CHAPTER – 4
LITERATURE REVIEW

This chapter refers to various research studies carried out in India and abroad on various aspects of learning organizations. However, there are few research studies on learning organizations made in India. Extensive research studies have been carried out on this subject in foreign countries. So far as India is concerned and specifically Gujarat region is concerned, there is no comprehensive study on learning organizations of same magnitude and details as made in Europe and USA and not a single study made in Gujarat. This dissertation is therefore a pioneering study in the field of learning organizations in Gujarat.

REVIEW OF RECENT LITERATURE

Senge (1990), refers to learning organization as an organization that supports learning in its various forms, that encourages experimentation, risk taking, and finally utilizes this learning to the organization's advantage. Learning organization also focuses on the nurturing of new expansive thinking patterns and the continuous learning of the organization as a team. With the increasing complexity of business environment, 'human, assets' have been viewed as vital for sustainable competitive advantage and for coping with the changes (Porter, 1990; and Senge, 1990). Be that as it may, for an organization to be an effective learning organization, the first thing on which the management needs to focus is individual employees and then teams, because organizations usually create, share and continually learn together as a group. Dixon (1994) sees this as a learning organization that is making intentional use of learning processes at individual, group and system levels to transform the organization in ways that are increasingly satisfying for all the stakeholders. Nonaka (1991) sees it as the 'organizational learning cycle'-where new knowledge is formed, shared and implemented.
Among the factors that have been identified in the literature as important aspects in a learning organization are organization culture (which is functional), senior management commitments, management skill, employee attitude (which is positive), organization of work and Human Resource Development (HRD). Burgoyne (1995) identified an appropriate learning culture as an attribute of a learning organization, and defines it as a culture which supports shared learning from experience. Senge (1990) and Garvin (1993), view learning organization culture as one that accepts competition and strategic change as a compound process. These processes highlight the importance of learning at all levels to maintain a competitive edge. That is, an organization’s learning focus should adapt to changes within the competitive environment. Without focused learning, an organization is unlikely to achieve its goals. Some have acknowledged certain characteristics of a learning organization culture—entrepreneurship and risk taking (Naman and Slevin, 1993), facilitative leadership (Meen and Keough, 1992; and Slater and Narver, 1995), decentralized strategic planning processes (Day, 1990; and Mintzberg, 1994) and individual development (Garvin, 1993). Deshpande and Webster (1989), Denison (1990), and Schein (1990) emphasize the importance of maintaining a supportive organizational culture because of the difficulty in developing and sustaining appropriate learning behaviors if the corresponding organizational values are not in balance, and at the same time, the organization should also adopt the appropriate incentives and examples to ensure that these values are upheld. This suggests a synergistic relationship between the elements of culture and learning activities within the organizational system, which supports the learning organization.

Senior management commitments are another important factor in the culture of a learning organization. Lassey (1998) stated that organizational leaders could help to build the shared vision of the learning organization, help expand the capabilities and aspirations of their staff, and promote a learning culture. According to him, any attempt to change a long-standing corporate attitude needs the involvement and cooperation of managers at the highest level, wherever possible. This sentiment is shared by Sheard (2001), who stated that without the commitment of the organizational leader, true change is difficult or impossible. Another key attribute of a learning organization is how the organization
processes leadership and managerial experiences (Malhotra, 1996). Learning organizations make the managers continuously learn from their newer experiences rather than being bound by their past experiences. In ‘Generative Learning Organizations’, the ability of a manager is measured in terms of the learning processes he/she adopted (such as types of management practices, recognition and reward, openness, systematic thinking, creativity, a sense of efficacy, and empathy); rather than by what he/she knows that is the product of learning.

