who is to be blamed.

The Types of Learning in Organizations

Perhaps the greatest challenge in creating a learning organization is to see that the learning flows in every part of an organization. Here we mention different styles of learning for a member in an organization and a learning organization will find all these forms of learning of its employees.

- Spontaneous Learning: Learning goes on all the time in greater or lesser degrees. Sometimes the learning is spontaneous to the project or task at hand.
- Accidental Learning: Accidental learning occurs as an unexpected outcome of situation. In a complex situation, an employee learns from his interactions with others in unplanned situations.
- Passive Learning: In accidental learning and spontaneous learning, the learner does not take a conscious decision to learn. The learning in this situation is not proactive. Rather, it happens unintentionally and is an outcome of an experience. This passive approach to learning is how most people say they learn. They say they are learning all the time. However when awareness of learning is raised, people become more attuned to learning opportunities. They see what was always there but may have been overlooked.
- Planned Learning: In contrast to accidental, spontaneous and passive learning, planned learning is conscious. It is goal purposefully set. It can happen within or outside an organization. The critical variable is that learning is the desired result.
One key to creating a learning organization is to increase the emphasis and commitment to planned learning, rather than believing that it will happen on its own.

- **Unlearning:** Increasingly, the task of an employee is not to add what he knows or to learn something new but to unlearn what he knows. Many people are reluctant to unlearn what they know. They say, ‘we have always done it this way’. This phrase reflects a desire to maintain the status quo. In unlearning, an employee has to unlearn what is obsolete and has to make room for something new.

- **Transformational Learning:** The last type of learning is called paradigm shift or transformational learning. This is the most basic of all types of learning because it shifts an employee’s point of view at functional level and causes a cascade of incremental learning and unlearning at the same time.

In addition, Argote (1999) lists several tensions or trade-offs in the learning process, which define a learning strategy for an organization. These are the tensions between group and organizational learning, heterogeneity and standardization, learning by planning and learning by doing, and the tension between fast and slow learning. Resources have also to be allocated between gathering external knowledge and internal knowledge, and knowledge for mere exploration and knowledge for immediate use.

**Convergence of Learning Organization And Organizational Learning**

Majority of definitions of the learning organization revolve around the management literature’s individualistic approach to explicit organizational learning. Garvin’s (1993) following definition links’ organizational learning with learning organization in several respects. According to him, learning organization is “an organization skilled at creating, acquiring and transferring knowledge and modifying its behaviour to reflect new knowledge and insights”.

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In reviewing the relevant literature it can be seen that many of the insights researchers have produced about “organizational learning” ought to translate into better understanding of “learning organizations”, especially given the apparent intent to create a more macro conceptualization of collective learning. One of the original intentions behind the conceptualization of a “learning organization” is to make learning explicit and to bring it to a level of awareness so that learning in organizations and by organizations could be better studied and practiced. An organization cannot be a learning organization without organizational knowledge which is stored in its employees’ mind and its files and documents, but only learning organization creates and utilizes this knowledge to adapt itself to changing circumstances.

II. THEORIES OF LEARNING IN LEARNING ORGANIZATIONS

The second issue is concerned with some important theories in learning organization and focuses on social learning theory as a more important theory of learning. The literature on organizational learning was based initially on theories of organizational behavior within the field of management science (Cyert and March, 1963). These early contributions to the emerging field of organizational learning deal with information processing and decision-making in organizations. The purpose was to help organizations learn to adapt to changes in the environment and to provide prescriptive managerial techniques. About 30 years later; with the publication of Senge’s book, the counterpart of organizational learning, the learning organization, appeared as yet another way to create organizational learning (Senge, 1990). Judging from the many books and guidelines that have been published on how to develop a learning organization and pave the way for organizational learning, the learning organization and organizational learning have proved to be powerful models for organizational development (Argyris and Schon, 1996).
The learning theory in much of the literature on organizational learning and the learning organization is inspired by the field of individual-oriented psychology. Enhancing information processing and decision-making in organizations is seen as something that is done by individual’s learning, and processes that can be enhanced by individuals’ learning. Individuals’ learning outcomes can then, by way of individuals acting on behalf of an organization, be crystallized in organizational routines and values and become organizational learning. The idea is that individuals hold a mental model in their mind, which is an abstract representation of their actions. It is the mental model, which can be enhanced in order for individuals, and subsequently for organization, to enhance information processing and lead to better decision-making in organizations.

