

Placing organizational learning in the context of strategic management

Peter Trim and Yang-Im Lee

Peter Trim is a Senior Lecturer in Management and Director of the Centre for Advanced Management and Interdisciplinary Studies at Birkbeck College, University of London, London, UK. He can be reached at p.trim@bbk.ac.uk. Yang-Im Lee is a Lecturer in Marketing at the School of Management, Royal Holloway, University of London, London, UK

By adopting the organizational learning approach, top management can put in place a number of management systems and structures that facilitate the strategic decision-making process. Internal weaknesses can be identified and eradicated, and external opportunities can be taken advantage of. As a result, the organization will develop a sustainable competitive advantage and further improve its competitive position by remaining customer focused.

Senior managers within organizations are confronted with various recurring issues relating to training and staff development. They range from the actual cost of the programs needed to how much time an employee spends away from the workplace in order to update their skill base. Viewed from a different perspective, it is possible to say that the word “cost” can be replaced by “investment”, and time away from the office should be considered as time spent developing the knowledge base that is advantageous to the organization achieving its objectives.

What is important is that senior managers understand that the term “organizational learning” is all-embracing and refers to the context within which knowledge is generated, stored, transferred from one employee to another, used to devise and implement new work practices, and is ultimately transformational in the sense that direction is forthcoming that positions the organization in the industry within which it competes.

The organizational learning concept is focused on providing managers with appropriate technical and interpersonal skills, but it has a psychological dimension as well. For example, various staff development programs can be devised that include role play activities that are aimed at confidence building. By assuming responsibility for their actions, junior managers will gain respect from their peers and make themselves known to senior managers, who then provide them with leadership positions.

The concept of organizational learning

Periods of growth provide organizations with opportunities to build on past successes and senior managers can develop further the organization’s sustainable competitive advantage. McGahan (2004, p. 92) has indicated that during periods of change, senior managers need to be aware of how the organization’s core activities are linked to the organization’s core assets, and this means establishing if the core assets and activities are likely to become obsolete.

Managing change requires that managers work closely with staff and spend time communicating what is to be done and how it is to be done. Setting targets and monitoring progress is important and action plans and programs need to be time tabled accordingly. It is essential that this is understood during periods of growth, because new management systems and structures need to be put in place to ensure continuity (viewed from the stance of product-service provision).

Senior managers need to be aware that the concept of organizational learning can be used to bring about change and that the change process needs to be managed in an incremental and proactive manner.

One way in which to bring about organizational change is to institutionalize the learning process and to empower people to take responsibility for their personal development. The

“Organizational learning is influential with respect to facilitating the development of an organization’s value system and ultimately its culture.”

process of institutionalizing organizational learning is complex; however, an international project group approach can be used to facilitate the transformation process, especially when it is necessary to devise new forms of market entry. What is evident is that senior managers need to think in terms of motivating junior managers to want to achieve something higher than their immediate expectations. One way that this can be done is to encourage staff to undertake continuing professional development and to adopt an entrepreneurial approach to decision-making.

Placing organizational learning in context

By embracing the concept of organizational learning, senior managers can encourage staff lower down the hierarchy to improve their knowledge and skill base through time, and thus acquire skills that ensure that they remain employable. This is important because during periods of growth, new demands are placed on staff. Increased levels of responsibility result in people needing to co-operate more with staff outside their immediate department.

Staff also need to remain more receptive to ideas put forward by staff based outside the organization. The learning process is not just about acquiring knowledge and skills, it is also about developing a vision that is based on understanding the organization’s value system. Bearing this in mind, it is important that staff at various levels throughout the organization identify with the organizational value system, embrace incremental change and participate in staff development workshops. This should ensure that an organization is able to develop the skill base that it needs in order to adapt to a changing and more competitive international business environment.

