



**THE UTILISATION OF ORGANISATIONAL LEARNING  
CAPABILITIES FOR ORGANISATIONAL SUSTAINABILITY**

**A dissertation submitted by**

**David G. Demetrius**

**B.Sc., B.Bus., C.Math., FCPA, FAIM, FIoD, FAICD, FIMA, FORS**

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## ABSTRACT

This research study investigates the organisational learning processes of discovery, choice and action related to organisational sustainability. In particular it investigates the Research Question ‘How do organisations utilise their organisational learning capabilities for sustainability purposes?’ The research into this question, which has been largely ignored in previous research, results in the building of a framework that differentiates organisations according to a number of different orientations. For each orientation that emerged from the research, a number of different mechanisms for organisational learning capabilities were identified.

The research is based on a multiple case study approach using thirteen cases. These are a mixture of commercial companies in both manufacturing and service sectors and not-for-profit organisations, and are drawn from organisations in Europe, South East Asia and Australia. In-depth interviews were conducted with senior management executives to determine how they used their organisational learning capabilities with respect to strategic management, performance management and organisational renewal. The information gathered from these interviews was analysed and, from the results, there emerged a number of different orientations for each of the three areas of investigation. For strategic learning, orientations identified were entrepreneurial, path-dependent and builder; for performance learning they were technical, cultural and interpersonal; and for organisational renewal they were planned change and emergent innovation. The organisations studied provided one or more examples of each of the orientations identified.

Looking at how the cases approached a number of different mechanisms of organisational learning capabilities, it emerged that each of the orientations identified demonstrated very different approaches to the use of organisational learning capabilities. Resulting from this analysis, matrices have been built demonstrating the way a number of key learning capabilities are commonly found in each of the different orientations identified.

For strategic management, three orientations were identified—entrepreneurial, path-dependent and builder; for performance management the orientations identified were

technical, cultural and interpersonal; and for organisational renewal two orientations emerged—planned change and emergent innovation.

This classification provides a useful theoretical framework of organisational orientations mapped against key learning capabilities, enabling an understanding of the application of learning capabilities in different organisations. It forms a basis for further theoretical research, as well as a practical framework for senior managers to consider alternative ways of using their organisational learning capabilities to ensure sustainability of their organisations.

In addition to the three primary research issues, a fourth research issue was included, investigating the impact of the political style of leaders of the organisations on the utilisation of organisational learning capabilities. Four different themes were identified.

## CERTIFICATION OF DISSERTATION

I certify that the ideas, results, analyses and conclusions reported in this dissertation are entirely my own effort, except where otherwise acknowledged. I also certify that the work is original and has not been previously submitted for any other award, except where otherwise acknowledged.

Candidate: David Graham Demetrius

A handwritten signature in black ink, appearing to read "David Graham Demetrius", enclosed within a large, stylized circular flourish.

Signature of Candidate

Date 24 October 2012

### ENDORSEMENT

Supervisor: Dr Bruce Millett

Signature of Supervisor

Date

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# **1 INTRODUCTION**

This study explores the nature of organisational learning capabilities that organisations utilise in their quest to achieve their aspirations for the future. It will show that the way organisations utilise their learning capabilities varies considerably, but that it is possible to illustrate these differences by analysing each organisation's particular orientation and their ways of using the associated relevant learning capabilities. A review of the literature was conducted to establish the central concepts in organisational learning and business strategy and to identify the major findings from the relevant research studies in this area. A multi case study approach has been adopted in order to develop insights from a range of organisations with diverse experiences across a number of different cultural and national contexts. The study aims to contribute to the literature on organisational learning and business strategy and to provide some practical advice for senior managers.

This chapter presents the background to the study, the research question and research issues for the study. A justification for the investigation is also given, as well as an overview of the research design adopted. Limitations of the research are also highlighted.

## **1.1 Background to the research**

### **1.1.1 Managing in dynamic environments**

In contemporary society, the dynamics of the business world are greatly influenced by globalisation, increased competition and rapidly changing technology (Beer & Eisenstat 1996; Fitzroy & Hulbert 2005; Hanson, Dowling, Hitt, Ireland & Hoskisson 2008). Today's business environment is truly global (Daft & Noe 2001). Globalisation involves the increasing economic interdependence among various countries and their domestic firms in terms of the flow of financial capital and knowledge as well as goods and services across national boundaries (Hanson et al. 2008). A major consequence of globalisation is the dramatic increase in performance standards relating to goods and services. Such standards can be

interpreted in terms of quality, cost, efficiency, productivity and continuous learning capabilities.

Improvements in the cost and quality of products and services across national boundaries also reflect the changing nature of competition in global markets. Some suggest that there is a move towards hypercompetition where markets become increasingly unstable and turbulent because of the dynamics of strategic innovations and creativity among competitors (McNamara, Vaaler & Devers 2003). Such dynamics in competitive markets has put much more pressure on senior business leaders to challenge their mindsets and rethink their strategies for gaining a competitive advantage.

Rapidly changing technology has also created opportunities for senior business leaders. For example, not only have dramatic reductions in the cost of computing power and advances in telecommunication services created enormous possibilities for firms, but new production technologies have also redefined the nature of work and the scope of services. In addition, it is more widely accepted that the economic potential of firms is becoming more and more dependent upon the acquisition and management of knowledge (Fitzroy & Hulbert 2005).

Globalisation, increased competition and rapidly changing technology are three significant forces impacting organisations, resulting in environments that are more unpredictable and unknowable (Stacey 2007). For senior executives and leaders in both public sector and private sector organisations these forces have meant a greater focus and dialogue on their organisation's strategic capability to respond to unpredictability.

Of course, there are other factors that contribute to environmental ambiguity and uncertainty in terms of strategic decision-making. Daft and Noe (2001) point to the recent debates around the lack of ethical behaviour in management and the need for greater social responsibility by organisations. These debates have led to further challenges for managing organisations. Robbins, Judge, Millett and Waters-Marsh (2008) highlight various facets within contemporary social and political trends and aspects of the changing workforce demographics that also present challenges and

complexities for strategic decision-making. In addition, deregulation and privatisation have caused a great deal of restructuring and rethinking across industries and in the public sector (Fitzroy & Hulbert 2005). All these factors point to the importance of developing internal managerial and organisational capabilities to place organisations in a better position to respond and adapt to such chaotic conditions or, as Stacey (2003) describes it, conditions that approach the edge of chaos.

One of the implications for senior executives from the above discussion is how to realign their organisations in order to sustain acceptable levels of performance in environments that are complex, ambiguous and unpredictable. These current conditions and trends in organisational environments have put a lot more pressure on strategic managers to find competitive advantages, to cope with constant change, to increase performance levels, to access relevant resources and to create a sustainable future.

### **1.1.2 The changing world**

Changes in the environment in which organisations operate are frequent and rapid in the modern world. In order for organisations to ensure their sustainability they need to learn from these changes and to constantly re-evaluate their strategies. One of the most noticeable areas of change is in technology. However, in the literature, there are differences of opinion as to its effect. Lee, Bennett and Oakes (2000, p. 550) argue that ‘...the impact of information technology has created a market place which requires organisations to learn to operate in ways quite outside their previous experience’. Newell et al. (2001) take the midway position that ‘...technology may be a necessary but not sufficient condition to effect change...’, whereas the findings of Johnson, Fidler and Rogerson (1998) indicated that technology does not necessarily imply changes in work patterns—and that there had been no significant changes since their 1967 study.

The consequence of this rapidly changing world is that it imposes ever-shortening timescales on organisations for the learning process. Therefore the way that organisations gather and use knowledge is vitally important.

### **1.1.3 Organisational capabilities and competitive advantage**

For a considerable time, strategy researchers and management practitioners alike have shown a keen interest in one of the basic issues in strategic management: what strategies give a firm a competitive advantage and sustained performance outcomes? (Grunert & Hildebrandt 2004). In this context, the concept of strategic capability has become a key focus in the strategic management literature in recent years. Starkey and Tempest (2004) suggest that while the interest in competence at the organisational level has a long history in the research on strategy, its significance has been elevated with the emergence of the resource-based view of the firm which argues that firm-specific resources can give a firm a competitive advantage. Prahalad and Hamel (1990) see core competencies, based on a consolidation of skills and technologies, as spawning unanticipated products.

The search for the capabilities of a firm that will provide sustained performance in the current competitive landscape is illustrated by the publication of numerous books on the subject. Since the start of the 1990s, the popular literature on management has proposed a variety of organisational responses. For example there is *The High-Performance Enterprise* by Neusch and Siebenaler (1993) which suggests that organisations should respond to these pressures by reinventing the people side of the business. This theme is typical of many publications since the early 1990s that were written on the concept of the high-performance organisation and the quest to become leaner and meaner.

Purser and Cabana (1998) followed with the self-managing organisation where the ability to respond was seen to reside in transforming the work of teams for real impact. William Pasmore (1994) represented this general push to transform organisations by suggesting how to design the flexible high-performing organisation. His book is based on the proposition that the more flexible an organisation becomes, the better it can respond to change. However, he realises the practical difficulties inherent in the statement ‘...flexibility becomes the source of competitive advantage, as the company's products, services and ways of doing business evolve more quickly

than the competition. The organisation becomes an industry leader and remains in a leadership position by virtue of its ability to adapt' (p9).

Pasmore (1994, p214) suggests that an important facet of developing a flexible organisation is through organisational learning: '...flexibility means developing requisite variety, being able to do things we didn't even know we would need to do until we need to do them. We can't be flexible if we are one-trick ponies, doing the same routine over and over again and learning nothing new.' The concept of the learning organisation has now become embedded in the management literature as a serious response to developing the sort of strategic capability required to succeed in the current and future environment. This is based on the premise that the ability of an organisation to learn faster than its competitors may be the only source of sustainable competitive advantage (DeGeus 1988; Slater & Narver 1995). This is reinforced by Prahalad and Hamel's (1990) view that core competencies are the collective learning in the organisation.

#### **1.1.4 Need for more research on organisational learning capabilities**

Leavy (1998) described how learning and competitiveness has led to greater emphasis on the resource-based view of the firm, with the focus on an effective learning culture being the key to competitiveness. He also sees the concept of strategy as an organisational learning process rather than just a planning process. This perspective adds to the significance of organisational learning capability as a central concept within the strategic management literature and, as Leavy (1998) points out, strategy as learning is '...particularly useful for thinking about organizational transformation' (p. 457). Furthermore, as Leavy comments (p. 460):

...the development of organizational learning capability requires a 'systems perspective' and the encouragement of greater real-time interaction among people from diverse functions and operations, conditions that are likely to be greatly enhanced by the rapid and exciting developments in modern information and communications technologies.

However, organisational learning does not always lead to intelligent or effective behaviours (Levitt & March 1988) and there is a risk that single loop learning, by

continually refining existing strategies, actually may reduce the ability to identify the need for double loop strategic overhaul (Hardy 1996).

The significance of organisational learning capabilities to organisational performance is recognised in the literature (see for example, Alegre & Chiva 2008; Styhre, Josephson & Knauseder 2004). While there is significant literature on the learning organisation and its associated concept of organisational learning, there is a need to explore further the nature of organisational learning capabilities and how such capabilities can enhance the strategic capability of a firm. This is because the focus on organisational learning capabilities is relatively new and there is little research to date on how such capabilities are utilised in organisations. There is also a need for more research to provide a greater understanding of how organisational learning capabilities are utilised and how they contribute to an organisation's sustainability. Yeung et al. (1999) in their book *Organisational Learning Capability*, attempted to address the question of how companies can build such capabilities, because they observed that there has been little in-depth research or practical management advice given on this important topic.

## **1.2 Research Question and Research Issues**

The literature review (see Chapter 2) has identified considerable discussion on the issue of organisational learning. However, it is not evident from the review how organisations are using their organisational learning capabilities to ensure their continued success. This research study aims to investigate this area.

The specific research question being addressed is:

*How do organisations utilise their organisational learning capabilities for sustainability purposes?*

The research issues arising from the research question and the literature review are as follows:

**Research Issue 1:** This is concerned with how organisations deal with strategic development and implementation through various organisational learning capabilities.

- How do organisations utilise their organisational learning capability in relation to their approach to strategic management?

**Research Issue 2:** This issue focuses on the organisational learning capabilities that underpin the management of performance in organisations.

- How do organisations utilise their organisational learning capability in relation to their approach to performance management?

**Research Issue 3:** This issue looks at how organisational learning capabilities are associated with the bringing about of significant change and innovation in the organisations.

- How do organisations utilise their organisational learning capability in relation to their approach to organisational renewal?

**Research Issue 4:** This looks at how the utilisation of organisational learning capabilities in organisations is affected by the political style of the leaders.

- How does the political style of the senior leaders in organisations impact the utilisation of organisational learning capabilities in general?

### **1.3 Justification for the research**

#### **1.3.1 Overview**

The setting and adapting of strategic capability within organisations as they learn from feedback from their market sectors is a topic that has been discussed in much of the literature. However it will be seen in Chapter 2 that although there is an abundance of work on organisational learning and on strategy development, performance management and organisational renewal, there is little on how organisational learning capabilities are used in practice by organisations to ensure strategic growth and sustainability and the capability of organisations to respond to a dynamic and changing environment.

There are two aspects to be considered with respect to the justification of the topic and research question approach adopted in the current research. These are the

contribution to theory and the contribution to practice. Each of these is addressed in turn below.

### **1.3.2 Contribution to theory**

The proliferation of recent research work (see Chapter 2) on organisational learning with respect to strategic management demonstrates its importance in the academic world. Several management academics identify the increasing need for companies to learn and adapt. ‘There is a growing requirement for organizations to “learn” in an ever-changing environment’ (Francis & Mazany 1997, p. 17). If they do not, companies will find themselves ‘...missing a huge untapped opportunity: the opportunity to differentiate themselves through *learning from the world*’ (Doz, Santos & Williamson 2001, p. 32)

Whether firms are indeed ‘learning’ or simply reacting to individual events as they occur is not clear. One writer argues that it is not a deliberate process by the board of directors, but that:

The most successful CEOs will be able to accommodate whatever trends emerge and whatever curve balls are thrown, in large part because they will never lose sight of their fundamental strategies: to win over consumers, surround themselves with the most talented people, enhance the reputation of their brands and incessantly communicate their strategies to investors, customers and employees (Garten 2001, p. 67).

Organisational learning is not simply a question of how to use new information in their existing strategies as, for example, discussed by Williams and Behrendorff (2000), but more the issue of how to adapt organisational strategies to benefit from them.

It is not clear however whether and, if so, how organisations are using their organisational learning capabilities to adapt and sustain the organisation in the light of events and changes in the environment in which they operate. It will be seen in Chapter 2 that some research has been conducted on organisational capabilities, but more is needed. This study aims to provide further insights on this important area



of research by studying a number of cases and evaluating and classifying the nature and use of their organisational learning capabilities with respect to a number of aspects of sustainability, these being strategic development, performance management and organisational renewal. The concept of organisational sustainability is seen as key, because it moves away from the simple profit motivation of commercial organisations and encompasses the strategic planning of all organisations, including not-for-profit bodies.

As will be seen in Chapter 2, literature exists both on the theory of learning organisations and on organisational learning capabilities. Much has been written and researched on organisational learning over the last forty years. Several researchers (e.g Ford 1986) identified organisational learning as important for maintenance of competitive advantage. Many others (e.g. De Geus 1988; Nonaka 1991; Schein 1993, Senge 1990a, 1990b) recognized its importance for organisational survival. More recently there has been a limited amount of research published on the subject of organisational learning capabilities.

The current research focuses on the sustainability of organisations and investigates via case studies how organisations are actually achieving this in practice by use of their organisational learning capabilities. The exploratory research carried out in this study will extend the existing theory on organisational learning capabilities by specifically focusing on three areas. It will be seen in the literature review in Chapter 2 that no research to date has been identified that looks at how organisational learning capabilities are applied to strategic management, performance management and organisational renewal. The research into these three areas will provide a base for the understanding of how organisations use their organisational learning capabilities effectively for sustainability.

### **1.3.3 Contribution to practice**

The research also provides useful practical benefits. Management teams and their advisers regularly look for ways to ensure sustainability and growth for organisations. In doing so, it is useful for managers to be able to compare their own situation and their approach with that of other organisations in their sector. The

current research aims to identify how different organisations use their learning capabilities and the analysis will provide a basis for enabling managers to compare their approach to using their organisational learning capabilities for strategic development, performance management and organisational renewal with the approach taken in other similar organisations.

As competitive advantage analysis generally relates to profit based organisations, the more general concept of organisational sustainability is used as the base of the current research. As Argyris and Schön (1978) point out, knowledge is only truly learned by an organisation if procedures change as a result of this knowledge. By describing different ways organisations approach the utilisation of their learning capabilities to achieve sustainability, the results of this research will provide managers with a better understanding of the approaches available to them and a better understanding of their own style of management. This therefore provides a significant contribution to management practice.

#### **1.4 Methodology**

Given that the aim of this research is to identify how firms are using their organisational learning capability, rather than proving (or disproving) an existing hypothesis or theory, this study is carried out under the scientific paradigm of Critical Realism, which is appropriate for ‘...an understanding of the common reality of an economic system in which people operate independently’ (Perry et al. 1999, p. 18). The rationale for this approach is expanded further in Chapter 3.

The research is carried out using a case study approach, as this is an appropriate method of providing useful results in the areas identified as worthy of further research during the literature review. It relies on interviews and relevant documentation as the primary source of data to address the research issues. As there is a search for an empirical understanding of how firms are using their learning capabilities for organisational sustainability purposes, the research lends itself to a case study approach (Perry et al. 1999, p 19). The work is more focused on extending theory rather than testing and verifying it and, as such, the qualitative approach within case studies is appropriate. The alternative approach of using

surveys and/or experiments would be more relevant to research under the Positivism paradigm, as they can be used to determine the ‘correct’ values of particular variables where the aim is objectivity:

...the research problem that is the focus of a case study research project is usually a ‘how do?’ or ‘why’ problem...and involves a relatively complex issue about which little is known (McPhail 2002, p. 5.21).

Senior executives from thirteen organisations were interviewed to provide case studies of their organisations. Two of the organisations chosen are from Western Europe, six are from South East Asia and five are from Australasia. In addition, the cases cover a mix of manufacturing/production businesses and service/ non-production and not-for-profit organisations.

## **1.5 Outline of the thesis**

This Chapter 1 provides an overview of the whole thesis, leading into a detailed literature review in chapter 2. This is followed by a full explanation of the research methodology in Chapter 3, together with a justification for the approach taken. The data are presented and analysed in Chapter 4. The conclusions drawn from the analysis and the implications thereof are outlined in Chapter 5.

## **1.6 Delimitations of scope and key assumptions**

**Delimitations:** There are a number of delimitations implicit in the research question and the choice of cases. This is not a comparative study so, although the cases studied cover several geographic regions, no attempt is made to compare regions. In any case, were such a comparative study to be made, a significantly greater number of cases would be needed. Also, as the study is restricted to the utilisation of organisational learning capabilities, other factors that may affect an organisation’s sustainability were not investigated.

**Limitations:** With the limited number of companies studied, it is difficult to determine if cultural differences between the different geographic regions may be

responsible for differences identified in the case studies, rather than inherent differences in management thinking and adaptation.

**Unit of analysis:** The unit of analysis (Yin 1994) in this research is the individual organisation. In some cases more than one executive was interviewed for a single organisation and, although in most cases the responses of the executive(s), particularly in the case of MD/CEOs, may be assumed to portray correctly the nature of the organisation, it cannot be guaranteed.

## **1.7 Conclusion**

This chapter has provided an overview of the research to be conducted. It has outlined the research question and the specific research issues and has identified gaps in the literature justifying the research. The methodology adopted was briefly described, together with the justification for its use, and the structure of the thesis summarised. Some key terms were defined; and the delimitations and limitations of the research highlighted. The following chapters provide a detailed description of the research.

## CHAPTER 2

### 2 LITERATURE REVIEW

#### 2.1 Introduction

This chapter reviews the literature relevant to the study and develops a conceptual framework as a theoretical foundation for this research. From the gaps in the literature, this review provides a basis for focusing on the specific research issues identified in Chapter 1. The chapter is divided into three main sections.

The first section is concerned with a basic review of the field of study of strategic management in general and strategic capability in particular. Perry (1998) suggests that a literature review should start with an overview of the parent theory. In this case, the overarching field is strategic management. The idea that organisational learning fits within the umbrella of strategic management is supported by various authors. For example, Beer, Voelpel, Leibold and Tekie (2005) promote strategic management as organisational learning, where organisational learning is critical to an organisation's strategic capability and enables it to align with changing environmental conditions. Moingeon and Edmondson (1996) also align organisational learning with competitive advantage, one of the fundamental issues in strategic management.

The second section reviews the concepts of the learning organisation and organisational learning and identifies some of the issues relating to research in this field of enquiry. Organisational learning is an emerging discipline area and provides the more specific and central theoretical focus for the study.

The third section deals with specific research studies on organisational learning capabilities as a source of dynamic strategic capability. In this section, a theoretical framework is developed for this study from which the specific research questions are identified.

## **2.2 Strategic management and strategic capability**

In this section, the main points of the debate in the strategic management field are considered. The history of strategic theory is outlined and the distinction between strategy and strategic management is discussed.

### **2.2.1 Brief history**

The study of strategy had military origins. Sun Tzu's 'Art of War' was written approximately 2,500 years ago (McNeilly 1996). There are also writings on military strategy from the Greek and Roman military campaigns. Alexander the Great's very successful battle strategies are still used in Westpoint and Sandhurst for current military strategy courses, as are writings about the various European wars, including those of the Napoleonic era (e.g. Yenne 2010; Britt 2003).

Koch (2000, p. 6) observes, however, that although one can debate when strategy as a subject began, it 'definitely grew to adolescence in the 1960s'. Hubbard, Rice and Beamish (2008) identify two books written in the 1960s that firmly established strategy as an academic discipline: one on corporate strategy (Ansoff 1965) and the other on business policy (Learned, Christensen, Andrews & Guth 1965). There were of course earlier works on strategy, for example *Strategy and Structure* (Chandler 1962), *My years with General Motors* (Sloan 1963), *Concepts of the corporation* (Drucker 1946) and Levitt's article on 'Marketing myopia' (Levitt 1960).

