

Chapter 6

Organizational Learning and Competitive Advantage

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ABSTRACT

Environmental turbulence in today's business landscape has elicited deep concerns in contemporary business organizations. As a result, organizations seek to achieve competitive advantage through organizational learning. This chapter presents organizational learning as a key source of competitive advantage in contemporary business organizations. It examines the concept of organizational learning by definition and delves in the four constituents that form the concept of organizational learning, namely knowledge acquisition, knowledge distribution, information interpretation, and organizational memory. Further, the chapter focuses on the factors affecting organizational learning together with competitive advantage as an outcome of organizational learning.

INTRODUCTION

In today's knowledge economy, learning has become a fundamental competency required by organizations that desire to survive and thrive in their respective industries. Market leaders are often asking learning questions, always seeking for opportunities to learn how internal processes can be managed and how best the acquired knowledge throughout the entire organization. With a focus on organizational learning and competitive advantage, many organizations achieve prosperity and sustainability within the current competitive business environment. Organizational learning enables firms to respond quickly and adapt to the turbulent business environment. Similarly competitive advantage through innovation, focus, cost leadership or differentiation strategies enables firms in various sectors to sustain super profits.

The Concept of Organizational Learning

Organizational learning is portrayed differently by different scholars. It means new insights according to Argyris and Schon (1978), new structures (Chandler, 1962), new systems (Miles, 1982) or a combination

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of all of the above. Fiol & Lyles (1985) defined organizational learning as the development of insights, knowledge, associations between past actions and the effectiveness of those actions and future actions. Further, Cummings and Whorley (2009) defined organizational learning as a change process which enhances the ability of an organization to acquire and develop new knowledge. Organizational learning results from; assimilating information; translating information into knowledge; applying knowledge to real words; and receiving feedback. In a nutshell, organizational learning is a composition of individual learning, development of culture, continuous improvement, innovation, and applying systems which learn.

There are two orientations to learning; adaptive learning and generative learning. Adaptive learning involves an unintentional phenomenon that brings about a relatively definite change in behavior and is powered by an individual's reaction towards different stimuli in their immediate environment. Generative learning on the other hand, revolves around the concept of an individual adding on new behaviors, knowledge, and skills to what they already have and applying these to their various situations. McKenna (1992) established that in team learning, it is essential for people to move beyond themselves and permit a collective learning to occur.

Learning happens at three levels within an organization. This includes individual, group and institutional learning. The levels of learning interact to make up organizational learning. Individual learning occurs when employees acquire knowledge, development skills and adopt new attitudes and beliefs which enable the organization to succeed. Individuals are important in organizational learning process. At its basic level, the individuals within an organization are involved in perceiving similarities, differences, patterns and possibilities. Through intuition, some individuals focus on the expert view translated into tacit knowledge while the others focus on the entrepreneurial view which enables them to generate new knowledge. Individual learning is transformed into group learning through shared understanding.

For team learning to occur, it requires insights to be thought through, actions to be innovative and coordinated, and each team member to understand the role they're required to play. Group learning occurs as members of a group discover how to contribute to performance. Team members learn from each other, share goals and place value on member interaction. Organizational learning refers to ongoing processes which facilitate individuals and groups to learn. It occurs where there is a shared understanding in the whole organization. According to Starbucks and Whalen (2008), organizational learning is information, insights, knowledge and mental models of members. Further a study by Bryson, Crosby, and Stone, (2006) discovered that the organization's provision of capability development opportunities as well as an individual's proactive behavior had an impact on employees' motivation to engage in learning at their workplace. Institutionalization is the process of embedding learning that has occurred by the individuals and group into the organization through knowledge acquisition, information distribution, information interpretation and organizational memory.

Knowledge Acquisition

This is the process by which knowledge is obtained. Organizational activities intended to acquire knowledge are customer surveys, research, development activities, performance reviews and analyses of competitor products. Huber (1991) presupposes that an organization acquires knowledge through five main processes; congenital learning, experiential learning, vicarious learning, grafting and searching. He observed that there exist a time interval between when the organization is first conceived and the arbitrary "birth" event when the organization is incorporated. During this interval, the founders employ vicarious learning, grafting or learning on behalf of the organization to be.

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