In order that transformational change produces the desired outcome(s), managers throughout the organization need to draw upon the skills and knowledge of junior managers. Human resource management specialists need to be consulted on a regular basis in order that the recruitment policies of the organization are appropriate for selecting potential candidates. Managers need to have knowledge of the historical and socio-cultural factors that shape national and organizational culture, and form international project groups that bring together individuals that can devise and implement marketing plans and strategies. As well as having knowledge about how well the company is performing in the marketplace, it is necessary for staff to have expertise that relates to organization to organization co-operation, organization to government co-operation, and government to government co-operation.

Innovation and change during periods of growth

The process of change forces senior managers to find ways to innovate. Managers throughout the organization are required to put a lot of time and effort into managing day-to-day activities and need to be aware of the key success factors that govern the industry within which the organization competes. It is essential, therefore, that managers think in terms of developing a sustainable competitive advantage that can be maintained in the future (Aaker, 1995). By doing this, the various managers throughout the organization will be able to devise, integrate and implement a range of strategic plans and strategies.

It is essential that during times of rapid growth, senior managers scan the horizon in order to identify future threats and also, if the organization is unable to sustain its competitive advantage, identify possible partner organizations that the organization can form an alliance

with in order to sustain itself. A proactive approach to partner selection means that various analysts and strategists within the organization can be engaged in marketing intelligence activities and can identify which potential partner organizations can be approached with respect to alliance development.

An alliance can utilize the resources and expertise within the partnership arrangement; however, entering into a partnership arrangement is not without risk. For example, Barki and Pinsonneault (2005, p. 171) have indicated that although the sharing of resources is a key consideration with respect to partnership development, attention needs to be given to resulting power struggles. It has been noted that power relationships can lead to conflicts as a result of problems not being aired openly (Dawson, 1996, p. 171).

In order to avoid conflict, senior managers need to promote an open and transparent communication process that results in trustworthy behaviour. Opportunistic behaviour does need to be avoided because it can result in people distrusting each other and conflicts can and do distract managers from their normal day-to-day routines.

The importance of international project groups

Becerra and Gupta (2003, p. 33) have highlighted the link between communication and trustworthiness and it is important to bear in mind that in a global business environment, cross-cultural decision-making is a necessary element of day-to-day activities. This suggests that international project groups can be used for a number of purposes (design, production and marketing) and should this be the case, it is worth noting that a number of outcomes can be achieved.

For example, an international project group can be assembled in order to link the functionality of a product with its design, the application of automated production in areas of skilled labour shortage, and the negotiation of franchise operations in order to facilitate market penetration and coverage.

Building trust-based relationships is time consuming and requires constant work, but is essential with respect to partnership development. In order for the transformation process to be effective, senior managers need to understand how the concept of trust is linked with control and learning (Inkpen and Currall, 2004, p. 587).

It is also possible to suggest that senior managers think in terms of making a link between learning and competition in the sense that when an organization improves its performance, usually at the detriment of other organizations in the industry, the level of competition intensifies as other organizations find ways to improve their performance (Barnett and McKendrick, 2004, pp. 540-1).

The main purpose of the international project group

The main purpose of the international project group approach is to work on “secret” projects that are deemed essential to the future survival of the organization. One can think in terms of new products for existing markets, new technology for an evolving market, new technological processes that improve manufacturing capability, and new distribution arrangements that enable the organization to provide a high level of customer service (after-sales service) on entry to the market.

The senior manager(s) responsible for the functioning of an international project group need to ensure that those given the responsibility to discuss matters in an open and frank manner, and reach the deadlines set, are able to do so. It is because of this that the concept of organizational learning needs to be thought of as a tool for facilitating the management of change, and providing future leaders.

Organizational learning and international project group development: case examples

When British Petroleum (BP), the oil and chemical company, restructured its international operations a number of years ago, senior management undertook a thorough analysis of the company's global business operations in order to establish how they fitted into the existing

and future strategy of the company. Organizational experts used various strategic management models in order to appraise the level of strategic fit.

They then carried out a restructuring process that involved how information systems and technology were to be used to integrate the functioning of the reduced number of business units. Hence internal computer and information systems technologists played an influential role in the restructuring process, and this is evidence of the transformation process being based upon the company's skill and knowledge base.