The Boston Consulting Group, established in 1964 by Bruce Henderson, and now well-known for its experience curve concept and its Growth/Share Matrix, provided valuable intellectual commentary on strategy together with consulting advice on strategy for large organisations (see Stern & Deimler 2006).

Ansoff continued to publish new texts on strategic management in the 1970s (e.g. Ansoff, DeClerck & Hayes 1975; Ansoff 1979); followed by Mintzberg (e.g. Mintzberg 1973; 1979). Michael Porter became an icon in the strategy field following his seminal work on competitive advantage (Porter 1980) and remains so

to this day. It is not only Western writers who have contributed to modern strategic theory. Kenichi Ohmae's book on *The mind of the strategist: the art of Japanese business* (Ohmae 1982) is still regularly cited in current research. Other writers who provided new insights into the field of strategy in the late 1980s and 1990s include Prahalad and Hamel (1990) and Senge. (1990a; 1990b). Hence, the field of study referred to as Strategic Management is relatively new in terms of research and formal analysis and commentary in the business world, even though historians have written much about military strategy over the centuries.

### **2.2.2 Confusion over definitions**

It will be seen below that there are a number of different definitions of strategy and strategic management, leading to some confusion. Markides (2000, p vii) states, 'We simply do not know what strategy is or how to develop a good one'. McGee et al. (2005) refer to strategy as a contested terrain and suggest that the field is full of competing definitions. Whittington (2001), however, makes the point that even being clear about one's underlying philosophies should make strategies more coherent. He says that it is important to know what one thinks strategy is.

In reviewing the mainstream definitions of strategy, a number of writers identify what they see as the common elements prevalent in published definitions. For example McGee et al. (2005) identify nine elements (including expression of strategic intent and definition of competitive domains) and Hubbard, Rice and Beamish (2008) describe seven elements (including long term impacts and creating value for customers). In his review of the nature of strategy, Henry Mintzberg (1987) identified five different themes or perspectives that illustrate the complexities in defining strategy; that is, strategy as plan, perspective, pattern, position and ploy.

Several writers emphasise the longer-term nature of strategy. Lynch (2003 p7) defines corporate strategy as 'the pattern of major objectives, purposes or goals and essential policies or plans for achieving those goals', which compares closely with Viljoen and Dann (2000) who talk about 'identifying, choosing and implementing activities that will enhance the long-term performance of an organisation'.

Some writers (e.g. Hubbard et al. 2008; McGee, Thomas & Wilson 2005) deliberately do not distinguish between strategy and strategic management, instead focusing on the general concept of strategy and treating managing strategically as being implicit in their writings, hence, strategic management is implicit in their discussions on the processes of analysis, making choices and strategy in action. Nevertheless, the emphasis on the longer term nature of strategy generally remains. For example, Hubbard et al. (2008, p. 3) define strategy as ‘...those decisions that have high medium-term to long-term impact on the activities of the organisation...’.

However, Barney and Hesterley (2008) provide a clear distinction between the two concepts. For them, ‘...a firm’s strategy is defined as its theory about how to gain competitive advantages. A good strategy is a strategy that actually generates such advantages’ (p. 4). They add:

...although it is usually difficult to know for sure that a firm is pursuing the best strategy, it is possible to reduce the likelihood that mistakes are being made. The best way to do this is for a firm to choose its strategy carefully and systematically and to follow the strategic management process. The strategic management process is a sequential set of analyses and choices that can increase the likelihood that a firm will choose a good strategy; that is, a strategy that generates competitive advantages (p. 5).

Most definitions of strategic management seem to depict it as a set of steps in a rational, more logical process. For example, ‘Strategic management is defined as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve the company's objectives’ (Pearce & Robinson, 2005, p. 3). As well, strategic management is ‘the process by which a firm incorporates the tools and frameworks for developing and implementing a strategy’ (Carpenter & Sanders 2007, p. 7).

Johnson, Scholes and Whittington (2008) state that ‘strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations’ (p. 3). Their definition of strategic

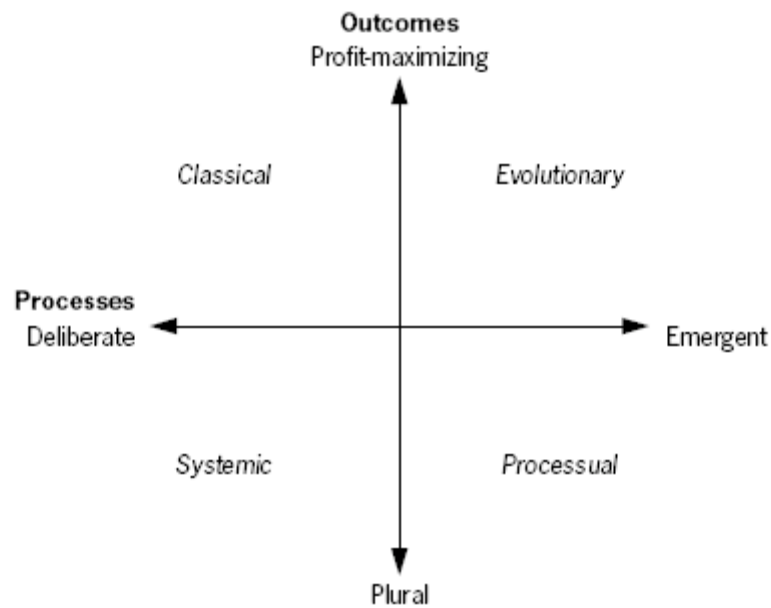


management is interesting as they suggest that strategic management can be thought of as having three main elements—understanding the *strategic position* of an organisation, *strategic choices* for the future and managing *strategies in action*. They point out that despite the three elements normally being shown in a linear sequence in many texts, they feel that in practice the elements of strategic management do not follow this linear sequence but rather are interlinked and feed back on each other.

It has also become obvious that some of the confusion is generated by the different perspectives underpinning the definition of the concepts. Whittington (2001), for example, attempts to clarify the situation by identifying four perspectives on strategy. The *classical* approach is the oldest—and remains the most influential. It relies on the rational planning methods dominant in the textbooks. By substituting market disciplines for the law of the jungle, Whittington creates his second category of an *evolutionary* perspective of strategy where ‘businesses are like the species of biological revolution: competitive processes ruthlessly select out the fittest for survival; the others are powerless to change themselves quickly enough to ward off extinction’ (p. 3). Thirdly, the *processualists*, he argues, emphasise the imperfect nature of human life by pragmatically accommodating strategy to the imperfections of organisational and market processes. Lastly, he considers the *systemic* perspective in which strategy is inextricably linked to the cultures and powers of the social systems in which it takes place.

These perspectives are compared and contrasted in Figure 2-1.

**Figure 2-1 Generic perspectives on strategy**



*Source:* Whittington R. 2001, *What is Strategy – and does it matter?*, Thomson Learning, London, p. 3.

Whittington argues that the focus of each of these approaches varies. Classical and processual strategists are inward looking, the former viewing success or failure by the quality of their managerial planning; and the latter being focused on political bargaining and the building of core skills and competences. By contrast, evolutionists stress external factors such as market forces and Darwinian evolution. Systemic theorists, whilst also focusing externally, concentrate on the sociological issues.

Hubbard et al. (2008) also identified a number of major theoretical approaches to strategy. These include the structure-conduct-performance and positioning approach, transactions cost economics, agency theory, game theory, behavioural

theory, managerial theory, resource-based view, dynamic capabilities, evolutionary theory, and chaos and complexity theory.

McMillan and Carlisle (2007, p. 574) reflect on the work of Stacey and others in terms of the application of the new perspective of chaos and complexity theory to the field of strategy:

In 1993 Ralph Stacey contributed to an emerging debate on the usefulness of new complexity science concepts to organisations. Since then interest in the organisational applications of complexity has grown amongst both academics and practitioners.

Stacey (1993) moved further from traditional perspectives by introducing the concept of organisational dynamics to the strategic management field. He sees strategy as something that can be either planned in advance or be a consistent pattern appearing from a series of unplanned actions.

In 2007, Nag and his colleagues (Nag, Hambrick & Chen 2007) conducted a survey to determine an implicit consensual definition of strategic management, which they supplemented by looking at the espoused definitions of leading experts in the field. Their conclusion was that the field of strategic management deals with the major intended and emergent initiatives taken by managers on behalf of owners, which involve the utilisation of resources in order to enhance the performance of firms in their external environments.

By a statistical analysis of co-citations by authors in the general strategic management arena, Nerur and his colleagues attempted to highlight the evolution of sub-fields and their linkages. They concluded that further research was needed to determine whether these trends are of an enduring nature (Nerur, Rasheed & Natarajan 2008).

Much of the literature, explicitly or implicitly, compares Porter's competitive forces perspective (Porter 1980) with the resource-based view of the firm, based on the work of Selznick (1957), Penrose (1959) and others. Kiernan (1993) suggested that more attention should be directed within the firm, rather than emphasising

competitive advantage. It appears from the literature quoted above that the resource-based view of the firm has gained prominence in recent years and that much more attention has been given in the strategic management literature to the development of strategic capability as a response for gaining competitive advantages in dynamic, complex and unpredictable environments.

While there is recognised confusion in the definition of the concepts of strategy and strategic management, this study is not dependent on a particular stance or perspective apart from recognising the recent importance placed on strategic capability and the general acceptance that strategic management is a process of adapting the organisation to the opportunities and threats of the environment through the effective development and application of its strategic capabilities. This study is concerned with the organisation's ability to respond to a dynamic and changing environment and, hence, strategic capability is a central concept.

### **2.2.3 The recent focus on strategic capability**

For a considerable time, strategy researchers and management practitioners alike have had a keen interest in one of the basic issues in strategic management: what strategies give a firm a competitive advantage and sustained performance outcomes (Grunert & Hildebrandt 2004). In this context, the concept of strategic capability has become a key focus in the strategic management literature in recent years. Starkey and Tempest (2004) suggest that while the interest in competence at the organisational level has a long history in the research on strategy, its significance has been elevated with the emergence of the resource-based view of the firm that argues that firm-specific resources can give a firm a competitive advantage.

Before specifically discussing the nature of strategic capability, and in the context of the confusion in definitions discussed above, some further comments need to be made about strategy. Strategy has been defined in terms of the match between an organisation's internal skills and resources and the risks and opportunities apparent in that organisation's external environment (Hofer & Schendel 1978). While this definition points to the important dynamic between an organisation's internal and external environment, both Johnson, Scholes and Whittington (2008) and Hubbard,

Rice and Beamish (2008) highlight three other important aspects in defining strategy.

First, strategy is a means of specifying the direction, scope and longer term time horizons for an organisation. Second, the recognition of stakeholders is fundamental to any strategy in terms of value creation. Third, the imperative of gaining some form of advantage over competitors needs to be embedded into an organisation's strategy. Undoubtedly, the age-old quest for a sound strategy is to be explained by choices that lead to superior performance, both financially and otherwise (McGrath, MacMillan & Venkataraman 1995). For management practitioners, the focus of strategic management is on the development and sustainability of competitive advantages which is embedded in the question: 'How can we create competitive advantages in the marketplace that are not only unique and valuable but also difficult for competitors to copy or substitute' (Dess, Lumpkin & Eisner 2007, p. 9).

In the field of strategic management, two major paradigms concerning strategy help in explaining why certain organisations achieve superior organisational performance (Dunphy, Turner & Crawford 1996). The dominant paradigm relates to the competitive forces perspective associated with Michael Porter (1980). From this perspective, the success of an organisation's competitive strategy is dependent upon a set of strategic choices that positions the organisation successfully within a forces framework for industry analysis.

The second and more recent paradigm is associated with the resource-based view of the firm that is based on the work of Selznick (1957), Penrose (1959) and others who promoted the idea that an organisation's success is somewhat determined by its distinctive competencies and productive resources. Edmondson and Moingeon (1996a) identified a number of studies emanating from this early work that suggest that the '...analysis of a firm's skills and capabilities is of greater strategic value than analysis of its competitive environment' (p. 9).

In this context, Kiernan (1993) points out that there has been too much emphasis on looking for competitive advantages in the external environment and called for a

balance in the analysis and debate by directing more attention within the firm. The internal aspects of the firm that were under the spotlight in the 1980s related to strategy implementation and investigations into the processes by which strategy was planned or emerged in organisations (Grant 1998). However, Collis and Montgomery (1995) point out that the resource-based view does not represent a pendulum swing in an either-or situation, but more accurately represents a both-and situation with a dual focus on industry analysis and firm capability. The two paradigms are to be seen as complementary approaches (Grunert & Hildebrandt 2004) rather than in conflict with each other.

Any competitive advantage then is linked to a firm's capability to identify and mount an effective response to significant opportunities and threats in the environment. More specifically, how does a capability become a competitive advantage? Edmondson and Moingeon (1996a) highlight the context-dependent nature of this issue;

...in strategic terms, a capability may be a source of advantage or else simply be a feature of the organisation that possesses it, depending upon whether that capability is valued in the market in which the organisation competes. The dynamics of markets are therefore critical, as a given capability may initially be highly valued in a market but later become commonplace and are simply a feature (p.10).

This idea of context-dependency highlights the problem of losing the sense of urgency about the future because of past successes (Easterby-Smith 1990). Miller (1990) expands on this aspect through his analogy of the Icarus paradox where the reasons for past successes can be the same reasons for future failure. Hence, from a resource-based perspective, the significance of strategic capability to an organisation's strategy is based on sustaining that capability as an advantage, rather than a feature.

Different authors use different terms and concepts in explaining the nature of strategic capability. All organisations must have an appropriate set of resources in order to pursue their goals and put their strategies into action. Resources are the organisation's assets (Wheelen & Hunger 2008) and include the tangible and intangible assets that the organisation controls (Barney & Hesterly 2008). Wheelen

and Hunger (2008) define an organisation’s capabilities as its ability to exploit those resources, and include such things as business processes and routines that manage the interaction among resources to turn inputs into outputs. Interestingly, Barney and Hesterly (2008) view capability as a subset of a firm’s resources that include tangible and intangible assets that enable the firm to take full advantage of the other resources it controls.

The definition provided by Johnson et al. (2008) will be used because of its clarity in relating capabilities to competences and resources. They define strategic capability as ‘...the resources and competences of an organisation needed for it to survive and prosper’ (p. 95). As depicted in Table 2-1, Johnson et al. (2008) reinforce the difference between a source of advantage and a feature by distinguishing between threshold capabilities and capabilities that are a source of competitive advantage for a firm.

**Table 2-1 Strategic capabilities for competitive advantage**

	Resources	Competences
Threshold capabilities	<b>Threshold resources</b> <ul style="list-style-type: none"> <li>● Tangible</li> <li>● Intangible</li> </ul>	<b>Threshold competences</b>
Capabilities for competitive advantage	<b>Unique resources</b> <ul style="list-style-type: none"> <li>● Tangible</li> <li>● Intangible</li> </ul>	<b>Core competences</b>

Source: Johnson, G, Scholes, K & Whittington, R. 2008 *Exploring Corporate Strategy*, FT Prentice-Hall, Edinburgh Gate, p. 95.

The organisation’s resources include physical resources, financial resources, human resources and intellectual capital. Resources can also be tangible or intangible. Competences are the skills and abilities by which resources are deployed effectively through an organisation's activities and processes. Threshold capabilities are those needed for an organisation to meet the necessary

requirements to compete in a given market. In order to gain a competitive advantage, an organisation needs to develop a set of unique resources and a set of core competences and, according to Prahalad and Hamel (1990), these are the outcomes of organisational learning—the firm’s response to gaining and sustaining advantages. The discussion on strategic capabilities in this section is relevant to this study to the extent that organisational learning and organisational learning capabilities focus on the development and enhancement of an organisation’s strategic capabilities for sustainability purposes. In addition, organisational learning and organisational learning capabilities can be seen as part of an organisation’s strategic capability so it is important to understand the nature of these learning capabilities.

#### **2.2.4 The relevance of competitive advantage?**

There is some variation in the definition of the term ‘competitive advantage’. Hubbard et al. (2008) provide a limited perspective on competitive advantage when they say that it is achieved when the organisation makes more profits than its competitors do from an equivalent set of activities. The limitation occurs by focusing purely on the measurement of profitability. The authors add that when the organisation is able to outperform its competitors over the medium to long-term, it is said to have gained a sustainable competitive advantage.

In general, however, competitive advantage is seen from a broader perspective. Value creation is achieved when a firm successfully formulates and implements a strategy that other companies are unable to duplicate or find too costly to imitate (Durand 2002). In such a situation, the firm has gained a competitive advantage, but the sustainability of such an advantage will be dependent on the speed with which competitors are able to duplicate that firm’s value-creating strategy (Hoskisson, Hitt & Ireland 2004). Hence, advantages are gained from capabilities that are likely to be durable and which competitors find difficult to imitate or obtain (Johnson et al. 2008). From this line of argument, strategic capability is a significant factor in gaining and sustaining competitive advantages:



Gaining a competitive advantage has been defined as the process by which a firm assesses its position in its niche, compares itself to competitors, and enhances its position by adding more value to suppliers and customers than do its competitors...Competitive advantage may be dissected into two critical elements: perceived customer value and sources of uniqueness (Ulrich and Lake, 1990, p. 33).

It can be seen from the above that, whether one looks at strategy from a competitive forces viewpoint or from a resource-based view, the success of the strategy is inextricably linked to the capabilities and competences of the firm. The choice of strategic direction and the organisation's ability to implement the strategy once it is chosen is a function of the areas in which the organisation excels.

While competitive advantage is a central concept in the strategy literature, for the purposes of this study the concept of organisational sustainability will be used in preference to competitive advantage for the following reasons:

- Competitive advantage generally relates to profit based organisations where competition is the dominant feature of market-based environments.
- While the strategy literature attempts to include not-for-profit organisations within the context of competitive advantage, such inclusions tend to be a little artificial. Wheelen and Hunger (2008), for example, use the term 'institutional advantage' where a not-for-profit organisation performs its task more effectively than other comparable organisations.
- Organisational sustainability portrays an organisation's quest to remain viable in the context of the aspirations of its dominant stakeholders. Dunphy, Griffiths and Benn (2007, p. 12) see organisational sustainability in terms of '...an organisation that is itself sustainable because its stakeholders including its employees will continue to support it'. Organisational sustainability is a broader term, which incorporates competitive advantage but also makes more sense as a descriptor of organisational outcomes when dealing with profit and not-for-profit organisations. The intention of this study is not to be restricted to profit based business corporations.

Hence the focus of this study is on the ability of both profit and not-for-profit organisations to develop and apply their strategic capabilities to meet the aspirations of stakeholders for organisational sustainability purposes. In particular, the study is concerned with organisational learning capabilities these organisations utilise as effective adaptive mechanisms. The focus is specifically on the adaptive learning organisation.

### **2.2.5 The adaptive learning organisation**

Regarded as one of the more radical contemporary writers on strategic management, Ralph Stacey (1993) departed significantly from traditional perspectives on strategy by critiquing the field in the context of organisational dynamics. This is apparent from his definition of strategy:

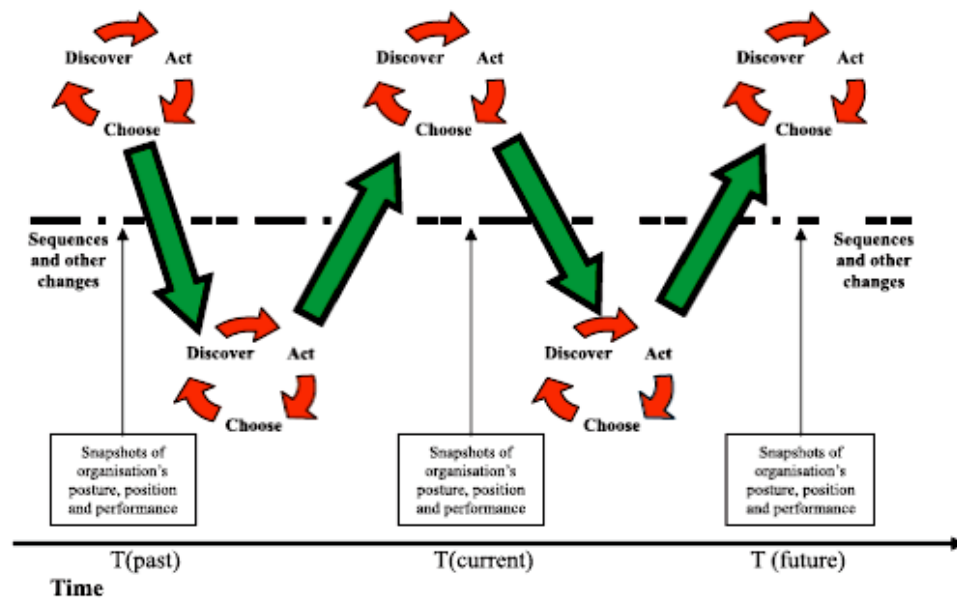
Strategy is a perceived pattern in actions past or yet to come... The patterns in action are generated by the circular loop between discovery, choice and action, that is the management process: strategic management is a feedback loop connecting discovery, choice and action.... When we seek to understand strategy in terms of patterns over time and strategic management in terms of the feedback processes generating those patterns, we are conducting a study of the dynamics of organisations (Stacey 1993, p. 3).

Stacey's (1993) definition makes three important points. First, he identifies patterns in past or future actions. This suggests that strategy can be something that is planned in advance or that can consist of a series of unplanned actions that, over time, demonstrates a consistent pattern of decisions and actions that attempt to achieve particular goals. This is consistent with Mintzberg's (1991) idea of strategy as a pattern as opposed to a position, perspective or plan.

