

LEARNING ORGANIZATION IN NEW ECONOMY

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ABSTRACT

Environment is nowadays characterized by permanent change and growing complexity. Flexibility and lifelong learning are required for success in such environment for individuals and for organizations as well. Learning organization is defined as organizations that have implemented structure, processes and organizational culture that continuously foster individual, team and organizational learning and which results with permanent changes in behaviour and organizational processes.

Learning organization is not new subject of research and it is not unknown to managers. In order to enable development of learning organization, many authors have developed concepts and defined specific activities that can help management in achieving the goal of creating and measuring learning organization in their companies. In this paper we describe several of these constructs with emphasis on Building Blocks of Learning Organization, created by David A. Garvin, Amy C. Edmondson and Francesca Gino. Based on this construction we wanted to test if Croatian companies are dedicated to implementation and development of learning organizations. We have conducted a research on a convenient sample and it showed that Croatian companies fall behind on implementation of learning organization. The results of this research may serve as guidelines for decision makers who want to improve learning processes within their organization.

JEL Classification: D83

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INTRODUCTION

If contemporary business environment is to be described with one word, it would be change. Complex and turbulent environment impact business organizations in many ways: product lifecycles are shorter, competition on global level is more intensive, sustainable competitive advantage is hard to build and maintain, customers are more demanding, new technologies are emerging almost daily, market conditions are unstable, intellectual capital is becoming more important than ever, etc. Organizations are confronted with New Economy and achievement of fundamental organizational goals, survival and development; as a consequence flexibility and lifelong learning are required.

Being flexible and able to adapt to changes, if not creating them, is required from specific characteristics organization. These are characteristics of Learning Organization. Learning Organizations have implemented structure, processes and organizational culture which fosters continuous individual, team and organizational learning. Learning results with permanent changes in behaviour and organizational processes; these changes cause improvement in all aspects of business, they ensure creation of sustainable competitive advantage on the market and achievement of organizational goals. In order to enable the development of Learning Organization, many authors and scientists have developed concepts and defined specific activities that can help management in achieving the goal of creating the Learning Organization culture in their organizations. The complexity of this concept disables the oneness in all its dimensions. However, most of these concepts include many aspects like organizational culture, mental models, common vision, leadership, openness to new ideas, communication, system thinking, learning process, team work, empowerment and many more. If management wants to manage the process of the development of Learning Organization, they also need to measure this process. This work presents several concepts of the Learning Organization constructed with emphasis on Building Blocks of Learning Organization, created by David A. Garvin, Amy C. Edmondson and Francesca Gino. Their assessment tool and benchmark scores were used to conduct a research in Croatian organizations.

The basic aim was to assess how well Croatian organizations learn and how they learn in relation to others. Learning Organization was examined in two waves. The first wave was conducted in September 2006 with the questionnaire that was sent via e-mail together with the instructions. In first wave, data was collected from 52 participants. The second wave was conducted in December 2012 with the same

questionnaire. Participants were students taking part in Strategic management class on the 4th year of Effectus College. All 33 participants had working experience and they had been working in different organizations at the moment of research.

The sample method does not allow the generalization of results, but it provides important indicator of Learning Organization culture in Croatian organizations. Also these results implicate which activities are to be taken if management wants to ensure organization's sustainable competitive advantage through benefits of lifelong learning in New economy.

1. LEARNING ORGANIZATION

During the development of Learning Organization many concepts and definitions have occurred. They are product of diverse approaches and thoughts of this concept. This is the reason why it is difficult to identify one generally accepted definition. Knowledge about the content of this concept is necessary if we want to operationalize Learning Organization in everyday business. Mayo and Lank say that the label used to describe learning organization is less important than the understanding of the notion itself: namely that survival in a rapidly changing world is dependent on adaptability; adaptability depends on the capability to learn; and that capability depends on the motivation for continuous learning of everybody in an organization within a supportive learning environment (Mayo & Lank, 1997, vii).

The academic definition of the Learning Organization states that the Learning Organization covers individual, group and organizational learning with the simultaneous proceeding effort for organizational and individual learning. It is a type of collective activity to reach organization-shared vision (Cang & Lee, 2007, 159).