Another crucial leadership aspect in ensuring a successful learning organization is managers’ skills. As stated by Lassey (1998, p. 5), "a learning organization trains their personnel to be aware of training and development opportunities for themselves and others. It trains managers to help identify the development of goals with their staff and to help their staff to reach those goals". The real key is not for the managers to learn skills that they should already have, but to develop skills that they will need in the future, known as proactive learning. To do this effectively, the manager needs to accurately identify the employees' current skills, the skills they are likely to need in the short and longer term, and plan a personal development path that will provide those skills. For instance, a study done by Willurott (2003) showed that most line managers in the UK are under pressure to boost productivity, but lack the skills to get the most out of their teams. Only half of line managers felt that they had adequate training or skills in most key management areas, including driving team performance, inspiring or motivating other subordinates and selecting the right staff with proper qualifications. Therefore, managers’ skills in enhancing the capacity of a learning organization are very important. Smith and Kelly (1997) also viewed an organization's assets as its people, and whether or not organizations provide goods or services, as product quality is highly contingent on people performance. Skillful employees prove their value by solving problems, streamlining operations, reducing waste, and identifying new opportunities for productivity. From the above, it shows the importance of leadership in learning organizations to be based on cooperative and collaborative partnership approaches.
Another factor that is important in a learning organization is the employees' attitude. For an individual to become a learner requires the commitment of that individual, and for an organization to become a learning organization requires commitment from the staff. Lassey (1998) mentioned that for an individual's change in behavior to have an effect on the others in the organization, people need to be committed to help each other achieve their learning goals, and not simply be committed to their own. People need to be involved in, and understand the learning activities of their colleagues. Swieringa and Wierdsma (1992) observed that an individual will learn by analyzing their behavior in relation to the results achieved and by noticing how variations in their behavior can affect the results and should consequently change their behavior to affect said results. This learning may not be beneficial to the organization in terms of increasing the productivity or workmanship but it may simply benefit the individual.

Organization of work is another important factor in ensuring a successful learning organization. According to Sauter (1997) and Watson (1995), organization of work refers to the systems and procedures that transform inputs into outputs and is influenced by the organization's own rules, social orders, values, culture, formal and informal power. As stated by Thompson and Warhurst (1998), restructuring of work is seen to offer workers the opportunity for greater autonomy, flexibility, multi-skilling and greater worker involvement in, and commitment to, the competitiveness of the organization. In addition to increasing our knowledge of the current issues, learning should also be able to produce new solutions to problems that are not yet fully understood. Kassin and Kiechel (1996) see learning and training as being the difference between putting the information out there for the employees to pick up (training) and encouraging them to puzzle, wonder, and figure things out on their own (learning).
Lastly, human resource development programs also play an important role in ensuring a successful learning organization. According to Marquardt (1996), learning companies make a strong commitment towards providing financial and human resources to improve the learning quality of their staff. The learning organization should encourage a flexible, learner-centric approach to the acquisition of skills and abilities (Lassey, 1998). Central to this approach is the personal development plan, where individual needs are identified and individual solutions are designed to meet those needs. Hence, the learner will not have to waste time and effort attending training courses covering a wide range of skills and abilities that they already possess. Lassey (1998) also mentioned that a flexible approach to training and development activities would seem to necessitate a number of options for the learners. A learning organization is committed to the development of the full range of human potential in an environment that enhances participation. Below the review of literature is systematically grouped in 12 categories for clarity and coherence.

I. LEARNING ORGANIZATION AND LEARNING PROCESS

The debate on what the learning organization is and how to create it is fuelled by some fundamental differences in perspective among those most active in the fuel. Huber (1991) and Day (1944) still view the concept of learning organization in information processing terms. Others like Nonaka (1991) and Kofmen and Senge (1993) see the true learning organization as characterized by commitment to changes needed in the larger world and to seeing our organizations as vehicles for bringing these changes about. Pragmatists like Garvin (1993) are impatient with utopian tones of Kofmen and Senge (1993) and their tendency to focus on high philosophy rather than on details of practices. For Garvin (1993), the acid test for any approach to building a learning organization is that if you cannot measure it, you cannot manage it. Nonaka (1994) argues that pragmatists tend to overemphasize the role of explicit knowledge and problem solving without due attention to what is created by it through tacit and experimental knowledge. The question of how to build a learning organization capability is further complicated by the widening recognition that learning is a multilevel process. Quinn et al. (1996)
argues that the professional intellect of an organization operates at four levels: cognitive knowledge (know-what), advanced skills (know-how), system understanding (know-why) and self motivated creativity (care-why). More traditionally the distinctions made between single-loop and double-loop learning (Argyris and Schon, 1978) adaptive and generative learning (Senge, 1990), and higher and lower level learning or first order and second order learning (Levinthal and Myatt, 1993) differ somewhat in emphases but broadly converge around the recognition that the learning processes that foster efficiency are not the same as those that foster strategic renewal and transformation.