Second, he indicates that the management of strategy is a circular process rather than a linear one (see Figure 2-2). This circular process is a learning process, both at the individual and collective levels, and includes the critical components of discovery, choice and action. Because it indicates that organisations and their management learn from their actions, it introduces a flexible approach to strategic management that allows strategies to be changed and adapted as necessary. In other words, Stacey (1993) highlights the concept of the adaptive learning organisation.

Third, he maintains that it is essential to understand the dynamics of an organisation. This is particularly relevant in the 21<sup>st</sup> century where organisations are under tremendous pressure to change continuously and at an increasingly rapid pace. His emphasis on organisational dynamics further promotes the concept of the adaptive learning organisation where strategic management is seen as an organisational learning process of adapting and responding to organisational environments.

**Figure 2-2 Dynamics of strategy**



(Source: adapted from Stacey 1993, p.4)

Figure 2-2 demonstrates the dynamics of organisational strategy. One of the important relationships which it highlights is that of decisions made within the organisation (seen in terms of the circular learning loop of discovery, choice and action below the centre dividing line; their effect on external stakeholders and other parties (such as competitor organisations seen in terms of the circular learning loop of discovery, choice and action above the centre dividing line); and the effect of actions in the external environment on the organisation's need to change.

For example, if an organisation (below the centre dividing line) decided to diversify its product line into an area in which one of its competitors held a monopoly, then this new competition would force the external, competing organisation (above the centre dividing line) to modify its strategy to counter this new threat. The cycle continues as the original organisation is forced to respond to these changes in its competitor's strategy.

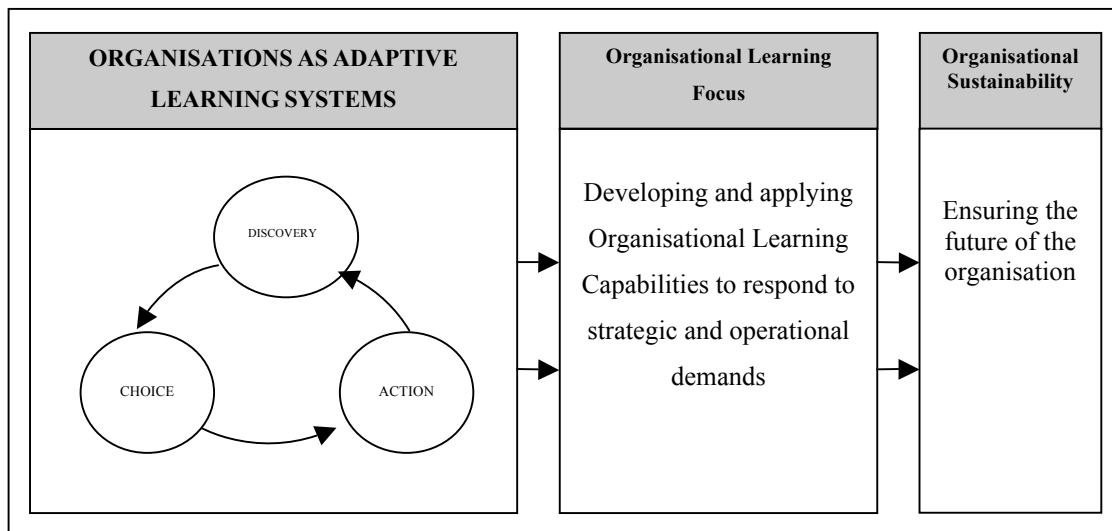
Each snapshot of the organisation describes its posture, position, and performance. Posture describes the firm's products/services, technology used, organisational structure, and organisational behaviour and culture. Position refers to market share, customer perceptions, core competencies, and relationships with suppliers and distributors. Finally, performance refers to financial measures (e.g. profitability, cost structures) and organisational performance measures (e.g. quality, service).

Hence, through Stacey's illustration, the strategic management process is very much an organisational learning process where the adaptive learning organisation is a key concept. As Stacey (1993, p. 3) points out, organisations are involved in dynamic learning games: 'When managers think in terms of one thing adapting to another, they play the strategy game in unimaginative, predictable ways that are unlikely to lead to winning positions. If however, they understand the dynamic patterns of interaction between suppliers, competitions and customers, they are much more likely to design successful moves'. Based on Stacey's propositions, the concept of the adaptive learning organisation is a central concept for this study and this is illustrated in Figure 2-3.

Cyert and March (1963) argued that organisations respond to changes in the external environment through adapting both their objectives and alignment to that environment. This led to the development of ideas on how to become a more adaptive learning organisation (Elkin, Cone & Liao 2009). McMillan and Carlisle (2007, p. 576) also highlighted this notion of the adaptive learning organisation within the complexity science perspective pointing out that '...self-organising principles drive the creation of complex dynamical systems... If they also adapt and learn from their experiences then they become complex adaptive systems'.

The challenge to some of the more traditional perspectives on strategic management has gained momentum. Even Michael Porter, who has dominated the strategic management field with his competitive forces perspective, recognises organisational learning as an integral feature of future success. As Porter (1997) points out, the companies that are going to become successful and sustain their success are those that can learn fast, can assimilate learning and develop new insights. According to Starkey, Tempest & McKinlay (2004), the new strategy gurus emphasise learning and strategic competence as the fundamental building blocks in the creation of a new strategic architecture that links the present to the future. They argue that competitive advantage will accrue to those firms that succeed in building competence in new opportunity areas. This means developing new ways of thinking about the future.

**Figure 2-3 Organisations as adaptive learning systems**



*[Developed for this study using Stacey's concept of the adaptive learning cycle (Stacey, 1993)]*

Figure 2-3 illustrates the concept of the adaptive learning organisation. Central to this concept is the organisational learning process of discovery, choice and action. Such a generic process is played out in reality through a variety of organisational learning capabilities that promote the sustainability of organisational performance in the future. What are flagged as an unknown at this point are the different types of organisational foci with which the organisational learning capabilities are concerned.

The next section explores the nature of organisational learning and organisational learning capabilities and identifies the various strategic focus points.

## **2.3 The evolving field of organisational learning**

The concept of organisational learning capability is central to this study. Therefore, the purpose of this section is to provide some background on developments in the organisational learning literature, as well as the associated concept of the learning organisation. In addition, a number of issues are identified in terms of the various debates surrounding organisational learning and the learning organisation.

### **2.3.1 Developments in the organisational learning literature**

Interest in the concept of organisational learning has its roots in discovery of experience curves in relation to manufacturing (Argote, Beckman & Epple 1990) when the pressure for efficient production became more of an imperative, particularly in the twentieth century between the two world wars. However, it was Cyert and March (1963) who first identified the term more explicitly and this was followed by Cangelosi and Dill (1965) with one of the pioneering empirical studies on organisational learning and, not surprisingly, they concluded that more empirical work needed to be done to explore further the nature of the constructs involved.

Since this early work, and particularly since Argyris and Schön (1978) published their book *Organisational Learning: a theory of action perspective*, 'organisational learning' has been used in various ways and with respect to different disciplines (Pawlowsky 2001). Some authors suggested that the action learning movement promoted by Revans (1982) and others provided a supporting influence on the evolution of the organisational learning concept (Wang & Ahmed 2003).

There is certainly no shortage of reasons for promoting the concept of organisational learning. Ford (1986), for example, recognised its importance during the significant restructuring of many industries in Australia during the 1980s when globalisation started to have a real impact. He pointed out that Australia's competitive capability is somewhat dependent on the ability of both individuals and

organisations to learn from a wider variety of national and ethnic cultures than in the past. Easterby-Smith (1990) refers to the problem of losing the sense of urgency about the future because of past successes; and Miller (1990) expands on this idea through his analogy of the Icarus paradox.

The rate of change is generally accepted as a valid reason for becoming more intelligent (Pinchot & Pinchot 1994) and hence many writers began to recognise effective organisational learning as a key to sustainable competitive advantage and necessary for organisational survival (De Geus 1988; Nonaka 1991; Schein 1993; Senge, 1990a, 1990b). As Schein (1993) stresses, in an ever-changing world, organisations must learn to adapt faster to survive and grow; and Nonaka and Takeuchi (1995) extend upon Schein's point by suggesting that the ability to create knowledge and solve new problems has become a 'core competence' for most organisations. Casey (2005) suggests that organisational learning is a principal means of achieving organisational survival; and Wang (2008) states that it has become a primary concern for researchers studying crisis management.

There have been extensive reviews of the literature on organisational learning and multiple conceptualisations (e.g. Crossan, Lane, White, & Djurfeldt 1995; Dodgson 1993; Easterby-Smith 1997; Fiol & Lyles 1985; Huber 1991; Levitt & March 1988; Wang & Ahmed 2003). Many researchers agree that despite the field's growth and development since the 1990s, it still lacks consistent terminology and cumulative work (Simon 1991; Vera & Crossan 2004; Weick 1995). It is noted that most of the significant reviews were published in the 1980s and 1990's following the publication of Argyris and Schön's (1978) book on organisational learning in 1978 and Senge's (1990b) book on the learning organisation.

As organisational learning and the learning organisation are at the core of the current research, it is important to be clear as to exactly what is understood by each term. Over the years, many definitions of organisational learning and the learning organisation have been put forward. Many of these are summarised by Dodgson (1993). A further complication is that some authors differentiate between organisational learning and learning organisations, whilst others use the terms

interchangeably (Francis 1997). The concept of the learning organisation is discussed in the next section.

Although the terms *the learning organisation* and *organisational learning* are sometimes used synonymously by various authors, they reflect quite distinct concepts. Like so many other organisational metaphors, *the learning organisation* implies a profile of an idealised entity that also tends to be prescriptive and normative in the sense that authors identify desirable attributes for successful outcomes. The learning organisation is seen as an institution that identifies, promotes and evaluates the quality of its learning processes inside the organisation (Tsang 1997).

The concept of *organisational learning* on the other hand tends to be more descriptive with the recognition that all organisations are learning systems (Nevis, DiBella & Gould 1995). It is a process that is evidenced by the degree to which individuals acquire chunks of knowledge, develop and spread this knowledge within the organisation, gain acceptance of it, and recognise this knowledge as being potentially useful (Huber 1991). Organisational learning focuses on the dynamics and processes of collective learning that occur both naturally and in a planned way within and between organisations and their stakeholders. The processes and dynamics of learning are seen as more than just the management of change. They are seen as fundamental to the way organisations develop (Crossan, Lane & Hildebrand 1994). Argyris (1999, p.1) illustrates how the two terms are more than a play on semantics:

We divide the literature that pays serious attention to organisational learning into two main categories: the practice-oriented, prescriptive literature of the 'learning organisation', promulgated mainly by consultants and practitioners, and the sceptical scholarly literature of 'organisational learning', produced by academics. The two literatures have different thrusts, appeal to different audiences, and employ different forms of language. Nevertheless, they intersect at key points: their conceptions of what makes organisational learning 'desirable' or 'productive'; their views of the nature of the threats to productive organisational learning; and their attitudes toward whether – and if so, how – such threats may be overcome.



There are many different definitions, as the following examples illustrate:

...the ways firms build, supplement and organise knowledge and routines around their activities and within their cultures, and adapt and develop organisational efficiency by improving the use of the broad skills of their workforces (Dodgson 1993).

Organisational learning involves the detection and correction of error (Argyris & Schön 1978, p. 3).

Organisational learning means the process of improving actions through better knowledge and understanding (Fiol & Lyles, 1985, p. 803).

Fiol and Lyles (1985) undertook a review of the concept of organisational learning and concluded that there was considerable confusion in the literature as to the terminology and nature of such learning. One reason for this is that ‘...change, learning, and adaptation have all been used to refer to the process by which organisations adjust to their environments’ (1985, p. 805). For example, Maznevski, Rush and White (1994, p. 14) suggest that organisational learning is akin to organisational adaptation because it is the ‘...process of aligning and realigning an organisation with its environment as both the organisation and the environment change’. Part of the confusion arises because authors take a particular stance towards the concept, hence, organisational learning can be discussed in terms of the levels and types of learning or in terms of the outcomes of the learning processes.

Particular authors identify various processes of learning that are differentiated by levels of complexity. For example, Fiol and Lyles (1985) distinguish between higher and lower levels of learning. Senge (1990b) differentiates generative from adaptive learning. Argyris and Schön (1978) relate single-loop, double-loop and deuterio-learning to different activities that occur within organisations. They explain that:

Organisational learning involves the detection and correction of error. When the error detected and corrected permits the organisation to carry on its present policies or achieve its present objectives, then that error-detection-and-correction process is single-loop learning. Double-loop learning occurs when error is detected and corrected in ways that involve the modification of an organisation's underlying norms, policies and objectives ... When an organisation engages in deuterio-learning its members learn about previous contexts for learning. They reflect on and inquire into previous episodes of organisational learning, or failure to learn. They discover what they did that facilitated or inhibited learning, they invent new strategies for learning, they produce these strategies, and they evaluate and generalise what they have produced. (1978: pp. 3-4)

Broersma (1995) also follows the single and double loop concept, but uses the terms *operational* and *systemic* learning. However, he identifies a third process operating within organisations as *transformative* learning, which incorporates the other two and emphasises the continuous development of the whole organisation. Dodgson (1991) also detects a difference between strategic learning and tactical or operational learning.

Feurer and Chaharbaghi (1995) claimed that single loop learning (which they referred to as the primary learning cycle) was more important in a static or slowly changing environment, whereas the focus should be on double loop learning (the value learning cycle) in a dynamic environment. Edmondson and Moingeon built further on the single versus double loop theory by characterising them as 'learning *How* and learning *Why*' and said that both were capable of producing a competitive advantage (1996b, pp. 30-32). DiBella et al. (1996) emphasised the core capability nature of organisational learning and found that all organisations have learning capability.

Another perspective on the types of learning that occur within organisations is presented by Osland and Yaprak (1995) who identify experience, imitation, grafting and synergism as four significant processes. Firms experiment and acquire knowledge by gaining experience through trial and error. Firms can also learn by observing other firms and imitating what is recognised as 'best practice'. Firms can graft knowledge onto their existing stocks by mergers and alliances. Finally, firms can collaborate to create new knowledge. This is seen as a synergistic process of working together in an innovative and creative partnership.

Particular authors discuss the concept of organisational learning in terms of the outcomes of the learning processes, namely, knowledge, memory, and/or capability. The learning process generates knowledge and insights as specific outcomes. Such knowledge establishes linkages between the effectiveness of past and likely future actions (Fiol & Lyles 1985). Some authors argue that learning must have behavioural consequences. However, there is some acceptance that knowledge can be a discrete product of the learning process (Osland & Yaprak 1995) and this is also followed by a general assumption that individuals modify their behaviour on the basis of what they know, particularly newly acquired knowledge (Stata 1994).

Learning is seen to cover virtually all behaviour, including the acquisition of knowledge, attitudes and values, emotional responses, and the development of motor skills (McKenna 1987). Huber (1991) sees knowledge and insights as expanding the range of potential actions that organisations and individuals can take. Building on Huber's (1991) review of the literature, Nevis et al. (1995) related the processes of knowledge acquisition, sharing and utilisation to their study of the learning dynamics in four firms.

Walsh and Ungson (1991) identify organisational memory as an important aspect of an organisation's interpretative schemas and, as such, it is seen as having an impact on the collective learning mechanisms because it is shared and extends past the domain of specific individuals. Although organisations also depend upon the memory of individuals, the transience of individuals points to the significance of hard-worn lessons and experiences at the organisational level as individuals change from one job to another (Stata 1994). Routines in organisations include the forms, rules, procedures, conventions, strategies, technologies, beliefs, paradigms and cultures on which organisations operate (Levitt & March, 1988). Such routines are fundamental to the development of collective memories and shared knowledge (Nelson & Winter 1982).

The concept of organisational learning has also focused attention on the relationship between individual and collective learning. Throughout the different literatures, organisational learning is commonly argued to be more than the total of

the employees' learning, demonstrated by the presence of shared norms and values (Dodgson 1993). Organisations are said to have memories rather than brains and these memories are central to organisational continuity despite the turnover of organisational members (Hedberg 1981). In essence, organisations do not go through the same processes of learning as individuals (Cyert & March 1992).

Aldrich and Ruef (2006) identified two strands of organisational learning. They separate the 'adaptive learning perspective' from the 'knowledge development perspective'. The former, which relies on the Argyris and Schön's (1978) single and double loop learning concept, focuses on how organisations learn from experience. The latter is more concerned with organisational knowledge creation and diffusion through the organisation.

Easterby-Smith and Araujo (1999, cited in Stacey 2003) distinguish between a technical and a social strand in the organisational learning literature. The technical strand takes the view that organisational learning is a matter of processing, interpreting and responding to quantitative and qualitative information. According to Stacey (2003), the key writers in this tradition are Argyris and Schön (1978) with their notions of single and double loop learning. The social strand focuses attention on how people make sense of their work practices as advocated by Weick (1995). This strand utilises the distinction between tacit and explicit knowledge and it focuses attention on the socially constructed nature of knowledge, the political processes involved, and the importance of cultural and socialisation processes.

Additionally, organisational capability has been found to be important to the success of an organisation (Ulrich & Lake 1990). Argyris (1992) specifically indicates that organisational learning is a competence *per se* that should be developed. There needs to be a set of core competencies that promote continuous improvement, as well as provide the ability to renew and revitalise (Nevis et al. 1995). Such core competencies represent collective learning (Prahalad & Hamel 1990), and part of the learning competence resides within an organisation's absorptive capacity (Cohen & Levinthal 1990).

Another comment on organisational learning relates to the need for organisations to unlearn:

Knowledge grows, and simultaneously it becomes obsolete as reality changes. Understanding involves both learning new knowledge and discarding obsolete and misleading knowledge. The discarding activity—unlearning—is as important a part of understanding as is adding new knowledge. In fact, it seems as if slow unlearning is a crucial weakness of many organisations. (Hedberg 1981, p. 3)

Organisational learning focuses attention on the ability of an organisation to acquire knowledge and retain an effective memory in the face of staff turnover. There are different ways to discuss such learning capability and the different levels of learning indicate the need to manage such processes at an operational, as well as a strategic, level within the organisation. However, before new knowledge is acquired, managers must ask what needs to be unlearned in order to progress.

For many years, theories of collaborative learning tended to focus on how individuals function in a group. More recently, the focus has shifted so that the group itself has become the unit of analysis (Dillenbourg, Baker, Blaye & O'Malley 1996). Collaborative learning was further elaborated on by Child (2003) in his work on strategic alliances. Collaborative learning occurs when alliance partners do not regard themselves in direct competition or as having irreconcilable long-term interests. Such strategic alliances can enhance learning when one partner learns from the other or when both partners learn together.

Several researchers have attempted to build models of the learning process, for example, Beer and Eisenstat (1996), Orton (1996), Maula (2007) and Yeung (2007). Yeung, Lai and Yee (2007) quote Argyris's 1996 definition as defining organisational learning as a process whereby:

...members of an organization act as learning agents for the organization, responding to changes in the internal and external environments of the organization by detecting and correcting errors in organizational theory in use, and embedding the results of their enquiry in private images and shared maps of organization.

Some of the research looks at the role of the leader in this process. Bhatnagar (2006) conducted an empirical analysis of the linkage between managers and organisational

learning ability and concluded that ‘Managers can gain competitive advantage if they continuously upgrade their organizational learning capability faster than their competitors.’

Garcia et al. (2006, p. 21) said, ‘The leader must prepare the organization and shape the mental models’ and that organisations need to ‘maintain their competitive position through innovation and learning’. They identify several areas for further research, notably in the context of this research project the necessity for studies in more than one country.

Rajan, Lank and Chapple (1999) distinguish organisational learning from knowledge management, where knowledge management is concerned with turning individual learning into organisational learning. It tends to be more focused on information technology and database techniques (Buchanan & Huczynski 2004). Rajan and his colleagues cite the example of ‘intelligent search engines’ (Rajan et al. 1999) whereby individual expertise distributed around the organisation can be accessed by people via the organisation’s intranet.

In this section it has been noted that organisational learning is seen as important in much of the literature and is a key to competitive advantage and the sustainability of organisations. Learning organisations were differentiated from organisational learning, the latter in particular focusing on the relationship between individual and collective learning and the dynamics of such learning by either single or double loop feedback, and covering virtually all behaviour. Organisational learning is vital to an organisation’s ability to acquire and retain knowledge, which is seen as important to its success.

### **2.3.2 The emergence of the learning organisation metaphor**

Although the term ‘learning organisation’ has recently become one of the most widely-used and abused terms in the business literature, it is by no means a new concept (Jackson 2000). Jackson’s viewpoint is reinforced by writers such as Garratt (1995) who points out that although the desire to create organisations that can adapt to change by learning continuously can be traced back to antiquity, the conditions to

create both the intellectual and practical basis of a learning organisation existed in 1947.

Maula (2007, p. 16) states, 'There is no clear consensus about how to define a learning organisation: should it be defined as a learning entity as such, or through its individual members?' Francis (1997) believes that the confusion occurs more amongst authors writing about 'learning organisations' than those writing about 'organisational learning'. He notes seven different uses of the term, *learning organisation*, in the literature, including such divergent definitions as visual-descriptive academic models, development of employee capability and the use of systems thinking.

In this study, in differentiating between 'organisational learning' and 'learning organisations' (as already covered in section 2.3.1), Senge's (1990) definition of 'an organization that is continually expanding its capacity to create its future' is useful because it emphasises the importance of developing a strategic capability for sustaining the future and, hence, organisational learning capabilities are fundamental to such development.

Pedler, Burgoyne and Boydell (1997) identified the work of Revans (1983), Argyris and Schön (1978), Bateson (1973), Harrison (1995), Dixon (1994) and Deming (1986) in their contribution to promoting the construct of organisational learning, which, in turn, laid the foundation for the idea of their learning company and Senge's (1990b) learning organisation. As Ford (2006) points out, the learning organisation evolved from the concept of organisational learning. However, while the concept of organisational learning is something that takes place in organisations, the learning organisation is a particular type or form of organisation in and of itself (DiBella 1995) and is generally seen as an ideal type (Hosley, Lau, Levy & Tan, 1994).