Thus, learning is, according to individual learning theory, identical to the enhancement of individuals’ mental models, and happens when individuals acquire information and knowledge, which subsequently can guide their – and, thus, the organization’s – behavior. The focus on mental modeling as the essence of learning in individual learning theory is the reason for naming individual learning theory as that of ‘cognitive’ learning theory. Similarly, mental models may also be termed as “cognitive structures”. It is a focus on learning, which is directed towards what goes on in the minds of people.

A cognitive learning theory privileges abstract and general verbal and conceptualized knowledge over and above the thinking that derives from practice (Nicolini and Meznar, 1995). An example is when Senge talks about the importance of learning to learning organizations (Senge, 1990). It is a way for organizations to learn, which first coins the organization as an abstract entity, a “system”, which then the organizational member must learn to relate to understand in order to behave in adequate ways. Another way to conceptualize learning is to begin with the concrete and work-related organizational actions and practice. This would demand a development of organizational members’ awareness to sense and act upon the uncertain situations that they encounter in their everyday organizational life and
work. Uncertain situations are those that arouse doubts and disturb habitual actions. Developing an awareness of situation so that uncertainty among organizational members would reduce and would include a view of the organization as a context affording specific actions and inhibiting other.

However, the process of abstraction is viewed as a necessary condition for learning in cognitive learning theory. To the learner, learning is the acquisition of a body of data, facts and practical wisdom accumulated by former generations. Learning is for the learner to come to know the world and to learn about practice. Learning is a process of knowledge delivery from a knowledgeable source to a target lacking that knowledge. Knowledge is out there somewhere, stored in places (books, databases, minds) waiting to be transferred to be acquired by another mind for future use (Gherardi et al., 1998)

In the organizational learning literature that rests upon individual learning theory, learning is regarded as a specific activity, something to be initiated, motivated, and stimulated. Learning happens when a discontinuity is introduced, when there is a problem to be solved. It is assessed on the basis of change in the organizational routines and values, which are to be secured in the organizational memory (for example, an information system, work descriptions, and the like). Organizational learning based upon individual learning theory is actually individual learning in organizations, which creates the problem of transferring individual learning outcomes to that of the organization.

The individual-organization split has been one of the major problems in the organizational learning literature that rests upon individual learning theory (Argyris and Schon, 1996) and also the target of much criticism (Gherardi et al., 1998). The answer given in the organizational learning literature itself has been, as earlier mentioned, to view individuals as acting on behalf of the organization (Argyris and Schon, 1996). This view of the relation between individual and organization creates a separation between individuals and organization.
In sum, in organizational learning literature based upon individual learning theory, learning is about changing cognitive structures. Learning is a specific activity, which happens by acquisition of abstract and general knowledge acquisition initiated by a discontinuity. The knowledge problem in organizational learning based upon individual learning theory is the individual-organization dissociation, that is, how to make individual learning become organizational.

**Social Learning Theory**

In organizational learning literature based upon social learning theory, learning is not regarded as a specific, delimited and intentional activity. Rather, learning is regarded as ubiquitous and part of human activity as such. In other words, learning cannot be avoided; it is not a choice for or against learning. Learning is an integral part of the practice in everyday organizational life and work (Nicolini and Meznar, 1995).

Learning is not restricted to taking place inside individuals’ minds but as processes of participation and interaction. In other words, learning takes place among and through other people (Gherardi et al., 1998). Learning is a relational activity, not an individual process of thought. This view changes the locus of the learning process from that of the mind of the individual to the participation patterns of individual members of organizations in which learning takes place.

In individual learning theory, the learning content is to come to know about practices; in social learning theory, the learning content is to become a practitioner. In social learning theory, learning is a way of being and becoming part of the social worlds that comprise an organization, and in which the central issue of learning is to become a practitioner.
Organizational learning therefore does not occur naturally. It requires the active management of different social identities and of the conflict these differences may entail. Managers cannot assume that an existing organizational identity provides an acceptable psychological contract of group members willingly to contribute their specialized knowledge and competencies to the learning process. People are likely to be comfortable in sharing their knowledge with others in the social group or category they identify with, and this sharing may be facilitated by the use of a common national or technical language. They are likely to be far less comfortable in sharing their knowledge with people outside that group. Groups can acquire an identity by developing a unique knowledge about ways of working successfully (Penrose, 1979), and be reluctant to give this away. Nevertheless, cross-group knowledge sharing is a requirement for an organization to convert fragmented knowledge into a useful generalized form. This means that the knowledge held by, or accessible to, individuals or groups has to be transformed into an organizational property, namely knowledge held in a form that makes it potentially accessible to the organization as a whole.