II. LEARNING ORGANIZATION AND SHARED VISION

Shared vision is vital for the learning organization because it provides the focus and energy for learning (Senge, 1990). Shared vision and its practice lead to collective knowledge, shared sense making and distributed understanding that does not reduce to the content of individual heads (Brown and Duguid, 1998). One pervasive theme in the information systems of approach to learning organization is that many knowledge initiatives have focused exclusively on technology at the expense of creating an appropriate organizational culture incorporating the shared vision (Liebowitz, 2001).

III. LEARNING ORGANIZATION AND KNOWLEDGE SHARING

According to Davenport and Prusak (1998), knowledge sharing involves not only transmission of knowledge to targeted receivers but also its absorption and use by people. Boland and Tenkasi (1995) argue that effective knowledge sharing involves a process of mutual perspective taking where distinctive individual knowledge is exchanged, evaluated and integrated with that of others in organization. Intraorganizational knowledge sharing serves as a base for knowledge utilization to create competitive advantage (Hamel G, 1991). Capabilities of organization in creating mechanisms for encouraging knowledge sharing have been viewed as critical element in creating sustained competitive advantage (Argyris and Schon,
1978). Inspite of knowledge sharing becoming more critical to firm’s success in today’s large organizations, employees show their reluctance to share knowledge with others (Garvin D., 2000). There have been contrasting opinions regarding the role of information technology in knowledge sharing. There are some studies where scholars have laid the role of information technology being a crucial element in the knowledge integration process in the organization (Argyris and Schon, 1978; Teece et.al, 1997). They suggest that in order to build knowledge sharing capabilities, organization must develop a comprehensive infrastructure that facilitates various types of knowledge and communication. But literature also points out studies where failure of information technology support to knowledge management has been attributed to the lack of these technologies to adapt to human oriented communication medium.

IV. LEARNING ORGANIZATION AND EMPLOYEE AUTONOMY

Without giving autonomy to employees in an organization, it cannot be a learning organization as organization does not give any scope to its employees to make mistakes without punitive action. Several researches emphasize the importance of employee autonomy in building a learning organization. Risking failure or appearing incompetent can be particularly costly for disempowered individuals who believe their managers will evaluate them negatively if they make mistakes. Thus, employees’ perceptions of their manager’s intentions in giving them autonomy play a central role in their learning competencies (Edmonson, 1999). Employees including managers do not feel psychological safety if they are not given power appropriate to their tasks. Psychological safety stems from mutual respect, trust and empowerment of employees by an organization (Kahn, 1990). One of the main reasons for giving autonomy to employees and their teams is that individuals have tacit knowledge and without autonomy to verbalize and practice tacit knowledge, it will remain unutilized. Performance advantage based on knowledge that is tacit, complex and specific might be harder to replicate because the causes of superior performance are more ambiguous to outside observers than to members of the empowered teams (Barney, 1991).
Defining employee autonomy and empowerment in a broad term, Bob Garrat (1987), asserts that it is only through the democratizing of work processes by sharing information more transparently and being comfortable with accountability through participation and informed choices, that sufficient learning can be generated to ensure that an organizations rate of learning is equal to or greater than the rate of change in environment.

V. TEAM BUILDING AND TEAM LEARNING IN LEARNING ORGANIZATION

Both team building and team learning are essential for a learning organization to function. According to Nonaka (1991), the team needs to be established with regard to the principles of self organization. He further states that within the team, there are usually 4 to 5 core members who have career histories that include multiple job functions. In Lewin’s (1951) development of the field theory in social psychology, a group (or a team) is defined as a dynamic whole based on interdependence rather than on similarity. These core members form the focal points in the team. The significance of links between individuals in the teams that span boundaries both within and outside the organization has been highlighted by Brown and Duguid (1991). Nonaka (1995) states that the cross-functional team in which experience sharing and continuous dialogue are facilitated by the management of interaction rhythms and continuous dialogues serves as the basic building block for knowledge creation process. Researching on the incentives for individuals and teams will be more effective in firms that use combinations of individual and team based incentives. The assertion that heterogeneous groups are more effective than homogeneous groups is not new. Filey et al. (1976) surveyed the literature on group dynamics and concluded that novel problems are best handled by heterogeneous groups or teams and routine problems are best handled by a homogeneous group or a team. Kim D. (1989) after reviewing extensive literature on teams found that performance is enhanced in groups with heterogeneous membership.
VI. LEARNING ORGANIZATION AND GLOBAL KNOWLEDGE TRANSFER