There is no doubt, however, that the popularity of Peter Senge's (1990) book on *The Fifth Discipline* brought the learning organisation concept into prominence. By conducting a fantasy theme analysis of the rhetorical vision of the learning organisation, created and promoted by Peter Senge and his colleagues, Jackson

(2000, p. 206) has suggested that 'it is the dramatic qualities of his socially rooted vision, that is, its ability to inspire followers to see themselves actively engaged in building a learning organization, that have helped it to stand out from other competing conceptions'. The other competing conceptions he sees as merely being various current management fashions and fads.

The concept of the learning organisation has been defined and expanded upon by many authors (Armstrong 2000). Some (e.g. Garratt 1995; Senge 1990b) emphasise the adaptive behaviour of organisations, while others (e.g. Ford 2006) focus on empowerment and the need to involve all employees in interdependent, cooperative, innovative activities that will enhance the ability of the organisation to survive and prosper (Armstrong 2000).

Senge (1990b) argues that work must become more 'learningful' at all levels, identifying the five 'learning disciplines' for building organisational learning capabilities as illustrated in Table 2-2.



**Table 2-2** Peter Senge’s five learning disciplines

Learning Discipline	Explanation
1. Personal mastery	a discipline of <i>aspiration</i> , concerning what you as an individual want to achieve
2. Mental models	a discipline of <i>reflection and inquiry</i> , concerning the constant refinement of thinking and development of awareness
3. Shared vision	a <i>collective</i> discipline, concerning commitment to a common sense of purpose and actions to achieve that purpose
4. Team learning	a discipline of <i>group interaction</i> , concerning collective thinking and action to achieve common goals
5. Systems thinking	A discipline which concerns <i>understanding interdependency and complexity</i> and the role of feedback in system development

(Cited in Buchanan & Huczynski 2007, p. 126)

Buchanan and Huczynski (2007) see the fifth discipline, ‘systems thinking’, as the most important of Senge’s disciplines, as it concentrates on the complexity in how organisations function and how they can be changed to be more effective. Senge’s theory is described as follows:

[T]he practice of organizational learning involves developing tangible activities: new governing ideas, innovations in infrastructure, and new management methods and tools for changing the way people conduct their work. Given the opportunity to take part in these new activities, people will develop an enduring capability for change. The process will pay back the organization with far greater levels of

diversity, commitment, innovation and talent. (Senge et al. 1999, p. 33 cited in Buchanan and Huczynski 2007, p. 127)

Buchanan and Huczynski (2007) point out that whereas some authors believe that learning organisations assist their members to learn, others believe that the organisation itself learns. They cite Gherardi (1997) who claims that visible changes in the organisation's behaviour prove that organisations learn from experience— gathering different types of knowledge from a variety of sources, including the experience of other organisations, patents, property rights, choice of raw materials, job descriptions and others.

Galer & van der Heijden (1992, p. 380) drew a clear distinction between learning individuals and learning organisations. They saw organisations as learning '...by affecting the mental models of the people in it; by filtering the type of people selected to belong to it; by embedding the learning in practices and procedures surviving the individuals who create these'.

Buchanan and Huczynski (2007) believe the growth of 'knowledge work', the realisation that ideas generate competitive advantage and recent technological developments have reinforced the popularity of learning organisations as a concept. They summarise, as shown in Table 2-3, the main positive and negative aspects of learning organisations.

**Table 2-3** Learning organisation positives and negatives

Learning organisation positives	Learning organisation negatives
a rich, multidimensional concept affecting many aspects of organizational behaviour	a complex and diffuse set of practices, difficult to implement systematically
an innovative approach to learning, to knowledge management and to investing in intellectual capital	an attempt to use dated concepts from change management and learning theory, repackaged as a management consulting project
a new set of challenging concepts focusing attention on the acquisition and development of individual and corporate knowledge	a new vocabulary for encouraging employee compliance with management directives in the guise of ‘self-development’
an innovative approach to organization, management and employee development	an innovative approach for strengthening management control
innovative use of technology to manage organizational knowledge through databases and the internet or intranets	a technology-dependent approach which ignores how people actually develop and use knowledge in organizations

(Buchanan & Huczynski 2007, p. 130)

As demonstrated above, the concept of a learning organisation is generally seen as a desirable goal, albeit difficult to achieve in practice. There is some difference of opinion as to whether the organisation itself actually becomes a learning entity or whether it is more the group effect of a collection of learning individuals.

### 2.3.3 Some issues

Andrea Ellinger and her colleagues (Ellinger et al. 2002, p. 18) point out that:

The relationship between the presence of behavioural practices and strategies associated with the learning organization concept and firms' financial performance has not been adequately established in the learning organization literature.

Their observations are reinforced by the work of Leitch et al. (1996) and Smith and Tosey (1999). They believe that this failure has not encouraged the use of learning organisation practices. They perceive their research as establishing a clear link between learning organisation practices and financial performance, which they see as providing a basis for further studies. The current research in this dissertation is an example of such work.

The concepts of organisational learning and learning organisations, although having many supporters, have not necessarily met with universal acclaim. Garavan (1997) identifies considerable confusion and disagreement about the topics, a view supported by Francis (1997), Smith (1999), Garratt (1999), and Wang and Ahmed (2003).

Garavan identifies two broad categories in the literature (1997, p. 18). With learning organisations being either '...a variable...that can be designed into an organization... [or] a metaphor to describe an organization'. Garavan (1997) also states that the literature places the emphasis on different aspects of the learning organisation, such as the learning of all individual members, the organisation's competitiveness, the skills and functions of the business—with others such as Senge (1990b) suggesting that it is a composite of many notions.

Henderson (1997), drawing on Senge's (1992) concept of a 'mental model' for the way in which individuals learn, considers that the mere fact that something has been learned does not necessarily make it correct. Henderson (1997) looks at March and Olsen's (1975) analysis of organisational learning under ambiguity, where they suggest that there are four reasons why individual knowledge may not necessarily lead to correct organisational knowledge, These are (i) the individual may not have

enough influence in the organisation, (ii) the individual may have too much influence and be able to push through spurious views, (iii) the *learned truths* may be based on culture (e.g. a company mission statement) or superstition rather than fact, and (iv) the individuals are not capable of understanding the causal links correctly.

Even if knowledge is disseminated throughout an organisation, Argyris and Schön (1978) point out that it cannot be considered as truly learned unless procedures change as a result of this knowledge. Henderson's (1997) view is that double-loop learning is not sufficiently deep-rooted in scientific methodology with rigorous hypotheses which can be tested and either accepted or rejected. He says that even in areas where scientific methods are used for obtaining the base data (such as in marketing research or research and development), subsequent management decisions may be based on non-scientific judgemental rationale. This is consistent with the view of Garratt (1999, p. 205), who states that '...a few, often senior, people can see the concept [of the learning organisation] as highly challenging and unnerving. They are concerned that existing organisational power balances may be upset by too much "transparency"...'.

Henderson (1997, p. 103) concludes that '...there is no real reason to suppose that organizations will improve understanding by improved learning...' due to the difficulty of establishing truth. 'How does a learning organization learn to verify the things it thinks that it knows about the things it thinks its constituent people think they know about each other's thoughts?' He recommends that there should be further research into links between learning and performance and between owner/manager cognition and performance.

It is important to look not only at organisational learning and its impact on performance, but also to undertake more descriptive research on learning capabilities. According to Ulrich et al. (1993), inadequate organisational learning capability leads to managers who wish to create a learning organisation failing in their attempt to do so. The link between organisational learning capabilities and the resultant performance of the organisation has not been clearly established in previous research. This study aims to shed light on this link.

## 2.4 Organisational learning capabilities

In relation to the adaptive learning organisation, De Geus (1988) states that the success or failure of a company ‘...depends on the ability of a company’s senior managers to absorb what is going on in the business environment and to act on that information with appropriate business moves. In other words, they depend on learning—or, more precisely, on institutional learning’ (p. 70). For De Geus, the issue is not whether a company will learn but whether it will learn fast and early and, consequently, how senior managers can accelerate institutional learning.

Roome and Wijen (2006) suggest that superior environmental performance requires organisational learning capabilities in order to process new information, improve the organisation’s internal structures and processes, develop new products, and adapt the organisation to dynamic and turbulent contexts. Hence, organisational learning can represent a capability in an organisation and this capability involves the acquisition of new competencies and knowledge with the purpose of responding to internal and external change dynamics (CIC, 2003, cited in Martín-de-Castro et al. 2006).

Organisational learning cannot be replaced or substituted by another capability, nor is it easy to transfer because it is developed gradually in an organisation (Martín-de-Castro et al. 2006). It is necessary to improve efficiency in operations as single-loop learning; and also be able to achieve strategic double-loop outcomes as a response to the demands of the competitive environment and keep abreast of the learning race in business. Organisational learning capabilities are slow to develop because an organisation is not a machine, but a living organism that learns by means of the combination of tacit and explicit knowledge (Nonaka 1991).

DiBella et al. (1996) point out that learning capabilities can be formal and informal processes and structures that are put in place for the acquisition, sharing and utilising of knowledge and skills in organisations. These authors add that within organisations there are intrinsic learning capabilities where their manifestations vary across organisations, through distinctive styles and patterns of learning. DiBella et al. (1996, p. 363) define organisational learning as ‘...the capacity (or

processes) within an organization to maintain or improve performance based on experience'. This capacity, as suggested by Huber (1991), involves knowledge acquisition (the development or creation of skills, insights, relationships), knowledge sharing (the dissemination to others of what has been acquired by some), and knowledge utilisation (integration of the learning so that it is assimilated, broadly available, and can also be generalised to new situations).

Ulrich et al. (1993, p. 60), on the other hand, define organisational learning capability as 'the capacity of managers within an organization to generate and generalize ideas with impact.' This definition has three major components. First, managers must be able to generate ideas with impact. Second, managers must be able to generalise ideas. Learning cannot occur unless ideas are shared across geographical, structural and time-based boundaries. Third, generation and generalisation of ideas represents learning capability only if the ideas have impact. The authors define impact as adding value to the firm's stakeholders over a long period of time.

According to Ulrich et al. (1993), these three components of learning capability build on what is known about learning organisations and overcome the challenges in the learning organisation work. They maintain that with these three components of organisational learning capability they can identify two common reasons why managers who want to create a learning organisation fail: 1) generation without generalisation; and 2) ideas without impact.

The concept of organisational learning capability seems to stress the importance of the facilitating factors for organisational learning or the organisational propensity to learn (Chiva, Alegre & Lapiedra 2007). Goh and Richards (1997, p. 577) define it as 'the organisational and managerial characteristics or factors that facilitate the organisational learning process or allow an organisation to learn'.

Dodgson (1993) defines organisational learning capabilities as mechanisms that enable organisations to deal with ambiguities, change, and fragmentation and adapt to changing environments. In addition, Ashkenas et al. (1995) point out:

In our definition, *learning capability* is the ability of the organization to learn the lessons of its experience and to pass those lessons across boundaries and time. Without this capability, the organization will tend to recreate its own solutions rather than leverage its investments in change and improvement. People will spend too much of their time on figuring out necessary styles and rhythm by watching internal colleagues (who are also trying to figure it out) when they should be focusing on the customer (p. 177).

In supporting the notion of facilitating factors, Styhre et al. (2004) define organisational learning capabilities as the total of the organisational mechanisms aimed at enabling continuous learning among organisational members.

There have been a number of studies utilising the construct of organisational learning capability (e.g. Hsiu-Fen 2008; Bhatnagar 2006). Integrating prior works from the theory of organisational learning, knowledge management, and technology adoption and implementation (eg. Jerez-Gomez et al. 2005; Lin & Lee 2005; Teo et al. 2006; Lee & Kim 2007), Hsiu-Fen Lin's (2008) study identified four factors reflecting the construct of organisational learning capabilities in a technology diffusion context: managerial commitment, system orientation, knowledge acquisition, and knowledge dissemination. This study examined innovation characteristics and organisational learning capabilities as the determinants of e-business implementation success. The results showed that two innovation characteristics (perceived relative advantage and compatibility) and four organisational learning capabilities (managerial commitment, systems orientation, knowledge acquisition and knowledge dissemination) have a significant effect on e-business implementation success.

The purpose of Bhatnagar's (2006) research was to measure the organisational learning capability perception of Indian managers of public, private and multinational organisations and establish the link between organisational learning capability and firm performance. The data were collected from a sample of 612 managers randomly drawn from Indian industry, using a questionnaire survey. The study found that organisational capability perception of managers in the IT sector and of multinational firms was the highest, while it was lowest for the engineering sector. Mixed results were found for the market indicators of firm performance, that is, a firm's financial turnover and profit as predictors of organisational learning



capabilities in Indian organisations, where financial turnover was predicting organisational learning capability.

Bhatnagar (2006) points out that learning capabilities can be intangible or tangible and may include: a strategy; guiding principles about learning; structures; leadership; accountabilities and roles for learning; systems and processes; organisational learning theories; tools; competencies; resources and core values. He adds that an organisation can have a certain mix of organisational learning capabilities that may evolve to certain generic capabilities unique to its own culture and national culture context and, hence, he concludes that a measurement criterion in a western culture may not be applicable to the Indian context.

Chiva et al. (2007) developed a validated measurement instrument for organisational learning capabilities (OLC) by undertaking a comprehensive analysis of the facilitating factors for organisational learning as well as an employee-based survey of shop floor workers within the Spanish ceramic tile industry. Their OLC concept included the following five dimensions:

- (1) experimentation;
- (2) risk taking;
- (3) interaction with the external environment;
- (4) dialogue; and
- (5) participative decision making.

Camps et al. (2011) undertook a more recent study utilising the above instrument. Their study validated the instrument using the five dimensions across cultural differences (Spain vs. Costa Rica), sectorial differences (industrial vs. services) and differences in educational background of survey participants (blue-collar vs. knowledge intensive).

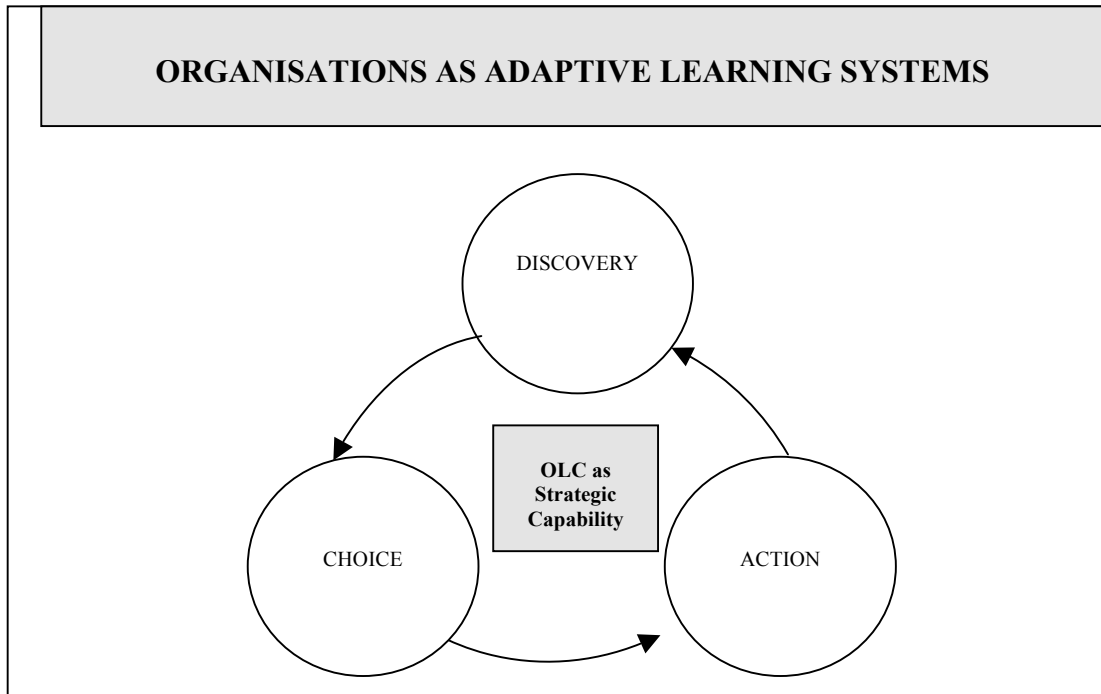
Kuo (2011) studied the facilitation of Human Resource strategies as organisational learning capabilities and found that effective personnel staffing, performance appraisal, reward and compensation, training and development and employee participation strategies can have a positive impact on organisational learning.

A study by Styhre et al. (2004) suggests that organisational learning in construction projects does not rely on technical and formal systems but, rather, on personal contacts, communities of practice, and learning by doing. Construction projects and other network organisations are designed to deal with complex undertakings and are inevitably more fragmented than one single organisation. Consequently, Styhre et al. (2004) point out that organisational learning capabilities are distributed between different organisations and actors. In order to further exploit the know-how and experiences in the network organisation, organisational learning capabilities may be more elaborated and effectively managed. That would enable a continuous conversation not just between individuals representing one profession or competence, but also between actors in different phases of the construction project.

In section 2.2.5, the concept of the adaptive learning organisation was described. In Figure 2-4, and for the purposes of this study, an organisation is depicted as an adaptive learning system where organisational learning capabilities are embedded in the organisational learning process of discovery, choice and action and form a significant component of an organisation's strategic capability. The studies on organisational learning capability tend to be survey-based research identifying cause-effect relationships (eg., Bhatnagar 2006; Hsiu-Fen Lin 2008). There is a need to undertake descriptive research to better understand the use of organisational learning capabilities in an organisation and, hence, the basic research question for this study is:

*How do organisations utilise their organisational learning capabilities for sustainability purposes?*

**Figure 2-4 Organisations as adaptive learning systems**



Developed for this study using Stacey's concept of the adaptive learning cycle (Stacey 2007)

While figure 2-4 has some clarity and appeal, it begs the question of what is the focus of the organisational learning processes and the learning capabilities embedded in those processes. As mentioned above, organisational learning capabilities are key to the improvement of the organisation's internal structures and processes and its ability to adapt to dynamic and turbulent contexts. This is a fundamental aspect of the strategic capability of the organisation. Two areas are prominent in the management literature—strategic management and operational management. Furthermore, two issues are central to strategic management. The first one is the development and pursuit of strategy and the second is the ability of the organisation to renew itself. Likewise, there is one issue central to operations management: the management of performance.

Hence the three areas of focus in this study for investigating the nature of organisational learning capabilities are strategy development and pursuit of strategy,

performance management and organisational renewal. The three are discussed in the following sections.

#### **2.4.1 A strategy focus**

In recent years, there has been a growing body of literature around strategy as learning. This literature highlights aspects of organisational learning where strategy is the central focus of attention. A better understanding of strategy and strategic management as an organisational learning process would certainly be beneficial to practising managers. Implicit in this statement is the identification of organisational learning capabilities associated with an organisation's approach to strategic management.

The domain of strategic management has developed a fertile field of research for analysing key aspects that influence organisational success (Curado 2006). Organisational learning has recently gained attention (Crossan & Hulland 2002) because of its potential as a competitive advantage (Geus 1988). Unfortunately, although there is substantial literature on organisational learning, this concept is rarely associated with strategic topics (Crossan & Berdrow 2003). The concepts of learning and capability development have only recently been considered in the context of the firm's strategic development (Curado 2006).

In looking at the place of organisational learning in organisational design, Curado (2006) highlights the alternative strategies of exploitation of existing firm competencies in competitive environments and exploration of new competencies in competitive environments. She suggests that one '...might propose the adoption of different organisational learning systems to fit diverse business strategies and organisational contexts' (p. 35).

Over 20 years ago, de Geus (1988) pointed to the significance of viewing an organisation's planning processes as processes of organisational learning and hence the need to accelerate institutional learning in his company, Shell. The planning department in Shell recognised that its prosperity depends on '...the ability of a company's senior managers to absorb what is going on in the business environment

and to act on that information with appropriate business moves. In other words, they depend on learning' (de Geus 1988, p. 70). He adds that organisations with more flexible communication channels will usually learn more quickly and, to succeed, companies need to encourage their managers towards revising their views of the world.

Beer and Eisenstat (1996) built on this concept of openness and partnership in strategy formulation, suggesting that organisations need to discuss the barriers to effective strategy implementation and adaptation. They point to a strategic alignment process as fundamental in enabling the top team to evolve and implement the company's strategy. Subsequently, the authors carried out a study that confirmed their earlier views (Beer & Eisenstat 2000). They looked at the factors inhibiting successful implementation of strategy and identified six interacting factors, the first two of which were top-down or laissez-faire senior management styles; and an unclear strategy and conflicting priorities. The implication is that organisational learning capabilities are important in enabling an organisation to discuss such inhibitors.

According to Christensen (1997), managers face two particularly vexing challenges in developing and implementing competitive strategies. First, they must ensure that the strategy is not a reflection of the biases (and ignorance) of the organisation's past successes. Second, managers need to allocate resources that accurately reflect the strategy. But, as Christensen points out, such alignment rarely occurs, hence the personal, political and institutional factors that often heavily influence the process of strategy development are frequently disconnected from the realities of the marketplace.

Christensen (1997) proposed a dynamic two-stage planning process to address these issues. The first stage was the identification of the driving forces in the company's competitive environment and, secondly, formulating the strategy that addresses those driving forces. In doing so, he recognised the importance of organisational learning in this process and portrayed the making of strategy as a process of learning by doing.

A number of companies in which the emphasis on learning was a key component in the strategy process were cited by Bartlett and Ghoshal (1998) who considered that ‘The age of strategic planning was fast evolving into the era of organizational learning’ (p. 35). Their central point was that planning needed to evolve from the old rigidities of the linear forecasting model to the dynamic and emergent processes of learning to strategise on the run. They emphasised that to be successful learning organisations, companies require a transparent, open and trust based culture.

Chermack et al. (2007) expanded on the above earlier literature on communication in the forming and implementation of strategy by discussing the role of strategic conversations when an organisation seeks ‘...to consistently harness change and constantly rediscover its entrepreneurial vision...’ (p. 379). They identify a relationship between conversation and the learning loop, this learning leading to a common understanding of the strategic process.