Peter Senge is, undoubtedly, the author who gave the biggest contribution to the popularization of Learning Organization concept. He defines Learning Organization as organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together (Senge, 2006, 3).

Garvin (1993, str.) says that Learning Organization is an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights. Learning Organization is not brought about by

simply training individuals; it can only happen as a result of learning on the whole organizational level, therefore for Pedler et al. (1991) it is a vision of what might be possible. Learning Organization can be defined as one that is characterized by continuous learning for continuous improvement, and by the capacity to transform itself (Marsick & Watkins, 1999, 10).

Drew & Smith (1995) have adopted definition that claims that the Learning Organization is a social system whose members have learned conscious communal processes for continually:

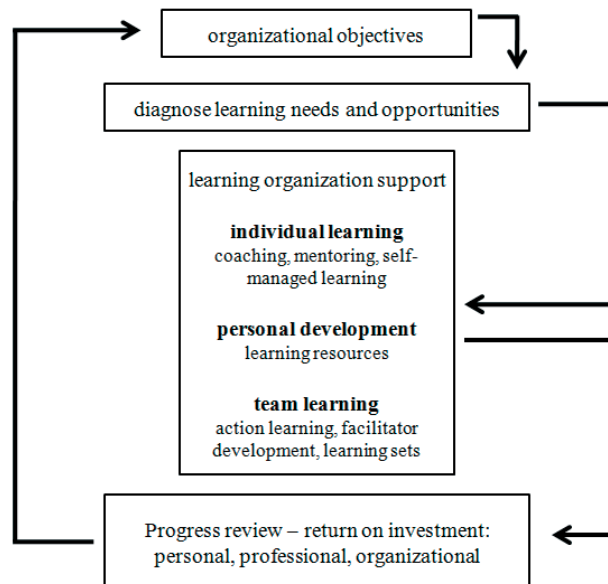
- generating, retaining and leveraging individual and collective learning to improve performance of the organizational system in ways important to all stakeholders; and
- monitoring and improving performance.

According to this definition, coping with surprise and ensuring long-term survival are both important aspects of performance (Drew & Smith, 1995, 5).

There are many more definitions of Learning Organization, but in essence we can say that this is an organization that has found a workable and meaningful way of systemizing organizational learning and all its component parts, as presented in Figure 1 (Teare & Deltry, 1998, 57).

As it is stated above, one can conclude that Learning Organization is not a condition, structure or set of rules and procedures. It is a very complex concept and process in the continuous change, development and modelling. Like knowledge, this concept is dynamic and requires ongoing action of adjustment. Its final goal is to establish learning as basis for organizational development through individual learning and changes in behaviour of employees. In this sense, human resource is the key component of Learning Organization.

Figure 1: Systemized organizational learning



Source: Teare, R. & Dealtry, R. (1998) Building and sustaining a learning organization, *The Learning Organization*, Vol. 5, No. 1, p. 47-60, adapted from Buckler, B. (1996), A learning process model to achieve continuous improvement and innovation, *The Learning Organization*, Vol. 3, No. 3, p. 31-39

Different elements of Learning Organization definitions can be systemized in the following categories:

- learning (continuous individual, team and organizational learning on all organizational levels)
- change and modification of behaviour (transformation)
- knowledge (creation, acquisition and distribution of information and knowledge)
- continuous improvement, development, advancement
- mental models (new, open; experimenting)
- values (corporate values, beliefs, vision, mission)
- change (facing, accepting and managing)

This short overview indicates previously mentioned complexity of Learning Organization concepts. In the following chapter few constructions that have operationalized the Learning Organization phenomena will be presented.

2. THE CONSTRUCTION OF LEARNING ORGANIZATION

There are many of authors who have tried to operationalize the construction of Learning Organization. The aim was to create basis for practical implementation. Knowledge about different concepts contributes to understanding and increases the ability to implement Learning Organization in practice.