Overall, organizational learning includes three main processes. The first concerns the acquisition of knowledge from external sources. Here the fact that some members of an organization share a social identity with such sources can facilitate the inward transfer of information and knowledge. Similarly, one of the reasons for joining with local joint venture partners in a different country is the expectation that they will enjoy favorable social ties to sources of local market and political information. The second process is the conversion of knowledge from a tacit to an explicit form. Rendering tacit knowledge explicit amounts to capturing it for wider organizational use and reducing management’s dependence on a limited number of people who hold that knowledge. The third process requires a collective contribution of different groups in an organization towards the creation of new knowledge from synergies between their distinct competencies.
III. PROBLEM OF KNOWLEDGE SHARING

The third issue is concerned with knowledge sharing within and outside an organization and the factors that facilitate knowledge sharing. In capturing and localizing knowledge in the firm, the intent is to enhance the potential for and the efficiency of linking and integrating knowledge dispersed throughout the organization. Knowledge and best practice transfer within and between organizations is not a one-way activity, but a process of sharing involving trial and error, feedback, and the mutual adjustment of both the sender and receiver of knowledge and technology transfer between and within organizations hinged on a simple model of the communication of information, new contributions in this area understand knowledge and technology transfer as a model of knowledge sharing. In theories of knowledge creation and innovation, the sharing of tacit knowledge among participants in an innovating process precedes the articulation of new concepts, the appraisal and justification of these concepts, and product prototyping (Leonard and Sensiper, 1998).

Had it not been for the variation in individual interest throughout an organization, knowledge sharing would have been a straightforward activity without much shirking, guile or resistance. In an organization populated only by altruists, who are interested beyond all else in helping other to learn, knowledge sharing would not represent a major concern to researchers concerned with organizational efficiency and innovation (Collard, 1978). However, empirical studies show that there are diverse and distributed interests behind knowledge production, barriers to knowledge sharing and people who find ways to teach less than they learn from others (e.g. Latour, 1993). People’s long term investments in areas of expertise make them reluctant to share knowledge with representative’s from other areas, and they tend to be very conscious of “boundaries” and diverse interests, which separate their work practices from those of other disciplines. Darrah’s (1995) ethnography of a high-tech manufacturing firm is also interesting in this respect. Fearing the loss of authority, manufacturing engineers who possessed full
information about the product design and manufacturing specifications, were reluctant to share this with front-line workers. As a negative result, the firm’s attempt at lowering quality costs in manufacturing by training led to more frustration than skill enhancement among the workers. These studies, that pay explicit attention to diverse and distributed interests in organizations, conclude that knowledge sharing is a fragile and uncertain activity.

A theory that explains why and under what conditions the collective act of knowledge sharing occurs, must therefore take into account a variety of interest and personality traits including self-interest and individuals who seek to maximize their own utility (Ostrom, 2000). Given the sequencing of activities and self interest, free-riding on other’s knowledge is also of some concern. Free-riding on knowledge means that one individual learns while hiding the learning process from the one who bestows the knowledge. Under certain circumstances, the free-rider will be able to obtain benefits from the knowledge that are equal to those a contributor can obtain.

It should be observed that diverse interests in the organization are not necessarily negative. Since knowledge and interest are connected, also in the sense that individual interest influences an individual’s learning, it stands to reason that the distribution of diverse interests gives rise to the miscellany and creativity that organizations need in order to extract value from sharing knowledge. Moreover, when the mean level of knowledge is not sufficient in a group for solving a particular problem, diverse interests can facilitate knowledge sharing. At times, the only way to realize individual interests is to jointly learn, especially under time pressure.

In those instances where tacit knowledge cannot be codified, sharing it between people is slow, costly, and uncertain. In an important paper, Osterloh and Frey (2000) discussed the question whether self-interested individuals are motivated to share knowledge extrinsically, through material incentives such as money, or intrinsically, through the actual activity itself. Intrinsically motivated individuals act for their immediate need satisfaction. In particular, the authors argue that if knowledge to be shared is tacit, the role of intrinsic motivation outweighs the role of
extrinsic motivation. No material incentive can make people change their interest to codify and share their tacit knowledge, and no contract can assure effective and efficient knowledge sharing. Intrinsic motivation, by which team members realize immediate need satisfaction by working together with others in order to solve complex tasks, is a prerequisite for (tacit) knowledge sharing.