It can be seen that, in the context of the overall research question, there is a need to identify the various organisational learning capabilities that are apparent in the processes of strategy development and implementation in organisations. Hence, the first research issue is as follows:

*How do organisations utilise their organisational learning capability in relation to their approach to strategic management?*

#### **2.4.2 A performance management focus**

There is a presumed divide between the strategic and operational management activities in an organisation. However, New (2000) argues against the separation of strategy and operations even though, as he points out, this divide is hardwired into many large organisations and reinforced by the standard teaching of business schools. His argument is that the operational function is of strategic importance and there is much more interplay and integration between the two areas—a necessary requirement to match the demands of business in the contemporary world.

A key concern of operations management is organisational performance and performance management (see Slack et al. 2010). However, for this study, performance management is seen as a second key area of focus for looking at the way organisations utilise their organisational learning capabilities. Performance management is operational and strategic. As suggested by Warren (2008), strategic management is about 'building and sustaining performance into the future' (p. 4). Johnston and Clark (2005) present a model of service operations management where strategy and performance management are two important linking variables in the operation and performance of a service-oriented firm.

Performance management is broader than performance measurement. DeNisi (2000) defines performance management in terms of the range of activities that an organisation is involved in to enhance the performance of people, individually and in groups. Slack et al. (2010) identify it as a process of 'assessing progress towards achieving predetermined goals' (p. 611). It also involves communicating and feeding back information on results to date so that appropriate corrective actions can be taken.

These authors also add that the objectives of performance management are to ensure coordination and coherence between individual processes or team objectives and overall strategic and organisational objectives. But more than that, performance management attempts to influence decisions, behaviours and skills development so that individuals and processes are better equipped to meet strategic objectives. Mondy et al. (2002) reinforce the Human Resource perspective on performance management as a process that significantly affects organisational success through the mutual participation of managers and employees working together to set expectations, review results and reward performance.

Molleman and Timmerman (2003) make two important points about these definitions. First, most definitions relate to different organisational levels such as organisation, unit, group or individual. Second, the definitions differ in their focus. The literature on general management and operations management emphasises the

organisational or unit level of performance, while the Human Resource Management literature primarily focuses on the individual employee. Most of the definitions (and their authors) accentuate the beginning and the end of the performance management process (the planning and appraisal steps or the input and outcomes identification phases) while 'few also stress the in-between stage, in which the actual work is done' (Molleman & Timmerman 2003, p. 96).

For the purposes of this study, the definition of performance management by DeNisi (2000) will be used. Where DiNisi refers to groups it is understood that this includes formal groups in sections and departments, as well as informal workgroups.

The significance of performance management as a key focus for the utilisation of organisational learning capabilities is demonstrated throughout the literature on strategic management and management in general, because the performance of an organisation is one of the major concerns for management practitioners and academics alike (see for example, Johnson et al. 2008; Robbins et al. 2008). Hence, the way organisations manage performance is a key concern for organisational learning, as well as identifying the learning capabilities that support any attempts to improve organisational performance as a managerial imperative. As indicated above, performance management is not only an operational concern, but also a strategic one. The relationship between performance management and organisational learning is also apparent in the literature.

In the previous section, the process of strategic management was associated with the process of organisational learning through the cycle of discovery, choice and action. A similar association can be seen between performance management and organisational learning.

Molleman and Timmerman (2003) point out that many authors refer to performance management as a cyclical process with different stages such as planning, appraisal and reward. Mabey, Salaman and Storey (1998) illustrate the iterative cycle in terms of setting performance objectives, measuring outcomes,



feedback of results, linking rewards to outcomes, amending objectives and processes when necessary and then starting the cycle again. In other words, this iterative cycle is also a learning cycle based on the basics of discovery, choice and action. Rubienska and Bovaird (1999) refer to this circular process of performance management as an adaptive process, but they reiterate that such a focus on performance can have mixed results. Some firms are able to develop a positive learning culture and, hence, achieve gains in performance outcomes—while others fail, despite the presence of performance management.

Apart from associating the process of performance management with the organisational learning cycle of discovery, choice and action, organisational learning is also viewed as a process of detecting and correcting errors (Argyris & Schön 1978). This is precisely a major concern of performance management: dealing with the gaps between desired and actual outcomes, and the gaps representing errors in performance expectations and standards. Dealing with the gaps in performance levels of an organisation can also be seen as single-loop or double loop learning as performance is both operational and strategic.

Senge (1990b) suggests that the total quality management (TQM) movement constitutes the first wave in the development of learning organisations. TQM emphasises continuous improvement through the encouragement of experimentation and the development of effective feedback systems. What the TQM movement signified was another aspect of the linkage between performance management (albeit the context was mainly in manufacturing) and organisational learning. A central aspect of TQM was continuous improvement—a learning process embedded in Deming's quality control system of quality circles, statistical process control and PDSA represented by the cycle of plan, do, study and action (Wang & Ahmed 2003). Wang and Ahmed (2003) refer to Pedler et al. (1997) to reinforce the notion of continuous improvement as an organisational learning process concerned with improving the performance of an operation. Pedler et al. (1997) suggested that a learning organisation should consciously promote individual learning in order to continuously transform the entire organisation.

One of the issues with performance management systems is that they tend to be driven by short-term goals and local optimisation (see Neely et al. 1999; Youngblood 2003). This can be detrimental to efforts that are directed to continuous improvement and learning (Lynch & Cross 1991).

If performance management can be viewed as an organisational learning process, and the aspirations of organisations are concerned with achieving high performance standards, then a central question from the study would be:

*How do organisations utilise their organisational learning capability in relation to their approach to performance management?*

### **2.4.3 An organisational renewal focus**

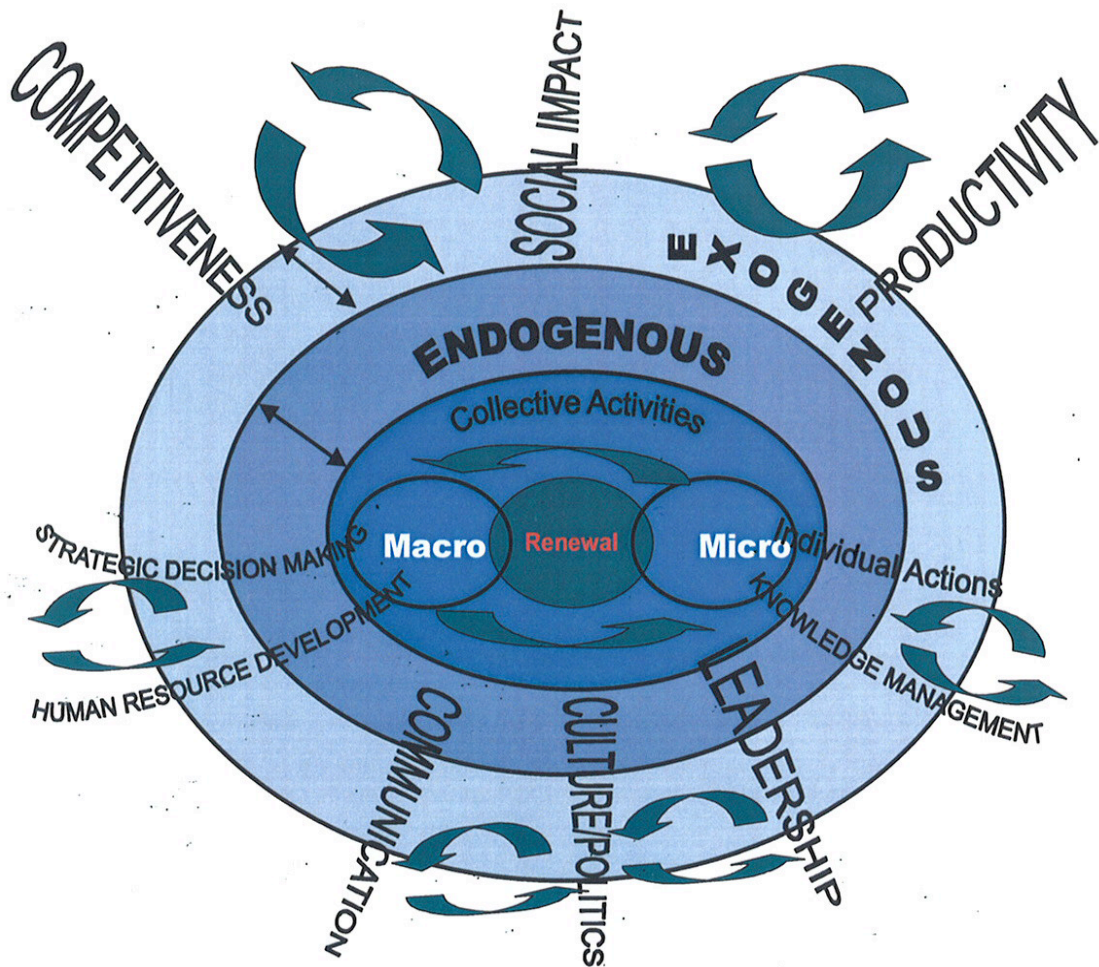
The third area of focus identified for the study in relation to organisational learning capabilities is organisational renewal. Lippitt (1982) used the term 'organisational renewal' instead of 'organisational development' for three reasons. First, it avoids the trap of the narrow definition of organisational development. Second, it represents a more dynamic expression of action taking. Third, it avoids the connotation that organisational change is implemented by behavioural change. Hence, for Lippitt, organisational renewal is:

...the process of initiating , creating and confronting those changes needed so as to make it possible for organisations to become or remain viable, to adapt to new conditions, to solve problems, to learn from experiences and to move towards greater individual group and organizational maturity (p. 15).

Antonacopoulou et al. (2005) also view organisational renewal in dynamic terms. Figure 2-5 represents diagrammatically the way they suggest organisational renewal could be conceptualised as a complex adaptive system (as highlighted by Stacey, 2003) and illustrates the emergent nature of renewal. They suggest that the balancing act between macro and micro forces, as they interact and negotiate order and disorder, lies at the core of organisational renewal, which they also suggest is central to self-organisation. They recognise, however, that no static snapshot

representation of this fluidity does justice to illustrating the multiple connections between the forces.

**Figure 2-5 The dynamic emergence of organisational renewal**



Source: Antonacopoulou et al. 2005

Antonacopoulou et al. (2005) point out that the way change has been usually conceptualised in the management and organisation literature has tended to be little more than:

...a set of episodic, transitory events, and usually decided at the top of the organization. This programmatic view of organisational renewal, has been heavily criticised as a barrier in itself for thinking about change...Therefore, organizational renewal can be viewed as the ongoing creative process of structuring and stabilizing the inherent complexity and flux of reality (pp. 8-13).

In the context of Lippitt's and Antonacopoulou et al.'s definitions for this study, organisational renewal relates to any activity within an organisation, either planned or emergent, that can be associated with changing the strategic capability of the organisation in response to environmental changes and demands. As mentioned in section 2.2.3, strategic capability has become a central feature in the strategic management literature because of its significance for organisational sustainability and competitive or comparative advantage. The ability of an organisation to adapt its strategic capability of resources and competencies is fundamental to organisational renewal. It can be seen that the various authors cited above see a dynamic process of organisational renewal as closely linked to the on-going strategic capability of the organisation.

Balogun and Hailey (1999, cited in Johnson et al. 2008) identify four types of strategic change: *Adaptation* is change that can be accommodated within the current paradigm and occurs incrementally. It is the most common form of change in organisations. *Reconstruction* is the type of change that may be rapid and could involve a good deal of upheaval in an organisation, but does not fundamentally change the paradigm. *Evolution* is a change in strategy that requires a paradigm change over time. It may be that managers anticipate the need for transformational change. They may then be in a position of planned evolutionary change, with time to achieve it. Another way in which evolution can be explained is by conceiving of organisations as 'learning systems', continually adjusting their strategies as their environment changes. *Revolution* is change, which requires rapid and major strategic and paradigm change. This could be in circumstances where the strategy has been so bounded by the existing paradigm and established ways of doing things in the organisation that, even when environmental or competitive pressures might require fundamental change, the organisation has failed to respond.

Each of the above types identified by Balogun and Hailey requires a different approach and thus a different utilisation of the organisational learning capabilities. The current research provides information on how the cases studied typically approach strategic change within their organisation.

An ecological formula stated that in order for an organism to survive, its rate of learning must be equal to or greater than the rate of change in its environment (Revans 1998). Dixon (1994), however, suggests that the formula does not take account of an organisation's ability to change the environment as well as adapt to it. Dixon's point is pertinent to organisational renewal and transformation and, further, organisational learning is seen to lie at the heart of strategic competence and the processes of business transformation (Hodgkinson & Sparrow 2002). Organisational renewal is a significant focus on organisational learning and organisational learning capabilities because organisational renewal is a learning process and directed to increasing the potential organisation's strategic capability in terms of sustaining its desired future.

Easterby-Smith et al. (2000) pointed out that the concept of *single* and *double-loop learning* by Argyris (1976) sparked debates about research on incremental and transformational change that has blurred the boundary between the two. They indicated that the debate was resolved in part by the recognition that what appears to be incremental change at one level of analysis (individual) may appear as transformational change when viewed from another level of analysis (organisation).

Argyris and Schön's (1978, p. 20) explanation that '...there is no organizational learning without individual learning, and that individual learning is a necessary but insufficient condition for organizational learning' prompted Dixon (1994) to add that organisations must do more than simply encourage their employees to learn: they need to establish processes for system-level learning. Such system level processes are illustrated in her four-step model (known as the organisational learning cycle): (1) Information is generated as individuals in the organisation interact with the external environment or experiment to create new information internally; (2) the new information is integrated into the organisation; (3) all the available information related to an issue is collectively interpreted; and (4) action is taken based on the interpretation. The action generates feedback, and that new information reverts back to the first step to begin the cycle again.

In her view, if organisational learning is to occur, then every step of the cycle must take the collective into account (Dixon 1994). The cycle described above highlights the fact that the organisational learning process is a continuous cyclical process of discovery, choice and action.

Antonacopoulou et al. (2005) would argue in terms of their model in Figure 2-5 that, even though organisational learning and dynamic capabilities do not fully capture the complex dynamics of organisational renewal, there would be positive scope in exploring ways these perspectives can be interconnected.

In order to investigate further the relationship outlined above between organisational renewal and on-going development of strategic capability, and to build on Dixon's (2005) cycle of the discovery, choice and action, further research into organisational learning capabilities and their use in organisational renewal would be useful. This leads to the third research issue of this study.

*How do organisations utilise their organisational learning capability in relation to their approach to organisational renewal?*

#### **2.4.4 Issues in the utilisation of organisational learning capabilities**

For an organisation to use its organisational learning capabilities successfully, it is important that the organisation is structured in a way that allows exploitation of these capabilities. Bartlett and Ghoshal (1998) stated 'people are innately curious and, as social animals, are naturally motivated to interact and learn from one another... Yet, somehow, modern corporations have been constructed in a way that constrains, impedes, and sometimes kills this natural human instinct' (p. 34).

Weerawardena (2008) pointed out that developing organisational learning capabilities in larger organisations is more difficult, as the learning process is impeded by the multiple functional levels found in such organisations. In addition, present capabilities may inhibit learning due to the need for them to be 'unlearned' first (DiBella et al. 1996).

The emphasis in the first three research issues is on how organisations use their organisational learning capabilities in relation to their approach to strategic management, performance management and organisational renewal. Implicit in those issues is the need for organisations to build, maintain and exploit the relevant capabilities. For this to be achieved, it is important that learning is promoted at all levels (Wang 2008) and it requires both considerable time and commitment from management (Goh 2000).

One of the issues identified by Ellinger et al. (2002) and Leitch et al. (1996) during the literature review (see section 2.3.3) was if there is actually a relationship between an organisation's financial performance and its organisational learning capabilities. The fact that an organisation is a learning organisation does not necessarily imply that it is successfully using its organisational learning capabilities to develop and sustain the organisation. For this to be achieved, it is necessary for organisations to generate and generalise ideas for effect (Ulrich et al. 1993).

Sustainability, in the sense that it is used in this research, relates to the ability of an organisation to remain viable in the context of the aspirations of its dominant stakeholders. It incorporates competitive advantage and can be used as a descriptor of organisational outcomes when dealing with both profit and not-for-profit organisations. Subsequently, from a sustainability perspective, it is of some significance to identify issues that impact on the development and use of organisational learning capabilities that will impact the future performance of organisations in general. One issue that has gained in prominence recently in relation to the organisational learning literature is the influence of power and politics on learning.

A number of studies over the past decade have pointed to the political dynamics that are associated with learning in and by organisations (e.g. Antonacopoulou 2006; Field 2002; Coopey and Burgoyne 2000). The most critical objection to the learning organisation was raised by Salaman and Butler (1994) when they stated that not only may employees resist organisational learning, the learning

organisation concept ignores the way that power is exercised and the behaviours that are rewarded or penalised.

Schön (1973) pointed out that managers must invent and develop institutions as learning systems capable of bringing about their own continuing transformation. However this point assumes that politics can be managed when wisdom prevails and according to Grieves (2008), this assumption is suspect as empirical evidence suggests the opposite. Grieves provides an example of research by Finger and Brand (1999) who reported that it was not possible to transform a bureaucratic organisation by learning initiatives alone. Grieves (2008) argues that most perspectives on the learning organisation concept are apolitical in nature:

How do we deal with the existence of executive and managerial elites who control organizations? Pursuing this point a little further, we might ask how, in a potential scenario that forces managers to reduce labour costs through redundancy, a learning organization would employ the concepts of mental mastery, team learning, systems thinking to its advantage. The answer may, of course, be to resolve the problem to the mutual satisfaction of all. However, this would require a political decision by management that such a solution favours the interests of the organization. Whilst this is possible it is by no means inevitable. Owners, managers, employees, shareholders and stakeholders may often give the appearance of being value neutral but in reality they have different economic interests. The paradox for Senge is that whilst such things could be drawn onto his feedback loops they would contradict the other four concepts of personal mastery. The learning organization concept is naively apolitical. This is because it assumes that people share the same interests, are not abused by exploitative managers, are not driven by systems that seek to maximize effort at the expense of rewards (p. 469-470).

In the context of the above quote, it would be beneficial from a theoretical and practice point of view to attempt to uncover some of the political issues associated with the way organisations are utilising their organisational learning capabilities in relation to strategic management, performance management and organisational renewal. The following research question is designed to this end:

*How does the political style of the senior leaders in organisations impact the utilisation of organisational learning capabilities in general?*

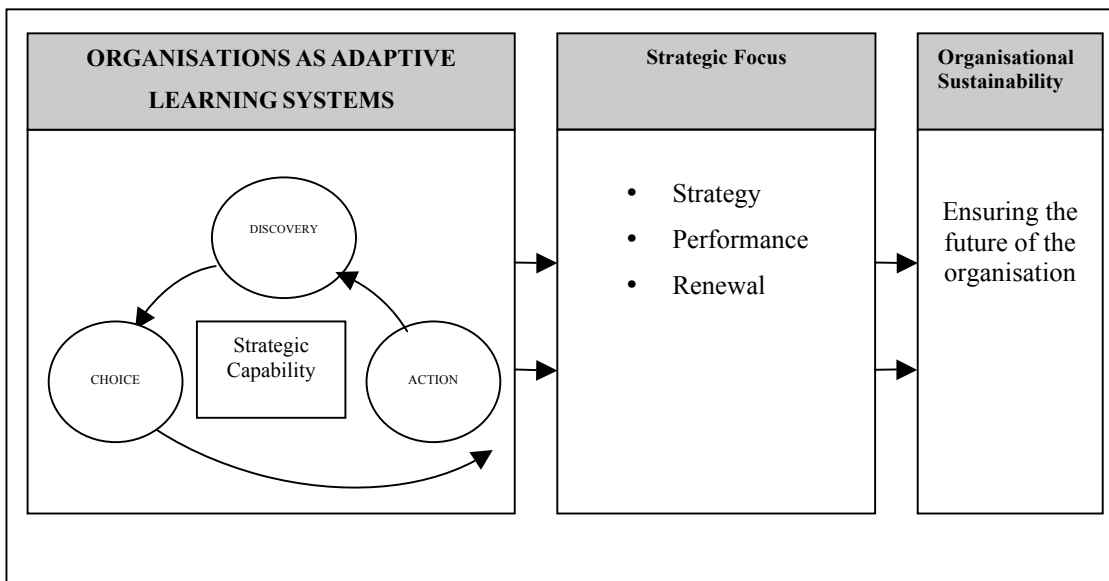


The political style for the purposes of this study relates to the way senior leaders use their power and influence to get things done and, hence, how their style of influence impacts on organisational learning.

## 2.5 Summary and Research Issues

From the literature review, which looked at strategic management and strategic capability as well as providing an in-depth review of the literature on organisational learning, Stacey's (2007) concept of the adaptive learning cycle was developed further as shown in Figure 2-6.

**Figure 2-6 Organisations as adaptive learning systems:  
The detailed strategic focus**



Developed for this study using Stacey's concept of the adaptive learning cycle (Stacey 2007)

The literature review initially looked at strategic management. It was observed that there is some confusion concerning the definition of strategic management. This is not seen as a problem for this study, apart from recognising the importance placed on strategic capability and the general acceptance that strategic management is a process of adapting the organisation in response to opportunities and threats.

Further literature on strategic capabilities was researched since the extent to which organisational learning capabilities are focused on the development and enhancement of an organisation's strategic capabilities is important for the current research. In particular, this was considered with respect to organisational sustainability.

Stacey's (1993) work on the dynamics of strategy was examined, in particular his identification of the cycle of discovery, choice and action. This cyclical strategic management process is very much an organisational learning process and therefore the literature on organisational learning was examined in detail—from Cyert and March's (1963) work through to the present. The distinction between learning organisations and organisational learning was clarified, with the former tending to be prescriptive and normative, whilst the latter is more descriptive and thus more relevant to the current research.