By utilizing the skills and knowledge of internal employees, senior management were able to devise a workable structure that facilitated information and knowledge transfer among and between the various business units. This example shows that senior managers at BP were in possession of both company and industry knowledge and were able to adapt management theory and devise and deploy marketing strategies.

Samsung, the integrated South Korean conglomerate, has a well-crafted human resource management strategy that identifies the most able and gifted candidates, and provides them with early responsibility. By integrating junior staff into the organization's culture it is possible to maintain the company's community-oriented focus. Samsung's management development programmes are highly specific and are part of a well-defined continuing professional development strategy. By utilizing the organizational learning concept, senior company staff ensures that staff based in suppliers and retailers understand and embrace the company's set of corporate values.

As a result, Samsung is able to reinforce the fact that the company is a leader in the industries in which it competes. The company's skilled and internationally experienced managers are able to deal with both private sector and public sector organizations, and as a result the company is close to its customers and has links with government officials. The community focus ensures that designated staff within the company is engaged in a number of research projects with academics and their researchers, based at various universities. This has proved beneficial to the community and is evidence that international project groups are managed in a structured manner.

McLaren and Mercedes-Benz have formed a close working partnership that is based on mutuality, and this has proved valuable with respect to innovation. The partnership arrangement has produced a hybrid and creatively based organizational culture.

Design work is based around the concept of functionality, and it is this that has provided a creative and innovatory approach to problem solving. As a consequence, a number of high-quality, durable, upmarket products have been produced. McLaren and Mercedes-Benz have a market focus that is based on brand leadership, and this accounts for their international reputation. Staff from various areas – technology, production and marketing, for example – work on a number of projects that require new solutions to be found. The result is a highly specialized and motivated design team, a highly creative and inspirational workforce, and a supply chain management strategy that incorporates continual improvement.

Mitsubishi Electric is a well-known and internationally spread organization that delivers products and services to high specifications. Junior managers based at different locations throughout the world, are brought together in order to facilitate networking and this has resulted in a sophisticated marketing intelligence operation being established. Senior managers at Mitsubishi Electric are of the view that the employees are part owners of the organization, and because of this the organization's culture is highly integrative.

“ During periods of growth, the internal organizational pressures need to be kept in balance with the pressures exerted by external market forces. ”

Philips, the technology group based in The Netherlands, has established a number of corporate databases that can be accessed by various managers throughout the world. The databases contain confidential and sensitive information that can be used to award contracts to suppliers, for example, and the people that have access to these databases are employees that have been with the organization a number of years, and are known and trusted.

What distinguishes Philips from many other companies is that it has an inclusive organizational culture that is ingrained in its history. The organizational learning concept is fully embraced, and this ensures that employees have a strong sense of belonging to the company.

A number of years ago, it was necessary to revitalize the company, and senior management decided to close down a number of factories worldwide and reduce the reliance on in-house manufacturing. Philips successfully refocused its efforts on health care and lifestyle, and reasserted itself in consumer electronics. This suggests that marketing strategists utilized marketing intelligence and were able to forecast accurately how key markets would perform. International project groups were able to identify issues such as the technological and marketing capability of rival companies. Key success factors identified included speed to market and the ability to deliver high levels of product quality.

Unilever competes in a variety of consumer markets and remains focused on growth. The company is well known for having a defined organizational culture that is results-oriented. The company competes aggressively in a number of related and unrelated markets, and this suggests that managers have a clear product-market focus.

It also indicates that the marketing staff practise relationship marketing that is underpinned by the concept of strategic marketing. One can deduce from this that staff are highly specialized and that companies that are added to the Unilever portfolio operate as self-sustaining independent units. Although there is an all embracing organizational culture in place, there is some variation in organizational culture throughout the company as individual business units compete in different markets. Managers are given a lot of responsibility at an early stage in their careers, and are judged on their ability to set and achieve realistic targets. The way in which the company is structured makes it necessary for international project groups to be very well organized and influential.