2.1. PEDLER, BURGOYNE & BOYDELL: THE LEARNING COMPANY

In their effort to answer the question “What does Learning Company look like?” authors have defined 11 characteristics of the Learning Company (Pedler et al, 1991, 15):

1. Learning Approach to Strategy
2. Participative Policy Making
3. Informing
4. Formative Accounting and Control
5. Internal Exchange
6. Reward Flexibility
7. Enabling Structures
8. Boundary Workers as Environmental Scanners
9. Inter-company Learning
10. Learning Climate
11. Self-development Opportunities for All.

Based on these 11 characteristics organizations can measure their profile and compare it with desired future. Each characteristic is operationalized with 5 items, and can be assessed on a scale from 1 to 10. Assessors can evaluate current position, but also how they would like the future to look like. By comparing these two scores, companies can calculate the dissatisfaction index, given by (Pedler et al., 1991, 33):

$$\text{Dissatisfaction index} = 100 \times \frac{\text{how it should be} - \text{how it is}}{\text{how it should be}}$$

Also, based on the rank of each characteristic, management can easily define areas which need to be improved and priorities among these areas.

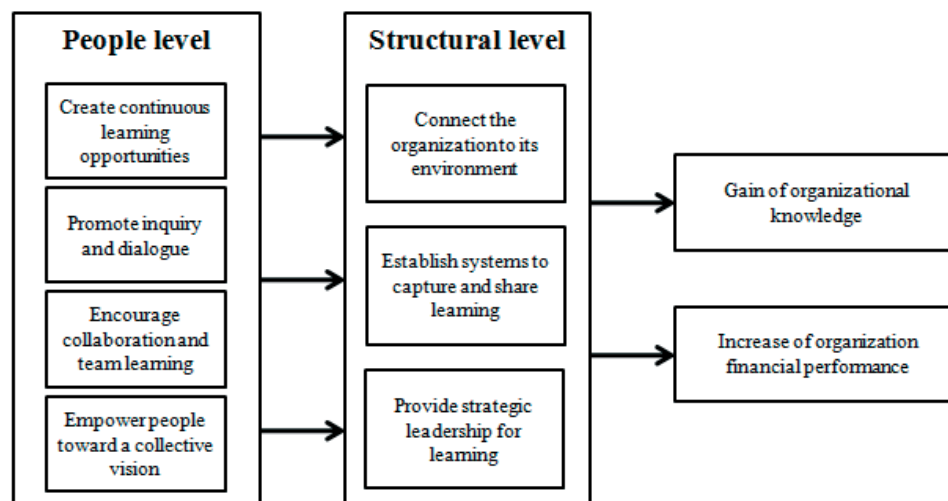
2.2. WATKINS & MARSICK: DIMENSIONS OF THE LEARNING ORGANIZATION QUESTIONNAIRE

The Learning Organization Questionnaire is multidimensional, integrative measure of the Learning Organization which consists of 7 dimensions:

1. Continuous Learning
2. Inquiry and dialogue
3. Team learning
4. Embedded system
5. Empowerment
6. System connection
7. Provide leadership

Each dimension is described with several items and respondents rate each item on a six-point Likert-type scale. Additionally, there are two dimensions: organizational knowledge and financial performance. They represent measures of organizational performances and show the relations between learning behaviours in organization and achieved results (Watkins & Marsick, 2004, 37).

Figure 2: Nomological Network of the Dimensions of Learning Organization and Performance Outcomes