With particular reference to organisational learning capabilities, the literature was further examined in detail with respect to three different foci: strategy, performance management and organisational renewal. In each of these areas, it was seen that the identification of the organisational learning capabilities relevant to the sustainability of the organisation was important.

The importance of organisational learning capabilities was emphasised by Roome and Wijen (2006), when they suggested that such capabilities were necessary to enable the organisation to adapt to dynamic and turbulent contexts. These capabilities can be formal or informal (DiBella et al. 1996) and tangible or intangible (Bhatnagar 2006).

The literature gives prominence to strategic management and operational management. The application of organisational learning capabilities in addressing the three issues central to these two areas—the development and pursuit of strategy, the ability of the organisation to renew itself and the management of performance—forms the focus of this research.

Following the literature review, an appropriate research question was formulated to study how organisations use their organisational learning capabilities. This research question was then broken down into four specific research issues as indicated in Table 2-4 below.

**Table 2-4 The research question and research issues**

<b>Research Question</b>	
<i>How do organisations utilise their organisational learning capabilities for sustainability purposes?</i>	
<b>Research Issues</b>	
<b>RI 1</b>	How do organisations utilise their organisational learning capability in relation to their approach to strategic management?
<b>RI 2</b>	How do organisations utilise their organisational learning capability in relation to their approach to performance management?
<b>RI 3</b>	How do organisations utilise their organisational learning capability in relation to their approach to organisational renewal?
<b>RI 4</b>	How does the political style of the senior leaders in organisations impact the utilisation of organisational learning capabilities in general?

The following chapter outlines the research methodology employed in the study in order to explain the justification of case study methodology and the procedures employed in data collection to address the research questions.

## CHAPTER 3

### 3 RESEARCH METHODOLOGY

#### 3.1 Introduction

In the literature review in Chapter 2, it was concluded that research is needed into how organisations utilise organisational learning capabilities around their strategy, performance and organisational renewal processes. In this chapter, the methodology utilised for answering the specific research issues identified in chapter 2 and listed below is outlined. The various aspects of the research methodology, from the fundamental paradigm through to the design of the research and the justification thereof, as well as the actual procedures for data collection and the limitations and ethical considerations, are each considered in turn.

The research question resulting from the literature review is:

How do organisations utilise their organisational learning capabilities for sustainability purposes?

From this overall question, four specific research issues have been identified:

**Table 3-1 Research Issues**

<b>RI 1</b>	How do organisations utilise their organisational learning capability in relation to their approach to strategic management?
<b>RI 2</b>	How do organisations utilise their organisational learning capability in relation to their approach to performance management?
<b>RI 3</b>	How do organisations utilise their organisational learning capability in relation to their approach to organisational renewal?
<b>RI 4</b>	How does the political style of the senior leaders in organisations impact the utilisation of organisational learning capabilities in general?

### **3.2 Research paradigm**

This study has been carried out under the scientific paradigm of Realism, which is appropriate for ‘...an understanding of the common reality of an economic system in which people operate independently’ (Perry et al. 1999, p. 18). The current study, which looks at how independent firms are utilising their organisational learning capabilities, is consistent with Perry’s criterion.

Theory development can be either by deductive theory testing or inductive theory building (Perry 1998). These correspond to a choice between paradigms for management theory between Positivism, Critical Theory, Constructivism and Realism (the last three sometimes being grouped under the heading Post-positivism) (Guba & Lincoln 1994). Following a brief description of the paradigms below, it will be argued that Realism is the most appropriate to the present research.

The paradigms are summarised below in Table 3-2.

**Table 3-2 Research paradigms**

Item	Paradigm			
	Positivism	Critical theory	Constructivism	Realism
<b>Ontology</b>	<i>naïve realism:</i>  reality is real and apprehensible	<i>historical realism:</i>  ‘virtual’ reality shaped by social, economic, ethnic, political, cultural, and gender values, crystallised over time	<i>critical relativism:</i>  multiple local and specific ‘constructed’ realities	<i>critical realism:</i>  reality is ‘real’ but only imperfectly and probabilistically apprehensible and so triangulation from many sources is required to try to know it
<b>Epistemology</b>	<i>objectivist:</i>  findings true	<i>subjectivist:</i>  value mediated findings	<i>subjectivist:</i>  created findings	<i>modified objectivist:</i>  findings probably true
<b>Methodology</b>	<i>experiments/surveys:</i>  verification of hypotheses: chiefly quantitative methods	<i>dialogic/dialectical:</i>  researcher is a ‘transformative intellectual’ who changes the social world within which participants live	<i>hermeneutical / dialectical:</i>  researcher is a ‘passionate participant’ within the world being investigated	<i>case studies/convergent interviewing:</i>  triangulation, interpretation of research issues by qualitative and quantitative methods such as structural equation modelling
Note: Essentially, ontology is 'reality', epistemology is the relationship between that reality and the researcher and methodology is the technique used by the researcher to discover that reality.				

Source: Perry, Alizadeh and Riege, (1996, p. 547) based on Guba and Lincoln (1994).

The sociological paradigm of Positivism is based on the ontological view that there is a single reality, capable of being analysed and unaffected by research. This belief in an absolute truth is rooted in mathematical and scientific studies, where the existence of a single reality often appears beyond dispute. Such an ‘absolute truth’

will remain the single reality unless an Einstein comes along at some point and changes it. Ayer (2002) succinctly summarises the basis for testing propositions under this paradigm by stating that the truth of empirical propositions is determined by their agreement with reality.

Such belief in a single reality does not sit well with the indeterminate nature of management theory and practice. Post-positivists are sceptical of the existence of an absolute truth, believing that even if such a truth exists, the complexity of the world and human imperfections make the determining of such reality impossible. As Stephen Hawking, a modern day Einstein asks, ‘How could our finite minds comprehend an infinite universe? Isn’t it presumptuous of us even to make the attempt?’ (Hawking 2001, p. 69). Perhaps one day the likes of Einstein or Hawking may achieve this, thus causing a Kuhnian paradigm shift (Kuhn 1962), but for practical purposes, basing management research on an absolute truth is problematic. Ian Barbour, a pioneer of the Realism approach, did not agree with the view that scientific theories necessarily implied an absolute truth. Instead, he viewed them as yielding partial, revisable, abstract, but referential knowledge of the world (Russell 2002).

There are several differences in the role of theory under the four different paradigms, (Positivism, Critical Theory, Constructivism and Realism). The more quantitative nature of Positivism lends itself to verification of hypotheses. Under Positivism, proof of a theory is sought, whereas in the other three paradigms researchers aim either to show that hypotheses hold in the cases investigated or, as is the case with the current research, they aim to gather data enabling hypotheses to be formulated. The exploratory nature of this research and the absence of a previously formulated theory that is to be proved (or disproved) render positivism inappropriate for this research.

Due to measurement fallibility, Post-positivists emphasise the importance of multiple measures and observations (‘triangulation’), each of which may have different types of errors (Trochim 2002) and look at the results hermeneutically rather than as cold facts. Multiple case studies enable such triangulation. Although

Positivists also use triangulation, their belief in the absolute nature of reality can allow reliance on a single observation, which would be inappropriate in the current research as no a priori theory for how organisations use their organisational learning capabilities has been postulated..

Guba and Lincoln (1994) summarise this succinctly as:

*Positivism.* Knowledge consists of verified hypotheses that can be accepted as facts or laws.

*Critical Theory, Constructivism and Realism.* Knowledge consists of non-falsified hypotheses that can be regarded as probable facts or laws.

The three post-positivism paradigms of Critical Theory, Constructivism and Realism are each appropriate for different types of research. Critical theory is most appropriate for research incorporating historically situated structures, where researchers are concerned with critiquing and transforming values (e.g. social, political, cultural or economic). The research is usually long-term and assumptions are essentially subjective, therefore knowledge is value-dependent (Perry et al. 1999). The current research is not aimed at transforming people, but rather at understanding their behaviour, thus Critical Theory is not appropriate.

Constructivism, on the other hand, adopts a relativism ontology, such as would be the case with a researcher of organisational culture. It is appropriate for research where perception is the most important reality and where the research looks at the values behind the research findings and where the research is heavily dependent on the interaction between the interviewer and the respondent. Constructivism is rarely appropriate for business research, because it does not take into account the real economic and technological aspects of business (Perry et al. 1999) and is therefore considered inappropriate for the current research.

Whilst Constructivists and Critical Theorists consider there are a number of different realities, Realists believe there is only one reality, but that several



perceptions of it must be triangulated in order to see it clearly (Perry et al. 1999). In many cases, researchers postulate causal relationships between variables or constructs. Causality is scientifically impossible to prove absolutely. A Realist will use the fact that 100% of firms using websites studied have also increased sales, to postulate that use of the Internet will increase revenues. Positivists could not *prove* the absolute generality of this; they could only *disprove* it by identifying at least one firm where sales had fallen since the introduction of a website. The current research postulates relationships on the basis of observations.

The current research falls directly in line with the view of Perry et al. (1999, p. 18) that Realism is appropriate when ‘searching, albeit necessarily imperfectly, towards an understanding of the common reality of an economic system in which many people operate independently’.

Thus, given that:

- the complexity of the subject being studied makes the determination of an absolute truth as to the ways firms are making strategic decisions highly unlikely (in fact, almost certainly impossible);
- the aim of this research is to identify *how* firms are using their organisational learning capabilities, rather than proving (or disproving) an existing hypothesis or theory; and
- the research question is primarily qualitative and non-deterministic rather than quantitative

It is clear from the above analysis of the differences between the paradigms that the Realist perspective is the most appropriate for this research.

The current research is concerned with investigating in depth the ways companies use their organisational learning capabilities for sustainability. Such investigations, as opposed to generalisations (which identify general statements), fall clearly under Realism (Carson et al. 2001).

### 3.3 Justification of case study methodology

For this research, where there is a search for an empirical understanding of how organisations are using their learning capabilities to develop and sustain themselves, the research lends itself to a case study approach (Perry et al. 1999). The research is more focused on building theory rather than testing and verifying it and, as such, the qualitative nature of case studies is appropriate. In particular, the current research is concerned with *how* organisations utilise their organisational learning capabilities, and such research is typical in a case study approach. As McPhail stated:

...the research problem that is the focus of a case study research project is usually a 'how do?' or 'why' problem...and involves a relatively complex issue about which little is known. (McPhail 2002, p. 5.21)

Under the Realist paradigm, different qualitative research methods can be used, depending on the particular research being undertaken. The alternative approaches of relying on surveys and experiments are more relevant to research under Positivism, as they can be used to determine the 'correct' values of particular variables where the aim is objectivity. A danger with such an approach is that if the phenomenon being investigated is not accurately understood, the findings of any theoretical verification may well be invalid.

The belief that one's ability to comprehend reality is limited and that the results of research will be affected by the very exercise of undertaking the research itself leads to a more qualitative approach to theory. Case studies, interviews and focus groups are typical tools of the researcher in such cases. There is no intention to identify an absolute truth applicable in all situations. It is sufficient to gain an understanding of the phenomenon. Of the different qualitative methods available to the researcher, case studies have the advantage of being very cost effective and, given the relatively low time needed for planning and implementing them, the resultant knowledge gained is very current.

Case studies are based on an in-depth study of a particular individual, organisation or event and can be *exploratory* (sometimes as a prelude to social research), *explanatory* (for causal investigations) or *descriptive* (which require a pre-project descriptive theory to be developed (Yin 1994). With case studies, ‘elements of the theory are being confirmed or disconfirmed, rather than being tested for generalisability to a population’ (Perry, Riege & Brown 1999, p. 20). Case studies are very useful in enabling the understanding of complex issues. They can build on what is previously known from other research.

This research is descriptive and explanatory in nature, as no pre-existing hypotheses or theories are being confirmed or tested and no causal relations are being investigated. Using Healy and Perry’s (2000, p. 122) criteria, the approach taken is ‘ontologically appropriate’ as it is a ‘how and why’ study under the critical realism paradigm.

As can be seen from Yin’s (1994) matrix (Table 3-3), the case study approach is appropriate for ‘how and why’ research that focuses on contemporary events, but does not require control over behavioural events. This is the case with the current research.

**Table 3-3 Relevant situations for different research strategies**

<b>Strategy</b>	<b>Form of research question</b>	<b>Requires control over behavioural events?</b>	<b>Focuses on contemporary events</b>
<b>Experiment</b>	how, why	yes	yes
<b>Survey</b>	who, what, where, how many, how much	no	yes
<b>Archival analysis</b>	who, what, where, how many, how much	no	yes/no
<b>History</b>	how, why	no	no
<b>Case study</b>	<b>how, why</b>	<b>no</b>	<b>yes</b>

Source: Yin (1994, p. 6)

Case studies can lead to an evolutionary development of a theory. Successive studies may cause the deductions to be reviewed. Such an incremental approach using exploratory studies can jeopardise comparability to such an extent that a number of confirmatory/disconfirmatory studies using a single protocol should subsequently be made (Perry et al. 1999). Such studies should produce either similar results or contrasting results for predictable reasons (Yin 1994).

Case studies are particularly appropriate where it is desired to classify complex organisational operations. 'The goal of case study research can be to isolate and define categories as precisely as possible and then to determine the relationship between them' (McCracken, 1988 quoted in Perry et al, 1999, p. 21). The multiple sources of feedback from a number of case studies, combined with their interactive nature and the flexibility of their design, lead to a sound understanding of the organisations being studied.

There are a number of issues raised by the literature review. These largely revolve around providing managers with a better understanding of the management and development of organisations as an organisational learning process. The case study approach used in this research contributes to the identification of the organisational learning capabilities associated with the organisation's strategic management, performance management and strategic renewal.

There is no single approach to case studies, with different techniques being used for different research. These approaches vary from testing to interviewing. In this research, the studies were based on interviews, as no prior hypothesis was postulated, and the analysis of the cases has been carried out in a manner that enables classification of the organisations according to their particular orientations with respect to their use of their organisational learning capabilities.

Although it has been argued above that the general approach of case studies is appropriate in this research, it is nevertheless important that the cases are chosen carefully such that they achieve validity and reliability. Yin (1994) proposes four

tests for validity and reliability, each of which was considered in the context of the present study:

- ◆ *Construct validity*: The constructs and derived variables of the study have been chosen with the intention of minimising the subjectivity of any analysis. In addition, the use of multiple sources of evidence (Yin 1994), with repeat interviews, reduces the risk of invalid results as the answers from each should converge (Zikmund 2000). In this research, repeat interviews were used in order to validate the findings; and drafts of the case analysis were reviewed by respondents for verification of accurate representation of their views. The case study protocol content was linked to the specific research issues.
- ◆ *Internal validity*: This evaluates the establishment of causal relationships and thus is not applicable to exploratory studies such as this one. It is appropriate only where the intention is to show that ‘certain conditions are shown to lead to other conditions, as distinguished from spurious relationships’ (Yin 1994, p. 33).
- ◆ *External validity*: The generalisability of the proposed research to other firms of the same broad description as those studied depends to a certain extent on the consistency between the different cases studied. Should consistency be found, the results could provide the basis for a general hypothesis for companies in similar industries in the same or similar geographic regions, which could then be tested by further research. The limited number of cases studied in this research precludes generalisability. Additional future research on a larger selection of cases would be justified.
- ◆ *Reliability*: Whether the same results would be obtained by another person repeating the cases studies depends on the rigour of the interview protocol, the accuracy of the recording and analysing of data and the diligence with which the results are reported. The interview protocol and the interview process in this research, including in particular the repeat interviews to validate earlier findings, were carefully designed in a way that should ensure the reliability of the findings.

It can be seen, for all of the reasons outlined above, the case study approach selected for this research is highly appropriate.

### **3.4 Case selection**

The research question resulting from the literature review is, ‘How do organisations utilise their organisational learning capabilities for sustainability purposes?’ Such a question suggests a multi-case design rather than a single-case design as differentiated by Yin (2003) to enable a broader sample of organisations and, hence, increased validity of the resultant findings. Multiple case studies should normally be used in postgraduate research because they allow cross-case analysis to be used for richer theory building (Perry 1998).

Yin (2003, pp. 46-53) advises that ‘multiple cases’ should be regarded as ‘multiple experiments’ and not ‘multiple respondents in a survey’, and so replication logic and not sampling logic should be used for multiple-case studies. Eisenhardt (1989, p. 537) states that the ‘random selection of cases is neither necessary, nor even preferable’. Consequently, Stake (1994) advises that representativeness is not the criteria for case selection. The term ‘sampling’ is problematic for qualitative research because it implies the representation of the population being studied by probability or convenience sampling (Maxwell 2005).

In preference, Yin (2003) suggests that literal or theoretical replication is a more appropriate choice for selecting cases such that it either:

- predicts similar results for predictable reasons (that is, literal replication); or
- produces contrary results for predictable reasons (that is, theoretical replication)

Maxwell (2005) suggests that in qualitative research, the typical way of selecting cases is through purposeful sampling. Patton (1990) lists fifteen strategies of ‘purposeful sampling’ (in contrast to ‘random sampling’) and for the purposes of this study, ‘maximum variation’ sampling is deemed to be the most appropriate to align with the analytical and general purposes of the study. As will be seen in Table 4-2, the cases studied in this research vary from small SMEs to large

companies and organisations at different levels of maturity, some being well-established organisations, others being recent start-ups. They are from a wide variety of business sectors and include not-for-profit organisations, as well as commercial enterprises. The organisations are dispersed geographically, being based in Australia, South East Asia and Europe.

Maximum variation sampling should include very extreme cases (Perry 1998). In the case study methodology, the selection of cases is purposeful and, regardless of which of the fifteen case selection strategies is being used, 'the underlying principle that is common to all of these strategies is selecting *information rich* cases', that is, cases worthy of in-depth study (Patton 1990, p. 181). The cases studied, being widely different organisations in terms of size, geography, business sector and commercial nature, provide a diversity of context that enables useful analysis.

There is no precise guide to the number of cases to be included (Perry, 1998) and the literature rarely specifies how many cases should be selected, leaving it to the researcher to decide (Romano 1989). Eisenhardt (1989) recommends that cases should be added until 'theoretical saturation' is reached and Lincoln and Guba (1985, p. 204) recommend sampling selection 'to the point of redundancy'. In this research, using 13 cases, it is not claimed that theoretical saturation was reached and subsequent research on a larger number of cases would be a useful follow-up.

According to Perry (1998), the usual view is described by Hedges (1985) who suggests that four to six groups form a reasonable minimum and an upper limit of twelve because of the high costs involved in qualitative interviews and the quantity of qualitative data which can be effectively assimilated.

For the current research, thirteen cases have been selected, which was sufficient to obtain significant variation, because of a number of differentiating factors being used in the selection process. The organisations' size varied from those with a handful of staff to large multinationals, some of which had been in existence for many years, whilst others were recently created. They are spread across Australia, South East Asia and Europe, and cover both profit and not-for-profit organisations. The particular cases chosen were ones where the researcher had access to senior

executives or consultants who had a solid understanding of their organisations strategically and operationally and, hence, were able to provide sufficient valuable material for the research study.

The respondents were in positions in the organisations where they were directly involved in the areas covered by this research (i.e. strategic management, performance management and organisational renewal). Ensuring that the respondents were directly involved in the topics studied increased the validity of the findings and consequently reduced the number of cases required. Patton (1990) stated that the number of cases studied must be sufficient for the researcher to obtain and synthesise adequate data required for the research. It was decided that the thirteen cases chosen would be sufficient to provide useful and meaningful analysis.

### **3.5 Data collection procedures**

The data gathering procedures were designed to provide a rich set of data, as well as capturing the complexity of the issues. Given the many demands of case study research (Yin 1994), a fully structured approach to data collection is often not possible. In this research, a semi-structured interview protocol was used. Some respondents were very forthcoming in their answers, whilst others needed more prompting on the part of the researcher to extract the data required. This flexibility was particularly useful when new situations were uncovered as part of the interview process.

Once the interview protocol was finalised and case data was provided, it was possible to analyse the data and identify emerging themes according to the use of organisational learning capabilities in the various cases. The inclusion of open-ended questions enabled the respondents to answer in their own way, thus being more relaxed whilst not losing the direction of the interview (Hatch 2002). In addition, these open-ended questions provided more depth to the responses.

The detailed interview questions are included in the Appendix. Where possible, additional material in the form of various documentation (including company



reports, accounts of historical developments, etc.) was obtained from the respondents. Where, after analysing the initial interviews and studying the supplementary material, points arose that needed clarification or expansion, the respondents were contacted again for further input. As themes started to emerge, these were explored further by contacting the respondents in certain cases to obtain further information. Data was collected in a variety of forms including face-to-face, by email, by telephone and by Skype. Not all interviews could be conducted face-to-face because of distance. Once the data had been gathered and documented, the respondents were given an opportunity to review the data to ensure they had not been misrepresented.

Although arranging access to the cases chosen for study was not unduly difficult as the researcher has excellent contacts with many organisations (both through his own business experience and due to his position on the Council of the Institute of Directors for Europe), in view of the commercial sensitivity of the information being sought, confidentiality agreements were signed where requested.

The preparation of a satisfactory interview protocol prior to embarking on the data collection was fundamental. As it was not proposed to include statistical analysis in the research, there was room for some flexibility in the design of the questions. Although some questions have numerical answers (e.g. size of organisation), others are categorical (e.g. geographical coverage) or attitudinal (e.g. 'Is there a culture of performance improvement throughout the organisation?').

This protocol was refined following the initial exploratory interviews, evolving into a framework that could be used across all the cases. This semi-structured interview protocol reduced the risk of the data obtained being influenced by the researcher's own views.

There is some disagreement in the literature as to whether in an exploratory study the interview protocol may evolve during the study. Eisenhardt (1989) favours an inductive exploratory approach, whereas Yin (1994) prefers a confirmatory one, particularly where one is looking for replication that is either literal (similar results) or theoretical (contrasting results, but for predictable reasons). The current research

is exploratory in nature and does not purport to confirm any pre-defined hypotheses. This research is aimed at identifying different approaches to utilisation of organisational learning capabilities, and is descriptive and exploratory in nature and does not look for replication; consequently Eisenhardt's view is considered to be more appropriate than that of Yin.