In industries that are growth-oriented but subject to volatility, it is usual for lead companies to invite external experts to attend workshops and conferences in order to explain the latest theoretical thinking. This allows insights into how theory and practice are related. Saatchi and Saatchi, the international advertising agency, has adopted this approach in order to stimulate thinking internally, and this has proved useful with respect to identifying creative solutions to unique problems. Brainstorming sessions are used in order to stimulate the creative thinking process, and this requires active participation and high levels of teamwork.

Avon, the global cosmetics company, has established an international reputation and has achieved a competitive advantage through selling direct to the customer. However, senior management are aware that Avon's success encourages competition and because of this staff cannot become complacent. The emphasis is to identify new markets and new product opportunities. Senior management is also aware that they have to continually improve the products on offer and this has resulted in an investment in research and development facilities, and the development of a knowledge base that keeps the company at the forefront of developments in beauty and health care for example. Avon employees are focused on their work, are highly motivated and rewarded well for their achievements.

The marketing team at Avon have adopted the strategic marketing concept and have linked the concept successfully with providing customer choice that is based on meeting customer expectations. The key has been mapping and monitoring customer requirement evolution, and this has allowed the company to provide a range of products that meet the requirements based upon lifestyle and age for example. In other words, company staff know what customers want and promote the product to the appropriate market segments. This

“As well as managing change in an incremental and planned form, it is necessary for managers to pay attention to detail.”

suggests that Avon have an all-embracing customer service policy in place that is underpinned by marketing intelligence.

Strategy formulation and implementation

As regards strategy formulation and implementation, McGahan (2004, p. 87) has noted that although senior managers need to understand change and how it affects the industry, “such knowledge is not always easy to come by”. Understanding what causes change and how change is to be managed are crucial elements of strategy formulation and implementation. McGahan (2004, p. 88) has made a useful observation: “No innovation strategy works for every company in every industry. But if you understand the nature of change in your industry, you can determine which strategies are likely to succeed and which will backfire”.

According to Spear (2004, p. 80), “the Toyota Production System (TPS) is a system of nested experiments through which operations are constantly improved”. But any continual improvement program can only work if people remain committed to it and individual managers engage in open communication. They also need to be held accountable for their actions and need to identify people lower down the chain of command that can assume responsibility for aspects of the continual development program.

If market conditions are strong and two competitor companies form an alliance, senior managers within the organization not involved in the alliance may become indecisive because of impending uncertainty. A culture of indecision may materialize and as a consequence, frustration and conflict may result. This may have a harmful outcome in the sense that some well-qualified managers become disillusioned and leave the organization.

At this point it would be necessary for top management to look within the organization's value system (especially the decision-making process and the style of doing business) and identify future leaders “who can engender intellectual honesty and trust in the connections between people” (Charan, 2001, p. 76). If the organization has been through a difficult time (staff have been made redundant and some plants and offices closed down), then some staff may appear disillusioned and might start making negative comments about the company.

Acknowledging employee's feelings is crucial, especially if they are worried about the future and what the future has to offer (Garvin and Roberto, 2005, p. 110), because it is necessary to deal with emotional issues before they cause conflict.

Charan (2001, p. 82) has indicated that in order to transform a culture of indecision, a leader needs to be a good listener, needs business acumen, and needs to have operational experience. Operational experience is necessary because it provides a basis for questioning certain assumptions and decisions, it allows a single business decision to be placed in a wider context (the ramifications of which could have a social, cultural, legal and political effect), and it provides credibility (subordinates will identify with the person and will offer their support).

The issue of performance integrity is something that needs to be taken into consideration because, as Sirkin *et al.* (2005, p. 111) have pointed out, the organization needs teams of managers and supervisors, and various other staff in place to carry out change projects in a successful way. Again, this is an essential requirement during periods of growth when decisions need to be made and implemented quickly.