The need to understand the processes of global knowledge transfer is important because there is some evidence to suggest that many large companies fail to top the knowledge or leverage the learning that occurs within them (Bohria and Ghoshal 1997, Bartlett and Ghoshal, 1989). Many expatriates for example, find that the knowledge they have gained through managerial experience abroad concerning the foreign environment is ignored once they return to their home country (Kamoche 1996). The learning organization theorists usually include within their definitions of the phenomenon the capability of organizations to not only create new knowledge, but to transfer it (Senge 1990; Garum 1993). The interaction of cross cultural communication often faces barriers to success. Unfortunately, more often then not, intercultural encounters are filled with misunderstandings and second guesses because of language problems and communication style differences and multiple levels of meanings (Ting-Toomey, 1999).

VII. LEARNING THROUGH JOINT VENTURES AND ALLIANCES

Both equity and non-equity strategic alliances including joint ventures and foreign collaborations provide a platform for mutual learning. Through the shared execution of the alliance task, mutual interdependence and problem solving, and observation of alliance activities and outcomes, companies can learn with and from their partners. This learning can encompass both competitive and co-operative behaviours of alliance partners (Khanna and Gulati 1998). The competitive aspect of inter-partner learning arises from a company’s incentive to acquire the partner’s skills faster than the other partner (Hamel, 1991).
VIII. THE LEARNING ORGANIZATION AND R&D

The R&D department of any organization has a dual role. R&D not only generates innovations and new knowledge but also enhances learning. Thus innovation and learning are two faces of R&D (Cohen and Levithal, 1989). Cockburn and Harderson (1998) point out that company have to invest in absorptive capacity in the form of in-house basic research to be able to access and learn from upstream basic research. A related issue is the speed and accuracy of knowledge transfer from R&D to manufacturing department of the company.

IX. LEARNING FROM EXTERNAL ENVIRONMENT

Very few companies can survive without getting inputs from external environment. Current researches support this proposition suggesting that knowledge existing outside a company’s boundary may be critical to its success. Access to a broader knowledge base through external learning increases the flexibility of a company. Recognizing the importance of outside knowledge does not necessarily permit a company to transfer it. To facilitate knowledge transfer, firms must develop linkages to outside sources of knowledge that act as conducts for knowledge transfer (Almeida 1996). It is these conducts that channel externally available knowledge and determine which knowledge the company can use for innovative process or changing it course of action.
X. MENTAL MODELS IN LEARNING ORGANIZATION

Mental models represent a person’s view of the world. Fundamental to learning is a shared mental model. However, mental models are a mixture of what is learned explicitly and absorbed implicitly. That is why it is so difficult to articulate them and share them with others. Making mental models explicit requires a language or tool with which to capture and communicate them (Fischoff and Granges, 1992). However, most efforts at mapping mental models result in static representations of what are usually highly dynamic and non-linear phenomena (Kim D., 1993). Many of the best ideas in organizations never get put into practice. One reason is that new insights and initiatives often conflict with established mental models. But more important is the fact that mental models are very difficult to quantify (Fischoff and Granges, 1992).

XI. REWARDING EMPLOYEES

There is a recurring problem in a learning organization – who should be rewarded, a team or an individual? Also a related problem is who should evaluate performance of the team? There is no easy solution to these problems. Alchian and Demsetz (1972) provide a classic treatment of incentive problems in teams where lazy team members get the same incentives as the hardworking team members. The same authors stress the point that the success of team’s knowledge creating efforts depends upon (1) the size of the team, and (2) the trade off between individual and team incentives. Of course, where individual shows outstanding performance and if it could be measured, he must be rewarded.
XII. BUILDING A LEARNING ORGANIZATION: SEVERAL PATHS SUGGESTED IN LITERATURE