### **3.6 Data analysis**

Yin (1994) suggests that a type of pattern matching for exploratory research wherein a pattern is observed in the cases can serve as part of a hypothesis-generating process in developing ideas for further study. In this research, once the interview protocol had been finalised and the responses to the interviews recorded, the responses were then analysed and, by comparing and contrasting the various responses, it was possible to identify patterns and themes.

This identification and subsequent description and summarising of patterns is key to this type of research (Zikmund 2000). The transcription process enhances the interpretation of the data due to the close attention that the researcher pays to the data (Lapadat & Lindsay 1999). The patterns and themes identified enabled the building up of a framework illustrating the different orientations detected in the cases with respect to their use of organisational learning capabilities.

The data gathered in the initial interviews was analysed to determine broad themes relating to the first three research issues of strategy management, performance management and organisational renewal. In addition, the responses of the respondents with respect to issues encountered in using their organisational learning capabilities were analysed. Significant common responses were used to provide input to the fourth research issue.

From the data analysis themes emerged as distinct orientations towards different approaches to utilisation of organisational learning capabilities for each of the first three research issues. Similarly, a number of issues were identified as being common to many of the cases, thus providing useful input to the fourth research issue. To achieve this analysis, it was necessary to go through a process of data

reduction in order to render the large volume of data obtained manageable. Superfluous data was eliminated, whilst ensuring that the original intention of the respondents' responses was not lost. Undertaking this data reduction without loss of accuracy was key to the interview process. Drawing conclusions from this reduced data and using inductive analysis to develop patterns and themes by the identification of phrases and statements to enable understanding of the responses is an important component of qualitative research (Creswell 2005).

The aim of the data analysis process was to create clear distinctions between the different orientations. Once no new orientations could be identified by further analysis, the orientations identified were mapped into the framework built up in Chapter 4.

In order for the data to be displayed in a clear and concise manner so that readers can draw valid conclusions (Miles & Huberman 1994), the data was mapped into matrices, one for each of the three primary research issues, with axes representing the different orientations and the related mechanisms of organisational learning capabilities. Although it was an approach developed for grounded theory (Strauss & Corbin 1990), in this study the constant comparison method of data analysis had some relevance as examples and events in the data across cases were constantly compared and, as suggested by Carpenter (1995), new information from the analysis was compared with previously identified information.

The cases were then further studied for quotations and other evidence to establish which orientation or orientations were characteristic of each organisation. Cases showing strong evidence of a particular orientation were then described in detail showing how the organisation utilised the organisational learning capabilities pertaining to that orientation. Where possible, other cases were used as supporting evidence of the particular orientation.

### **3.7 Limitations of methodology**

With the limited number of organisations studied, it was difficult to determine if differences in management decision-making and management process are actually due to the variations in their approach to organisational learning or simply due to inherent differences between the companies themselves or their individual industry sectors. There is also a possibility that the success or failure of initiatives taken by the managers to ensure sustainability were also influenced by external factors outside the management's control, such as government policies or macroeconomic events.

The time dependency of the study is also seen as a limitation, given the rapid changes in the world economy and in technological advances. Even the short time between the individual case studies could be enough to lead to different results, although returning for repeat interviews with each interviewee helped to mitigate this risk.

Thirdly, the likelihood of preconceived views on the part of the interviewees (or indeed the researcher) affecting the answering of the questions could render the resultant analysis subject to criticism. Even if the interviewees do not have preconceived views, it is possible that their responses may not actually reflect their views, as they may wish to present the answers in a good light with respect to their own actions. Similarly, where there is no independent source of the data for verification purposes, information gathered with respect to the history of the organisations relies on the accuracy of the information provided by the interviewees.

Qualitative research is subjective in nature and the measurement process is dependent on the researcher's selection process and the interviewing skills of the interviewer (Zikmund 2000). The primary tool for reducing the risk associated with all of the above limitations was the development of a sound interview protocol.

### **3.8 Ethical considerations**

The primary ethical consideration in this study was that of confidentiality of data, as the information provided by each of the companies is of a highly strategic nature. Ensuring the protection of the data, whilst not reducing the accuracy of the representation of the information gathered, requires careful attention. Assurances were given to all respondents that the data would be presented in a manner that ensured neither the organisations nor the respondents themselves could be identified. Appropriate steps were taken to ensure that the report does not enter the public domain and/or that suitable anonymity is preserved.

### **3.9 Conclusion**

In this chapter, the alternative paradigms for research are detailed and, as a result of the literature review, it is shown that critical realism is the most appropriate for the areas identified as worthy of further research. In addition, a justification is provided for the use of case studies as the research tool.

The basis for the selection of cases is outlined and the processes of data gathering, data analysis and presentation of findings are detailed. The case study process is a two phase one, commencing with initial external interviews, followed by detailed interviews and analysis.

Although some risks are seen in the work and identified in section 0, which deals with the limitations of the methodology, it is believed that the research will contribute significantly to a greater understanding of how organisations use their organisational learning capabilities for sustainability.

The next chapter presents the major findings of the research study.

## CHAPTER 4

### 4 FINDINGS

#### 4.1 Introduction

Chapter 3 argued for the adoption of the case study methodology for this research project within the realism paradigm. It also provided an account of the process used in this study for data collection and analysis. The purpose of this chapter is to present the findings from the data relating to the research issues formulated in chapter 2 and summarised below.

**Table 4-1 The research question and research issues**

<b><u>Research Question</u></b>	
<i>How do organisations utilise their organisational learning capabilities for sustainability purposes?</i>	
<b>Research Issues</b>	
<b>RI 1</b>	How do organisations utilise their organisational learning capability in relation to their approach to strategic management?
<b>RI 2</b>	How do organisations utilise their organisational learning capability in relation to their approach to performance management?
<b>RI 3</b>	How do organisations utilise their organisational learning capability in relation to their approach to organisational renewal?
<b>RI 4</b>	How does the political style of the senior leaders in organisations impact the utilisation of organisational learning capabilities in general?

As was noted in section 2.4.4, ‘sustainability’—when used in the context of the research question—is the ability of an organisation to remain viable in the context of the aspirations of its dominant stakeholders.

This chapter is structured as follows. Firstly, the organisations used for the case studies are described and the position in the organisation of the respondents is indicated. Then each of the Research Issues is addressed in terms of the findings.

#### **4.2 Profile of the cases and respondents**

lists the cases used in this research, together with the position of the key respondent(s) and a brief description of the organisation. As much of the data gathered is highly sensitive, confidentiality has been observed by referring to the cases simply as Case A, Case B, etc. It will be seen that the cases cover a broad spectrum of organisations, including small, medium and large enterprises, both commercial and not-for-profit and spanning a wide geographical region, including Australia, South East Asia and Europe. The organisations studied are in different phases of maturity, with some being well-established for many years; and others being relatively recent start-ups.

Table 4-2 lists the cases used in this research, together with the position of the key respondent(s) and a brief description of the organisation. As much of the data gathered is highly sensitive, confidentiality has been observed by referring to the cases simply as Case A, Case B, etc. It will be seen that the cases cover a broad spectrum of organisations, including small, medium and large enterprises, both commercial and not-for-profit and spanning a wide geographical region, including Australia, South East Asia and Europe. The organisations studied are in different phases of maturity, with some being well-established for many years; and others being relatively recent start-ups.

**Table 4-2 Profile of cases**

Organisation	Respondent	Description of organisation
A. Chinese conglomerate	1. Senior consultant to the company  2. Senior executive of the company	A conglomerate operating mainly in China. It developed as a construction company and over time, expanded its portfolio of business units to include pharmaceutical manufacturing, a university college, hydroelectric power plants, and tourist resorts. It is privately owned and employs over 20,000 people. The Head Office is located in Shenzhen, China.
B. Chinese shipping company	1. Senior Executive of the company	Business unit within a corporate parent in shipping business. Has a fleet of bulk carriers moving iron ore and agricultural commodities. Head Office in Hong Kong. Has staff of 95 employees in Head office and 625 seamen on board the company's ships.
C. Malaysian recruitment company	1. Chairman, founder and joint owner	Company is in the recruitment industry, based in Kuala Lumpur and specialising in senior positions in banking and technology, primarily for Malaysia, but also for China, India, Indonesia and Singapore. Formed in 1994. Now has 35 staff.
D. Singapore oil & gas products company	1. Technical Director	Large (35,000 employees) 50-year-old company in oil and gas services and products, listed on the NYSE. Offerings include products and services for drilling, evaluation, production and intervention cycles of oil and gas wells.
E. Indonesian manufacturer	1. Managing Director	Business involves manufacturing and trading of packaging products in the pharmaceutical industry. It is an SME that operates mainly in the domestic markets in Indonesia. The manufacturing facility is located in Jakarta.
F. Australian manufacturer	1. Ex-managing director  2. Current managing director	This case is a cast iron manufacturing and marketing company with the ability to design and develop product solutions of high quality, at competitive prices for clients in a range of industries. The manufacturing facility is located in rural Australia. It is an SME with approximately 200 employees and operates domestically as well as internationally.
G. Malaysian Manufacturer	1. Managing Director	This is an SME that manufactures component parts for larger manufacturers and operates mainly in the domestic market in Malaysia. The manufacturing facility is located in Malacca. It has approximately 120 employees.



Organisation	Respondent	Description of organisation
H. Regional Australian University	1. Senior Administrator	This case is an Australian regional university with over 25,000 students. It has a reputation as one of Australia's leading providers of on-campus and distance education programmes. With more than 75% of students studying via distance or online, it is at the cutting edge of flexible delivery of resources and technology. It is a medium sized enterprise with approximately 2,000 staff.
I. ICT healthcare company	1. Non-executive director	Company is in the ICT industry, specialising in software, training and support services for healthcare. It is a privately owned SME with its Head Office in Dublin, Ireland, operating in several countries in Europe, as well as Hong Kong and Australia.
J. Utilities telematics company	1. Sales Director	Listed company, with its Head Office in England supplying telematics technology and IT services to the worldwide utility, environmental, industrial, scientific research and government/regulatory markets. The company was founded 12 years ago.
K. A Special school in Rural Australia	1 Founding director	Unique community-based initiative that has been successful in creating educational opportunities and pathways for homeless, disadvantaged and disenfranchised young people in a regional city in Australia since 1998. The school is small with approximately 100 students and is sponsored by an Australian State government Education department.
L. Home electronics company	1. Business Development Director	Australian company in home electronics technology, formerly exporting to 19 countries, then restricted to Australia only and now looking at exporting again. Was private then listed then taken back to private. Peaked at \$10 million sales, now back to \$3 million.
M. Australian fashion trading company	1. Managing partner	Trading business, principally covering fashion accessories imported from China, but also sporting goods and other items. Operates in Australia (16 years) and New Zealand (6 years).

The diversity of the cases can best be illustrated by the matrix in Table 4-3, wherein the organisations are mapped according to a number of different parameters.

**Table 4-3 Diversity of cases studied**

<b>Organisation</b>	<b>Location</b>	<b>Size</b>	<b>Nature</b>	<b>Sector</b>
A	China	Large	For profit	Construction
B	China	Large	For profit	Transportation
C	Malaysia	Small	For profit	Services
D	Singapore	Large	For profit	Services & products
E	Indonesia	Medium	For profit	Manufacture & trading
F	Australia	Medium	For profit	Manufacture
G	Malaysia	Medium	For profit	Manufacture
H	Australia	Large	Not for profit	Education
I	Ireland	Small	For profit	Healthcare
J	UK	Medium	For profit	Technology
K	Australia	Small	Not for profit	Education
L	Australia	Small	For profit	Technology
M	Australia	Small	For profit	Trading

It can be seen from the above table that, of the 13 cases, 6 are from China and South East Asia, 5 are from Australia and 2 are from Europe. The organisations are primarily commercial with a profit motive, however two are not-for-profit organisations. The organisations range in size with 5 ‘small’ (less than 50 employees), 4 ‘medium’ (up to 500 employees) and 4 ‘large’ (over 500 employees). A wide variety of business sectors is covered, including both manufacturing and service organisations.

### **4.3 Findings**

The diversity of the cases enabled sufficient data to be gathered to identify different orientations towards the use of organisational learning capabilities, as facilitated by a number of different mechanisms. These findings are detailed below. In this section, the findings for the four research issues are discussed separately.

#### **4.3.1 Research Issue 1**

*How do organisations utilise their organisational learning capability in relation to their approach to strategic management?*

The first research issue deals with the concept of organisational learning capabilities and how they are associated with strategic management practices in organisations. The literature on organisational learning capabilities in relation to strategy has been discussed in section 2.4.1. The basis for this question was to identify various ways that organisations utilised or applied different organisational learning capabilities to their approach to strategic management. Strategic management is defined in terms of Johnson, Scholes and Whittington's (2008) perspective on strategic management; that is, a process of positioning, making strategic choices and actioning those choices. As pointed out in section 2.4.1, the strategic management process is fundamentally an organisational learning process of discovery, choice and action. Also, in section 2.4, organisational learning capabilities were seen as facilitating factors for organisational learning, including organisational and managerial factors.

Respondents were asked to answer a series of questions aimed at determining the way their organisations are managed strategically. Respondents were also asked to provide examples and explanations on how strategies are developed and put into action in their organisations in order for the interviewer to uncover the nature of organisational learning capabilities and processes involved. These questions were in the context of each respondent describing the history and evolution of the organisation at the outset. Data obtained from the questions in sections 2 and 3 of

the Interview Protocol (see Appendix) were used for analysis of this research issue.

From an analysis of the data, three learning orientations emerged depicting the way the different case organisations tended to deal with strategy development and implementation through their approach to different mechanisms of organisational learning capabilities. The three learning orientations are entrepreneurial, path-dependent and builder. Table 4-4 highlights how each of the orientations can be differentiated in terms of different mechanisms of learning capabilities.

A number of points need to be made in relation to the analysis involved in this research issue 1. First, an orientation reflects the way an organisation has utilised various organisational learning capabilities in strategic management at particular points in time and in various sections or levels of the organisation. An orientation is differentiated by a number of mechanisms. Second, several orientations may have been detected in the same case either at different times in the evolution of the organisation or in different parts of a larger organisation at the same time. Third, the practice of strategic management in a case organisation relates to the processes of discovery around internal and external drivers for change, choosing appropriate and feasible strategies and putting those strategies into action. This process is seen as an organisational learning process.

**Table 4-4** Orientations towards strategic management

<b>Key mechanisms of organisational learning capabilities</b>	<b>Entrepreneurial</b>	<b>Path-dependent</b>	<b>Builder</b>
<b>Environmental matching</b>	Developing new strengths and matching existing core strengths to address opportunities and threats  Path differentiation	Reliance on historical strengths for dealing with opportunities and threats  Path enforcement	Addressing opportunities and threats by focusing on overcoming weaknesses  Path creation
<b>Time perspective</b>	Long-term future	Mid-term future	Short-term future
<b>Responsiveness</b>	Proactive	Reactive	Reactive and proactive
<b>Strategy development</b>	Emergent	Intended	Emergent
<b>Network of key stakeholders</b>	Opportunists	Value chain participants	Key resource providers

Source: developed for this study

The three orientations emerged from a process of constant comparisons of the way the different cases practise strategic management. The data regarding each case was constantly reviewed in terms of what distinguishes each case in the way it develops strategies and what mechanisms differentiate how each case may be different or similar. Patterns started to emerge when several cases stood out from the rest.

Case A and case K stood out from the rest of the cases in this regard. At one end of a spectrum, case A stood out for its particular approach which is described as entrepreneurial and at the other end, case K stood out because of aspects in the way it approached strategic management. This was termed ‘builder’ and had something to do with the insights provided on the early stage of its evolution. The majority of cases seemed to fit a common pattern that is described below as a path-dependent orientation. When a case supported the emergence of a particular orientation, further information was sought from the respondent to confirm the orientation.

From the analysis of the data, five key mechanisms of organisational learning capabilities emerged as significant for differentiating the three orientations that were apparent across the case organisations. As suggested in Chapter 2, section 2.4, organisational learning capability stresses the importance of the facilitating factors for an organisation's propensity to learn. Here, the term *mechanisms* are used to describe those facilitating factors. This is consistent with Styhre, Josephson & Knauseder (2004, p. 959) who state that 'organizational learning capabilities are the total of the organizational mechanisms aimed at enabling for a continuous learning among organizational members'. The mechanisms identified in this study are described below:

**Environmental matching:** this mechanism reflects the way an organisation relates the strengths and weaknesses of its internal environment to the opportunities and threats perceived in the external environment. The ability to match the internal with the external environment is significant in strategic management terms and may be expressed in terms of a pattern or path in the strategic decisions taken over time. The mechanism facilitates organisational learning through the process of matching internal capabilities to environmental cues. The learning outcomes facilitated are dependent on three different patterns or path conditions apparent in the data. They are path differentiation, path enforcement and path creation. The learning that occurs around strategy development is influenced by the path or direction chosen by an organisation which may be multiple, singular or to be chosen.

**Time perspective:** this mechanism comes from a perspective on the future in terms of strategic decision-making. The mechanism is concerned with whether the organisations adopt a long, short, or mid-term perspective. The mechanism facilitates organisational learning by focusing action on issues in a time dependent manner. The learning outcomes facilitated are contingent upon whether decisions and their consequences are dealt with or taken in terms of a short-term, mid-term or long-term focus.

**Responsiveness:** this mechanism relates to the tendency of an organisation to be proactive or reactive in dealing with new information that could impact its

sustainability, either positively or negatively. The concept of being proactive means taking the initiative by acting, rather than reacting, to events. The mechanism facilitates organisational learning by forcing a mode of response deemed to be appropriate for the situation. The learning outcomes facilitated are dependent on these different stances. A proactive stance will involve a learning process around creating future desired scenarios, while a reactive stance will involve a learning process around the circumstances that are causing the reaction such as a threat or even an unforeseen opportunity.

**Strategy development:** this mechanism relates to the tendency of an organisation to develop and promote its strategies in an emergent way or in a more deliberate way. It concerns whether or not there is a deliberate intended development process such as a formal planning process, or whether it is simply a result of events or initiatives stimulated by employees across various levels within the organisation. The mechanism facilitates organisational learning by the particular process of strategy development in play. The learning outcomes facilitated vary according to the extent to which strategies emerge or are planned.

**Network of critical stakeholders:** this mechanism reflects the different key networks that generate critical strategic information for the organisation. Different orientations towards organisational learning capabilities rely on different networks of stakeholders—in some cases on a single network, in others on multiple networks and in some cases simply networking opportunities that arise in an opportunist fashion. The mechanism facilitates organisational learning by the development of particular networks of stakeholders and acquaintances as a knowledge bank. The learning outcomes facilitated will depend on the different types of networks and networking employed. In the case of the three orientations, the differences were based on three dominant groups: the opportunists, the participants in the value chain, and the resource providers. Rather than referring to a particular group, the participants in the value chain describe equally those people involved in the production and distribution of goods and services.

Because of the similarity between the first three research questions, the following structure for the presentation of the findings has been adopted for all three. Each

orientation identified is described and a central case organisation is used to demonstrate that orientation. The mechanisms of organisational learning capability identified play a significant part in defining the orientation so the storyline of the case organisation or critical incidents from it, as well as the observations of the respondent, are used appropriately to describe the orientation. Also, where appropriate, critical incidents from other cases may be used to reinforce aspects of the orientation. The three organisational learning capability orientations towards strategic management are described below.

#### **4.3.1.1 Entrepreneurial**

The first orientation related to strategic management was identified as an *entrepreneurial* one. This orientation towards the use of organisational learning capabilities was typified by an approach that proactively sought opportunities for which the organisation's strengths (existing and new) were applicable and relevant.

The entrepreneurial orientation was identified in one case where it stood out. However, there was another case where such an orientation could be identified in terms of particular stages of evolution of the case organisation and focused on particular strategic concerns. Such a limited number of examples could suggest that this orientation towards organisational learning capabilities is not that common in many organisations. Or it could also represent an issue with the selection of cases based on the need for diversity. Case A will be described in some detail below to highlight the essence of this orientation around strategic management practices.

Case A started as a small construction company and grew into a large conglomerate with a portfolio of different businesses including property development, road construction, hydro-electric plant construction and operation, pharmaceutical manufacturing and the construction and operation of tourist resorts. It is a family-owned business and the managing director (the head of the family) is very influential and autocratic, even though the organisation has over 20,000 employees.

According to respondent 1, there is a strong entrepreneurial flair to the way the managing director develops and puts into action the company's strategies. It is all



about growth, profits and capital gains, which, according to Hodgetts and Kuratko (2008), reflect the essence of an entrepreneur. The managing director is constantly looking for opportunities to exploit, and the company's portfolio of investments and businesses highlights the extent of risk-taking involved across diverse industries.

Whilst the managing director fits the general definition of an entrepreneur, the entrepreneurial orientation revealed in this case is a descriptor of the way the managing director and his senior leadership team utilise various organisational learning capabilities to develop and put strategies into action. The entrepreneurial orientation in this case is reinforced by the particular emphasis put on each of the five mechanisms of organisational learning capabilities. A point to note is that whilst the managing director is a dominant personality in the strategic management of this large organisation, it is an organisational rather than individual learning orientation as the discovery, choices and actions still revolve around the shared knowledge of the senior leadership team, including the general managers of each of the strategic business units, and the way the organisation behaves in accordance with this particular approach to strategic management.

**Environmental matching:** in the entrepreneurial orientation this was depicted by a strong emphasis on the core competences as strengths of the company and the way the managing director was able to leverage them to develop an extensive portfolio of investments when the opportunities arose. He started as a sub-contractor during the boom in property development in Shenzhen, China in the 1980s. After some initial successes, he soon realised that the construction skills his company had developed could enable him to develop a portfolio of investments in other areas, some of which were quite unrelated to property development. The learning capability became embedded in the development of a core competence in construction, as well as the ability to leverage these strengths to opportunities and threats across a portfolio of investment opportunities rather than on a 'one-business' investment such as highway construction or property development. The entrepreneurial aspect in environmental matching is the organisation's ability to leverage core strengths as the foundation of building new strengths in areas it is not familiar with, but fits into the managing director's vision of investing in the future.