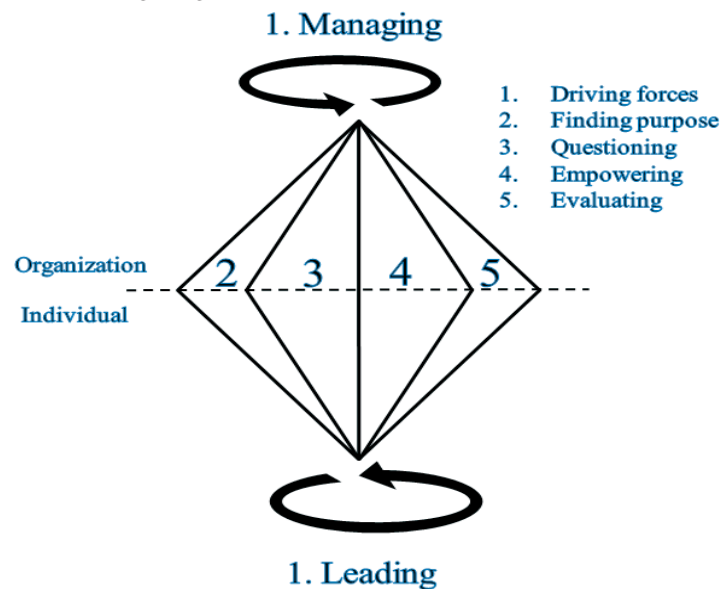
Source: Watkins, K.E. & Marsick, V.J. (2004) The Construct of the Learning Organization: Dimensions, Measurement, and Validation, *Human Resource Development Quarterly*, vol. 15, no. 1, spring 2004, p 41

Figure 2 shows the relationship between Learning Organization dimensions defined by the Dimensions of the Learning Organization Questionnaire. It is important to emphasize that this instrument is validated and therefore can be recommended for usage in organizational practice and research.

2.3. MOILANEN: THE LEARNING ORGANIZATION DIAMOND TOOL

This model is based on Learning Organization definition that says that Learning Organization is a consciously managed organization with „learning“ as a vital component in its values, visions and goals, as well as in its everyday operations and their assessment. The Learning Organization eliminates structural obstacles of learning, creates enabling structures and takes care of assessing its learning and development. It invests in leadership to assist individuals in finding the purpose, in eliminating personal obstacles and in facilitating structures for personal learning and getting feedback and benefits from learning outcomes (Moilanen, 2001, 11). The model is presented in Figure 3, and shows its different dimensions.

Figure 3: The Learning Organization Diamond



Source: Moilanen, R. (2005) Diagnosing and measuring learning organizations, *The Learning Organization*, Vol. 12 No. 1, p. 74

This tool is composed of 40 statements. The statements in the instrument used ten-point Likert scale. It offers a framework for analysing Learning Organizations making it possible to see the whole, but also to identify the elements of this whole (Moilanen, 2005, 75).

2.4. GARVIN, EDMONDSON & GINO: BUILDING BLOCKS OF THE LEARNING ORGANIZATION

In their article „Is Yours a Learning Organization“ published in Harvard Business Review in March 2008, authors presented an interesting and useful assessment tool for Learning Organization that can be used at any level of organization. The model is based on three broad factors that are essential for organizational learning and adaptability: (1) a supportive learning environment, (2) concrete learning processes and practises, and (3) leadership behaviour that provides reinforcement (Garvin et al., 2008, 110). These are the three building blocks of the learning organization. Each of these blocks has subcomponents and these are described with several items. Items are assessed on a seven-point Likert scale in first and second block, and on five-point scale for the third block. This tool has also provided benchmark data, derived from surveys conducted by the authors. It is, therefore, possible to compare results from one organization (or part of the organization) with benchmark data. This is the reason why we have used this tool for assessment of Learning Organization implementation in Croatian companies. The methodology of this research is presented in next chapter.

3. LEARNING ORGANIZATION IN CROATIAN COMPANIES

A simple research has been made in order to see if Croatian companies are dedicated to and successful in implementing and maintaining Learning Organization within the scope of their work. For that purpose a questionnaire consisting of three parts has been created. In the first part respondents gave information about their company (number of employees, ownership structure, legal status, size, etc.) and information about themselves (educational qualification and current organizational level). Second part of the questionnaire is previously explained, „Three blocks of learning organization questionnaire. The third part consists of some general questions about Learning Organizations (knowledge about the concept, importance, commitment of their organizations to knowledge creating, etc.). The questionnaire comes with written instructions, since it has been sent via e-mail, and doing the

questionnaire takes about 10-15 minutes. Results were compared to published benchmark data (derived from a survey conducted in autumn 2006 among 125 senior executives in USA) (Garvin et al., 2008, 114).