Rooke and Torbert (2005) have indicated that a leader develops through time. It is common knowledge that background, education and personality all act to shape the characteristics of a leader. It is also common knowledge that people perform differently in different settings. Some strive on the unknown and risk taking and some like certainty and uniformity.

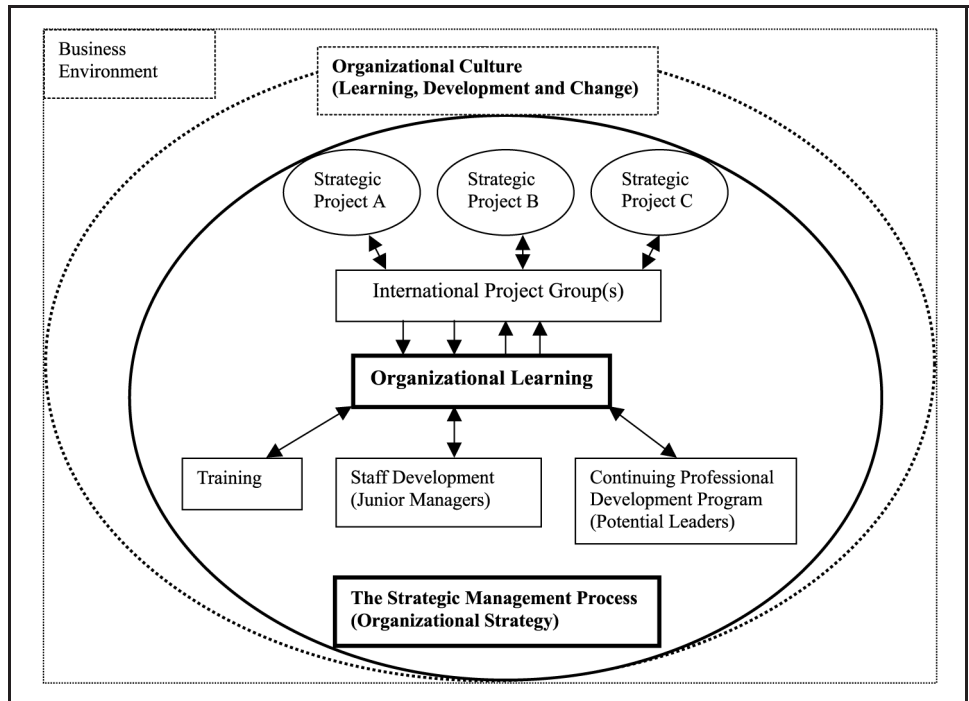
During periods of growth, it is important that senior managers select people for positions of responsibility according to set criteria. In other words, internal fit can only be achieved if the right people (with knowledge, skills and experience) are given appropriate leadership positions, and are held accountable for their actions. Internal fit is achieved when the organizational learning concept is applied and results in a commitment to continual improvement. The reader will note from Figure 1 that organizational learning underpins the strategic management process in various ways. For example, resources are made available for training; however, junior managers undergo staff development and those that are perceived as above average and recognized as future leaders are provided with continuing professional development.

The continuing professional development program, which is based on an individual's needs, also takes into account the organization's value system. Those that excel are seconded to an international project group and work with experienced managers on a specific project. As an individual manager progresses through the organization and reaches a senior position, they in turn will be proactive and able to manage change. This means that they will be able to handle risk and uncertainty, and be able to communicate in an open and appropriate manner with staff both inside and outside the organization.

Conclusion

By embracing the organizational learning concept, managers throughout the organization will be able to put in place a number of programs that focus on both immediate strategic needs and future strategic needs. As well as ensuring that managers recognize the key success factors, it is also important that managers have the confidence to manage change by innovating when necessary.

Figure 1 A conceptual model outlining how organizational learning underpins the strategic management process



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Furthermore, during periods of growth, it is important that managers pay attention to recurring issues related to corporate governance and corporate social responsibility. This means that they will also need to understand the complexities associated with regulation and be skilled at managing relationships with government officials.

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