IV. LEARNING ORGANIZATION AND PERFORMANCE

The fourth issue is concerned with the relationship between learning organization and organizational performance and no direct relationship is found between the two. According to Edmandson (1999), there are built-in tensions between learning and performance, which organizations must learn to recognize and deal with. An organization that has just completed a learning initiative may see a drop in productivity, at least in a short run. Edmanson (2008) has explored the relationship between learning and performance which is not straightforward but a complex one. It is group dynamics within an organization which affects an organization's ability to learn and to improve or worsen organizational performance. Researchers have opposite views about the impact of learning and knowledge on organizational performance. On one side of the discussion are those scholars who establish positive links between these constructs. In their pioneer work, Canegelosi & Dill (1965) mention that improved performance can be defined as learning. Later Fiol and Lyles (1985) propose that, irrespective of the underlying interpretations of organizational learning, in all instances the assumption that learning will improve future performance exits. The perspective of the knowledge based view further stresses a positive link between knowledge and performance. It is expected that a particular sub-category of learning which is valuable, rare, inimitable and non-substitutable would lead to competitive advantage.

On the other side are the authors (Argyris and Schon 1978) who do not see a direct relationship between learning, knowledge and performance. For example, Leavitt and March (1988) state that learning does not always increase learner’s effectiveness, or potential effectiveness. Individuals or groups can incorrectly learn
and they can correctly learn that which is incorrect. Crossman et al (1995) remark that good performance is not a sign of learning and learning may negatively impact performance in the short run.

Thus, findings on the impact of organizational learning and knowledge on performance are diverse. While the organizational learning literature presents an equivocal link between the learning process and performance, the learning organization literature favorably suggests that knowledge if recognized as a source of competitive advantage explains difference in performance. Recent empirical efforts have found support for the impact of learning and knowledge on performance (Hitt et al. 2001). It is important to note that the conclusion of these studies is not that “the more learning the better” or “more the knowledge the better” but learning that is effective, and knowledge that is relevant may have positive effects on performance. There are no studies in literature which attribute organizational performance directly and exclusively to a learning organization since performance is the result of several known and unknown variables. Therefore, we do not find a direct relationship between the two.

V. LEARNING THROUGH ACQUISITIONS AND ALLIANCES

The fifth issue is learning by an organization through its acquisition and alliances and how far it is possible to learn from them. Since last decade, large Indian firms have entered into alliances with foreign companies or have acquired them as subsidiaries. Most of them claim that they have generated considerable learning through their foreign subsidies or alliance partners. Their main sources of learning were through benchmarking, cross-cultural and cross-country teams and the direct observation of foreign operations of their subsidiaries and alliance or joint venture partners. We will consider them here as learning through external networks.
From a knowledge perspective, external networks are initiated (1) to gain access to new knowledge, and internalize that knowledge (2) to pull knowledge together (3) companies may have knowledge bases that are complementary in such away that innovation can occur only when there complementary knowledge bases are brought together (Shenker and Li (1999).

The ground for networks of alliances and joint ventures is that diverse sets of co-operations provide a company access to a broader knowledge base which it can utilize in its own organization. Reports have emerged that Japanese are more successful in reaping the benefits from external networks than US firms.

Learning in external networks is brought with competitive motivations. Mowery et. al (1996) found that knowledge transfers between network partners would be higher when they share a common knowledge base, as this increased the capacity to absorb knowledge. Also they found that competition moderates this relationship, since firms operating in the same industry or product transfers less knowledge to partners. Competition may also result in learning races. Learning races contribute to the extent to which firms can reap private benefits from alliance. Khanna et al (1998) have argued that learning races and ability to internalize knowledge is dependent on the relative scope of partnering firms and their alliance. Larger the scopes of the alliance, larger are the benefits to both the firms.

On the bases of case studies of 11 firms, Hamel (1991) found that learning outcomes were dependent on the intent of a firm and the transparency of the partners. The propensity of the firm to learn from its collaboration was also found to be an important factor in learning in a study covering 117 multinational corporations; Simonin (1999) found that ambiguity has a significant negative impact as learning through knowledge transfer. He also found that higher level of prior knowledge increased absorptive capacity of collaborations and the cultural differences between them decreased it. Kale (2000) found that the development of relational capital based on mutual trust creates a basis for transfer of knowledge and restricts opportunistic behavior. For transfer of knowledge, trust was found very crucial in external networks (Bradach and Essles, 1989).