The sample was convenient and included employees at all organizational levels. We believe that this information is very important, because it shows not only how management perceives their organization, but also the perception of learning within the organization from all members. The results were analyzed with Excel-based software application. The study was conducted in two waves.

The first wave was conducted in September 2006 with the previously described questionnaire. It was sent via e-mail together with the instructions and respondents had to return it via e-mail or via post (mostly via e-mail). We received 63 questionnaires, but 11 were not complete, so we had to exclude them from results. Almost 30% of companies included in the survey are small companies with 1-10 employees, and 62% have 50 employees or less. It is interesting that 63% of respondents have a university degree. The results of the Learning Organization Survey are shown in Table 1. It is clear that on almost all blocks and subcomponents results are below the medium, with the exception of two subcomponents: (1) appreciation of differences and (2) time for reflection.

In December 2012 we used the same questionnaire for a short survey. Our participants were students taking part in Strategic management class on the 4th year of Effectus College. All 33 participants had working experience and they had been working in different organizations at the moment of research. The structure of the companies was similar to the structure from previous research wave, but this time all our participants had a Bachelor's degree. The results are shown on the Table 1. We can notice minor decrease in almost all subcomponents.

Table 1: The results of survey conducted in September 2006 and benchmark

Building Blocks and Their Subcomponents	Dec 2012 survey results	Sep 2006 survey results	Bottom quartile	Second quartile	Median	Third quartile	Top quartile
Supportive Learning Environment							
Psychological safety	73	64	31-66	67-75	76	77-86	87-100
Appreciation of differences	68	58	14-56	57-63	64	65-79	80-100
Openess to new ideas	72	66	38-80	81-89	90	91-95	96-100
Time for reflection	55	51	14-35	36-49	50	51-64	65-100
Learning environment composite	67	60	31-61	62-70	71	72-79	80-90
Concrete Learning Processes and Practises							
Experimentation	51	45	18-53	54-70	71	72-82	83-100
Information Collection	74	63	23-70	71-79	80	81-89	90-100
Analysis	61	59	19-56	57-70	71	72-86	87-100
Education and training	63	55	26-68	69-79	80	81-89	90-100
Information transfer	55	54	34-60	61-70	71	72-84	85-100
Learning processes composite	61	54	31-62	63-73	74	75-82	83-97
Leadership That Reinforces Learning							
Composite for this block	68	63	33-66	67-75	76	77-82	83-100

Authors' illustration, Data analysis

The above stated results show that Croatian organizations have failed to implement the Learning Organization within their organizations. For managers in these organizations these results can be a starting point for identifying goals and activities necessary for implementation of learning.

CONCLUSION

Aware of all methodological constraints in this survey we can conclude that its results indicate low level of Learning Organization characteristics in Croatian companies. In New Economy, where knowledge creation and implementation produces competitive advantage, this is unacceptable. Contemporary environment faces organizations with challenges that cannot be faced without flexibility and knowledge. It is often highlighted by Croatian businessmen in the media that competitive product is necessary if Croatia wants to achieve high level of quality in the global market. There can be no competitive product without new knowledge and

skill application of all the employees and Learning Organization is a mechanism which enables implementation of knowledge at all organizational segments. Vision, mission, organizational culture, strategy, goals, activities, and all the other elements of business operation have to be permeated by education. If the importance of continuous learning, improving and development of skills and abilities is globally recognized and unquestionably important for the company's success, that the manager or the leader should think about how to apply those activities and processes in everyday business. Managers are promoters of learning. They are students and teachers at the same time (Horvat et al., 2012, 18). The process of transformation starts with vision and decision to transform the existing organization into Learning Organization. The final result is reflected by market position strengthening, sustainable competitive advantage achievement and successful business in general. Time in which Learning Organization concept was not well known and insufficiently defined has passed and this can no longer be an excuse for inability to develop and implement Learning Organization. All of this is possible because of the instruments, models and tools available for each organization. Being on the threshold of becoming a member of European Union, it should be the priority to Croatian companies.

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