There is no unanimity among scholars or practitioners in the field on how to build a learning organization. Peter Senge (1992) comments that building a learning organization is leader’s new role. A leader as a designer, as a steward and as a teacher in a learning organization should have new skills to build a shared vision, test mental models of its employees, think systemically, build a team and develop personal mastery in its employees. Many of his ideas such as building an appropriate mental model of heterogeneous employees depends upon his motivation and adaptability and to develop motivation for all employees does not seem feasible. In order to build a learning team which is one of the five components necessary for building a learning organization, Senge (1992) suggest learning laboratory or “microworld” of real-life settings and asserts that this process is a continual movement between practice and performance. He further argues that one constraint on learning is the inability of managers to inquire into each others’ assumption and to reflect insightfully into their own assumptions. Both skills can be enhanced in a learning laboratory, where people can practice surfacing assumptions in a low-risk setting. This suggestions is also not feasible because each employee or a manager in a company works with his own set of assumptions and learning laboratories cannot be organized in a company with several thousand employees without enormous expense.

Bob Garrat (2003) has different ideas on how to create a learning organization. He puts six conditions to be fulfilled for an organization before it can be a learning organization: (1) Accept that organizations are complex adaptive human systems, not mindless machines, (2) Understand that organizations are driven more by process than structure, (3) Understand the difference between first and second order change processes, (4) Accept the need to integrate the operational and policy learning cycles into a focus on strategic organizational debate, (5) Accept and use the inevitability of events by which is meant deviations in plans, (6) Accept the
professionalization of direction givers. After the above conditions are fulfilled, the author emphasizes the importance of formulating purpose, vision and mission for organization and making organization democratic. This however is very general and vague recommendation for an organization to be a learning organization and therefore of limited practical value.

Stata (1998) makes following suggestions for creating a learning organization which is a title of her book. He says that learning organization should (1) Create teamwork, (2) Encourage cooperation (3) Foster Creativity (4) Empower its employees, and (5) Maintain excellent quality standards, Her book does not go much beyond learning style identification and seems to be superficial and highly prescriptive in nature.

Stewart (1992) suggests the following steps for creating a learning organization: (1) Organize around processes and outcomes, and not around tasks, (2) Flatten the organization structure, (3) Make teams, not individuals, the focus of organizational performance, (4) Build partnerships with suppliers and customers, and (5) Build flexibility into a system.

Shukla M. (1997), an Indian scholar in the field suggests the following steps for building a learning organization. (1) Create a shared sense of purpose among members of an organization, (2) Encourage processes that generate supportive environment for change by reducing excessive compartmentalization in the organization, (3) De-bureaucratization of the organization (4) Pursue environmental scanning, (5) Learn from others, (6) network with others who are inside and outside the company.

Garvin (2000) has identified three major building blocks for identifying as well as for building a learning organization. Each building block has several components as mentioned below:
Building Block – One is Supportive Learning Environment with following components: (1) Psychological Safety (2) Appreciation of Differences (3) Openness to New Ideas, and (4) Time for Reflection.

Building Block – Two is Concrete Learning Practices and Processes and it has following components: (1) Experimentation (2) Information Collection (3) Analysis (4) Education and Training, and (5) Information Transfer.

Building Block – Three is Leadership That Reinforces and it has several themes about leader’s openness to new ideas, leader’s listening ability, leader’s tolerance for dissent, leader’s acceptance for multiple viewpoints, leader’s willingness to invite inputs from others in discussion, leader’s readiness to provide time and resources for improving past performance as well as for identifying problems and facing organizational challenges.

Shukla M. (1997) has given a detailed description of six large companies in the world which he considered to be learning companies. These companies are: Asea Brown Boweri, British Airways, Chaparral Steel, Citicorp Inc. General Electric Corporation and Xerox Corporation. He considers Asea Brown Boweri to be the global learning company, Chaparral Steel to be the learning Factory, Citicorp Inc. to be the learning to innovate, Xerox Corporation to be a company which has learnt to cope with environmental turbulence while General Electric Corporation has been viewed as a company where learning is done through cultural transformation and British Airways has been identified as a learning company which has learnt the art of organizational turnaround. The author does not consider any of the above companies as a perfect model of a learning organization but has been able to identify some learning aspects of the companies under study. The main limitation of this study is that it is based on secondary sources of information.
A comparative study made between Indian and Multinational Organizations Aggarwal and Srinivasan (2008) through a learning company questionnaire found that foreign based organizations operating in India have a better learning ability than the Indian organizations. They also found that higher the learning, lower is the learning dissatisfaction. According to them, this explains why learning dissatisfaction is more in Indian organization than in foreign organizations.