It is about *path differentiation* where core strengths are used to create multiple paths reflecting a portfolio of different ventures.

The pharmaceutical business operation is an example of how the learning capability embedded in the core competence or strengths in construction was applied to an opportunity to purchase a drug manufacturing and distribution company in Nanking from the Government. The managing director and the company personnel had no knowledge of this sort of business. However, the prime real estate on which the old site was located enabled the organisation to construct two new plants and a university college on the outskirts of Nanking. This gave the company a more up-to-date and effective production facility, and the creation of a university college from the old training facility for chemists presented an opportunity to expand into other vocational training areas.

Matching core strengths and perceived new strengths to opportunities and countering threats is a specific perspective on strategic management that facilitates organisational learning in a way that opportunities in particular become a key focus point and imperative for senior managers. The strategic learning process of discovery, choice and action is stimulated by the continuous search for and exploitation of opportunities based on recognised strengths. In this case, the confidence in construction skills reinforced a learning orientation towards building assets and investments in areas outside of their traditional domain of operations. The learning outcomes are associated with the development of the new opportunities through path differentiation—learning stimulated by new ventures and sharing new knowledge.

**Time perspective**: the time perspective mechanism reflects the extent to which the organisation is forward-thinking in its decision-making capacity. From the account by respondent 1, it was apparent that there was a *long-term perspective* on the future of the company. Each portfolio of activity is not only a construction project but also a strategic business unit investing in the long-term future. Respondent 1 gave an example of the first of three large tourist resorts that the company built and operated. The construction and operation of this resort provided employment for the local village population and the company provided some upgrading of local

infrastructure in the way of roads and water. But the minerals located on the resort property underpinned the long-term investment. This, according to respondent 1, seemed to be an important strategic consideration in this investment for sustaining the company for the next generation of the managing director's family.

As a mechanism of this organisational learning capability orientation, the time perspective in this case promoted a multi-dimensional approach to the original discovery and exploration of the opportunity—short to long-term choices and actions. The consequences of this capability on organisational learning are that it presents multiple opportunities at different points in time—an unfolding and strategic sense of learning as the assets (the resorts) evolve. The learning outcomes are to be seen in the context of multiple time dimensions brought about by a long-term perspective on learning and development. For example, in terms of the resorts, the learning around their construction in the short-term, their operation in the medium term and their redeployment as mining operations in the longer term is multi-dimensional. But while it is multi-dimensional in time, the significant emphasis on the long-term influences the impact of the learning capability.

**Responsiveness**: this is also an important mechanism of organisational learning capability. As the dominant strategic leader, the managing director promoted a *proactive responsiveness* in his senior leadership team to the extent that opportunities were actively sought and each investment opportunity was viewed with multiple possibilities in mind. An example given by respondent 1 relates to the development of the first of a suite of hydroelectric plants:

When he [the managing director] was in his late twenties, he returned to the area in China where he was born. After some preliminary investigation of opportunities in the area, he was of the opinion that electricity generated by water power would be cleaner and cheaper. So he asked the local authority for their blessing. At that time the local authority brushed him off with contempt and disbelief. Partly the local authority thought that he was too young to take on such a challenge and partly the local authority did not have the same vision as the young entrepreneur. Painstakingly, he convinced the authorities that by building the reservoir to generate power it would bring more good than bad. It took twenty more years before they realised the real impact and the beauty of his dream.

He had sufficient funds to work on the power plant and he got the funds from proceeds of construction works in Shenzhen. However, the funds were not enough to pay off the entire infrastructure costs and the costs for the water catchment scheme.

He was very aggressive in making this project work and his determination became part of the culture of his company as it grew. He and his staff actively capitalised on the mode of cooperation prevailing at that time because construction companies were competing for work at a moment when the economy in China was picking up.

What the quote highlights is the impact that a proactive approach can have on the strategic management of the organisation and the learning process of discovery, choice and action. As the founder of the company, the managing director influenced the development of his company through such a proactive approach to business. He and his leadership team became skilled at searching for opportunities and developing the capability to explore the opportunities with persistence. Such a proactive capability can stimulate organisational learning in a direction of developing various aspects of strategic capability such as project management skills and political skills for bringing the necessary stakeholders together to make the project work.

**Strategy development:** this mechanism of organisational learning capability applied to strategy development in the organisation was more *emergent* than deliberate. Apart from having a basic vision about the future, the company acquired a former state-owned pharmaceutical company, not because of any predetermined plan but because the opportunity emerged and the senior leadership saw great potential in its acquisition. Also, when the relatively young managing director returned to his home village, he did not plan to build a hydroelectric plant. His strategy in this area emerged from the realisation of an opportunity that he saw at the time. He had no pre-determined plan to become involved in building tourist resorts but the opportunity arose and he saw multiple benefits from entering this industry. Again, his strategy emerged from the assessment of an opportunity and his opportunistic influence on the strategic management of the enterprise.

These examples illustrate that an emergent strategy development process can facilitate a particular influence on the organisational learning process. The learning among senior managers is more about opportunism rather than focusing on the development of a detailed master plan that may identify broad opportunities but also restrict future possibilities. As an organisational learning capability, the emergent approach to discovery choice and action builds flexibility and adaptability

into the company's strategic capability. As well, it helps to enhance the company's skills in relation to environmental assessment. This capability should not necessarily be seen as reactive as the emergent exploitation of opportunities is based on a proactive stance towards opportunities and a determined vision for growth and future prosperity.

**Network of key stakeholders:** the managing director had established a close network of critical stakeholders that assisted in the search and exploitation of investment opportunities. Many of the stakeholders were external to the organisation and can be classified as *opportunists*. They include other entrepreneurs and property developers as well as government officials.

Respondent 1 pointed to the word '*Guanxi*' which describes the basic dynamic in personalized networks of influence, and is a central idea in Chinese society. He said that this was fundamental to the way the company did business and that the network of powerful tycoons and government officials in particular were a significant resource for the company. An example he gave related to an instance where the company had a short-term cashflow issue and could not pay their employees on time. The managing director made a phone call to a tycoon friend and asked for assistance. Consequently, a sum of money was immediately transferred to the company to cover the payroll shortfall. No contract or written agreement was exchanged. The transaction was purely based on trust and *Guanxi*.

Such a critical network of opportunists becomes part of an organisational learning capability because it facilitates the organisational learning process in the company by the development of a knowledge pool among the opportunists. This, in turn, increases the potential to improve the quality and scope of information available in terms of discovery and choice. The accessibility and trust within the network can also improve the speed at which decisions can be made to exploit opportunities. It reinforces the focus on opportunities in the entrepreneurial orientation.

Case H also demonstrated evidence of an entrepreneurial orientation. This case is an Australian regional university with approximately 2000 staff. It has a large enrolment of off-campus students due to the development over 30 years of a core

competence in distance and e-learning capabilities. It gained international recognition for its achievements in this area. While the university would not be regarded as entrepreneurial in a general sense, certainly not to the extent that was evidenced at the corporate headquarters of case A, it displayed periods of this orientation according to accounts of the respondent.

As part of its strategy for recruiting and servicing international students, the university developed an overseas network of partners including universities, colleges and agents. During the tenure of a previous Vice-Chancellor, the oversight of the development and maintenance of this network was the responsibility of several senior managers whose activities reflected elements of the entrepreneurial orientation. They saw the strength in print-based and digital materials for servicing students globally. They actively sought a network of opportunists to expand the business and, at the time, there were many opportunists available—particularly in Asia. There were plenty of opportunists who sought an association with the university to promote their own business interests. The focus was on opportunities in various countries where the potential for expansion was high. They were proactive in their approach and the signing of partnership agreements was more emergent than in accordance with a planned set of parameters and guidelines.

As each new partner wanted something different in their contract, the ‘normal’ modus operandi for a university was continually being challenged. These variations created a sense of path differentiation on a small scale in relation to expanding the international network of international partnerships. Hence, according to the respondent, the risks were increasing and the manager’s reverted to a more directive style to get their agendas through in what was generally seen as a collaborative culture. After the collapse of one particular international partnership, this orientation to the strategic and operational management of partnerships was reviewed and changed to a more conservative and less risk-adverse style.

This period of activity in the development and maintenance of international partners overseas somewhat reflected the entrepreneurial orientation in the application of organisational learning capabilities towards strategically managing this area of activity. The focus was on exploiting opportunities based on recognised

strengths in distance and e-learning with an increasing degree of risk. Anything was possible—even offering a program in Mandarin. It was a case of path differentiation as the variations in contractual partner relationships split the program offerings into a portfolio of projects based on time zones, language and local process and content requirements. The associated learning mechanisms promoted flexibility and responsiveness in the organisation but were short-lived for various reasons—including a conservative and collaborative mainstream culture in the university. Also, unlike in Case A where the timeframe was long-term, these activities seem to have no or little long-term guiding framework according to the respondent.

The entrepreneurial orientation can be summarised as follows. While it is based on the organisation's ability to exploit its existing strengths, it also has the ability to build new strengths in line with management's long-term vision for the organisation by leveraging its existing competences. New opportunities are proactively sought and as such opportunities emerge they are assessed for viability and consistency with the strategic vision. To enable ready identification of new opportunities, management relies on a close network of critical and opportunistic stakeholders. The general approach to strategic management is emergent within the context of a clear vision for development and sustainability.

#### **4.3.1.2 Path-dependent**

The second orientation identified in the cases investigated was one of *path-dependency*. This orientation is typified by a reliance on historical strengths for dealing with the external environment. This orientation is about enforcing and defending the position or direction that the organisation had established historically and hence organisational learning tends to be focused on that position. A path-dependent orientation was the dominant orientation located in the majority of cases. This orientation was particularly prevalent in the manufacturing cases. To illustrate the nature of such a path-dependent orientation, case L is described in some detail below.

The company was formed in 1993 as a specialist in home electronics, based on product developments initiated by the founder. Typical products included automation and remote control equipment for electric and electronic appliances in the home, such as fridges, dishwashers, washing machines etc. These products were aimed at the consumer market. The company commenced sales by establishing a distributor network in Australia, New Zealand and South Africa. It grew steadily by regular product enhancements, including the development of interfaces to a wider number of networks and peripheral devices such as other electronic home appliances. It further expanded by establishing collaborative and value-added reselling agreements with other manufacturers. It also steadily added distributors to its marketing channels in new regions, primarily in South East Asia.

By 1999, a US-based operation had been added and the company became listed on the Australian Stock Exchange. The initial success of the US subsidiary, aimed at expanding the market in the company's traditional product range and continuing the steady growth along a clear path, was severely affected by the events of 9/11. The group had invested heavily in the US operations and was at the point of obtaining a significant funding injection to finance its operations and its plans for growth. This funding offer was withdrawn as a direct consequence of 9/11, as the proposed funding source suffered very badly from the financial turmoil following the terrorist attacks. The company's US subsidiary was then closed, which had a major impact on the Australian parent company and led to it being delisted from the Australian Stock Exchange and a change in business ownership.

However, despite the new ownership, the company's strategy for growth remained virtually unchanged around the same basic product lines. Their operations in other countries continued to grow and, as a result of further collaboration agreements, by 2003 the company had achieved market penetration in South America, China, Europe, India, Russia, Pakistan and Taiwan. Throughout the company's history, although it has expanded globally, the product range and the marketing approach have changed very little. There is an oft-quoted maxim for corporate management, 'Change or die'. The management of case L clearly do not see this as pertinent. Their strategy is based on their belief that there is still considerable growth to be obtained from expanding the existing offering into new geographical markets. The



respondent commented, 'The new owners studied our product offerings over previous years and said that it was still the correct way forward'.

**Environmental matching**: in general, the firm utilised the mechanisms of learning capabilities in a different manner than that of the entrepreneurial orientation discussed earlier. In the path-dependent orientation the mechanism of environmental matching was depicted by a strong reliance on the strategy that had been developed in the first four years of operation. The respondent said that they had established a place in the market with '...the first product of its kind that was affordable by middle class homes and not just the rich elite. Defending the high ground was the key strategy of [the company's] management'. During those early years, the company established its core home automation devices primarily for home security and for monitoring of home appliances. These remain the core of its current product range today. In addition, a policy on distribution, still applicable today, was put in place and a number of distributors were appointed in several countries including Australia, New Zealand, South Africa and South East Asia. This policy relied on a centralised manufacturing facility in Australia combined with the appointment of distributors in the different geographic regions.

The exception to this approach of appointing regional distributors was the United States, where a local sales office was established with sales staff directly employed by the company. The respondent commented that, at the time, he felt that this deviation from the corporate strategy was extremely risky and that the company should have found a US distributor rather than setting up its own sales office.

The respondent stated that, to achieve the impressive growth, the company's market penetration has 'grown by a steady evolution of both the product range and the marketing channels, building on its successes and taking proven strategies into new markets'. The original strategy of a restricted product range affordable by the average homeowner, once established, had effectively been locked into place and has, for the most part, remained unchanged. The respondent commented that the 'technology [i.e. the specific electronic systems of automation], first started work on in 1989, is still very much world-leading at the moment'

Once it went through the initial stages of development and stabilised in financial terms, the company developed a strong reliance on its past experience for dealing with opportunities and threats. Unlike the entrepreneurial case A described earlier, which developed new strengths to take advantage of opportunities and to counter threats, case L has always relied on its basic business model around its core home automation products and its policy of sales through a strong distributor network. In matching the internal and external environments, it was a case of *path enforcement* where case L had established itself a path or direction in a particular manufacturing and market arena and set about enforcing and defending its position in that arena.

The respondent said that the company had always ‘relied on the success of the current product offerings as demonstrating a lack of need for product development’. In other words, the fact that sales were good indicated to him that the existing products were fine and development of new or refined products was unnecessary. He continued, ‘This could arguably be viewed as naïve, but because the company performs well, management is convinced this is the right strategy’. Even in crisis situations, such as the period that followed 9/11 and its consequent effect on the company, the company’s approach has been to continue as before with existing product ranges and marketing strategies. The company is still very much influenced by its past success, for example by continuing to highlight the fact that it won the world Home Automation Association Manufacturer Technology Award in 1994.

Thus, the company can be seen as utilising its organisational learning capability with respect to environmental matching by relying on its strengths with respect to its product range and its network of distributors to facilitate learning outcomes that would best enable it to enforce its established path. The virtual absence of competitive products that could perform the same functions leads the company to believe it does not need to be seeking new areas for development. Hence the learning outcomes stimulated by the orientation of this mechanism are very much focused on the historical developments and enforcing the path or strategy that has been firmly established by experience.

**Time perspective:** with respect to this second mechanism of learning capability, the firm has tended to focus on *mid-term future*. The key to this mid-term focus is the company's rolling three year budgeting cycle. At any given time, the company has a forecast that extends three years ahead and the leadership make their planning decisions on the basis of these three-year figures. The respondent commented, 'We have always had a rolling three year budget in place and this is monitored by the board on a monthly basis for deviation from plan' This monitoring primarily reviews the operational issues relevant to ensuring that the three-year plan is on track and only very rarely addresses longer-term strategic issues. According to the respondent, the company board normally does not set aside sessions specifically for strategic planning.

In the view of the respondent, this rolling budget based on past trends enables timely reaction to deviations from the plan. The respondent commented that they found it valuable to plan strategically for a three-year period, but they thought that looking further ahead than three years was unrealistic. 'Mid-term planning was clear on the roll out of the product into several international markets'.

However, the respondent conceded that, viewed in retrospect, this mid-term focus on the operational issues had resulted in the company in the longer term lagging behind some of its competitors who had spotted long-term trends in home automation and entertainment that case L had missed. By focusing the mechanism of time perspective on the mid-term through this rolling three-year medium-term budgeting cycle, the company facilitates learning outcomes around an operational planning cycle of three years.

**Responsiveness:** this capability is concerned with whether the organisation has a bias towards acting proactively or reactively (or a combination of both) in dealing with information. In this case, the approach to strategic management and the process of learning (discovery, choice and action) emerges as more reactive than proactive. In line with its focus on the mid-term, as detailed above, the organisation is on a path governed by a three-year rolling plan and, hence, any variations to the plan tend to be more reactive, responding to unusual events. Whilst the organisations with an entrepreneurial orientation, as described earlier,

may also have three-year plans, the emphasis in such cases is on the identification of new opportunities rather than just on the monitoring of deviations from the established historical plan or budget.

In general, case L has not been proactive in evolution, and has focused on adherence to a plan based on strategies that are incremental and focused on growth and international expansion utilising a product range directed at established markets. It has been *reactive* as unusual events were responded to as a modification to the tried and tested path-dependent route. For example, the company was obliged to make major modifications to its operations as a result of the 9/11 attack, as this, according to the respondent, crippled its US operations. Their reaction to the crisis was simply to close the US office and expand into other geographic markets. Even before the US venture, the company had largely acted reactively by opening up new markets when approached by potential distributors, rather than such expansion being part of a predetermined strategic initiative.

There are further examples of the company's reactive approach. From the outset, their research and development activities have been based on reacting to initiatives by their distributors and other players in the industry sector, for example in 1995 the company developed an interface to a wider range of products following a direct request for this by a reseller. No effort was made to seek ideas for new product initiatives; the company simply reacted to third party suggestions. Over the history of the company, there have been a number of marketing programmes established wherein additional features were added to the product functionality, but these have also been as a response to marketing initiatives by their distributors and resellers. The respondent commented, 'We continue learning from the reactions of people'. This is clearly an example of a reactive approach rather than an ambition to take a lead in the marketplace.

The company's listing on the Australian stock exchange was another example of the company reacting to events. The original listing was not part of a long-term strategic initiative, but simply a response to a funding gap needed for expansion. As the respondent commented, 'getting a listing was important to us, because it gave us access to cash'. Similarly, the delisting two years later was a reaction to a

crisis in profitability (largely due to the collapse of the US subsidiary) rather than part of a longer-term strategic plan.

In all of the above examples, the company can be seen as utilising its organisational learning capability of responsiveness in a reactive manner. The implication of this approach is that the company relies on a three-year rolling plan with modifications based on reactions to the external environment. The company has not put in place a large research and development initiative or environmental search capability with the aim of identifying new opportunities.

An emphasis on a reactive learning approach means that the learning outcomes are focused on an issue or issues central to the reaction. In the examples above, learning outcomes have been focused on reacting to the demands of distributors as they look for ways of increasing their sales. The implication for the application of the organisational learning mechanism in this way is that learning outcomes are concerned with deviations from the operational plan.

**Strategy development:** Reliance on a 3-year planning cycle to provide steady growth based on historical experience, with only occasional event-driven modifications, has led to utilisation of the learning capability of the firm with respect to strategy development being based on an *intended* planning process. This process of learning (discovery, choice, action) around a dominant planning process means that the organisational learning capabilities are focused on reinforcing the intended historical path, rather than a search for new opportunities outside of the plan as was observed with the entrepreneurial orientation.

Over the lifetime of case L's business, the company has followed a process of strategy development along an intended path. This has resulted in steady expansion of the company into new market areas, mainly by the establishment of partnerships with local distributors as they became aware of new customer requirements that were fed into the on-going research and development programme. Thus, the company deliberately expanded with the clear intention of responding to market demand. As new opportunities presented themselves, they were incorporated in the rolling three-year plan mentioned above.

The respondent commented that ‘This approach of manufacturing a narrow product line [i.e. relatively few products with little variation] and only evolving it incrementally according to market feedback has led to the company becoming stuck in its historical path’. The respondent described the strategy of the company as having been from the outset one of ‘gradually getting the product right, getting the product to the market and getting the sales and marketing arm in place’.

In the path-dependent orientation, the mechanism of strategy development being intended is less flexible than the emergent aspect identified in the entrepreneurial orientation. The company is therefore less able and less willing to adapt significantly as its working environment changes. The respondent said that the management believed that this intended approach is less prone to surprises for management as the organisation evolves.

The approach adopted in this orientation leads to less frequent change than was evident in the entrepreneurial orientation. This approach to the mechanism of strategy development, wherein all development is made in line with a rolling plan, facilitates the learning outcomes necessary to ensure that the company strays as little as possible from its intended path.

The implications of this for organisations are that those demonstrating a path-dependent orientation will gather knowledge needed to reinforce their historic path. Whilst this may ensure the success of that path, it may also lead to opportunities for new strategic initiatives being missed.

**Network of key stakeholders**: with organisations that demonstrated a path-dependent orientation, one of the key strategic imperatives that emerged was a focus on sustaining the organisation as a functioning system. This is due to the fact that, unlike organisations in their start-up phase, which are primarily concerned with their supplier network (see section 0), path-dependency relies on a wider set of networks, covering all aspects of the value chain of the organisation’s products or services. Whereas in the start-up phase (or during periods of crisis), the key stakeholder network is that of the organisation’s suppliers, a mature company will

maintain strong relationships with all stakeholders in its value chain, whether they be suppliers, distributors, clients or even competitors. All of these can provide useful knowledge for the organisation to enable it to pursue its chosen path.

In case L, which relies heavily on *value chain participants* there are clearly several key networks generating critical strategic information. The reliance in this case on the utilisation of its learning capabilities with respect to key stakeholders was mirrored in most of the cases studied.

The primary network for the company is its distributor network, which has enabled its expansion into new geographic regions as well as providing feedback on market trends and customer requirements. This is totally consistent with the company's strategy of expansion incrementally into the marketplace, where the demand for its product offerings is similar to those in its established regions. The respondent stated that 'user and reseller feedback has been fundamental in determining the evolutionary direction of the company'.

However, Case L has also established relationships with a number of telecommunication companies, which, because the home automation market relies heavily on communication telemetry, provide useful feedback on new technological developments. This, as stated above, provides the company with useful feedback for its reactive approach to product development.

The respondent commented that 'Alliances with large companies in the same market were strongly sought. These companies had the marketing resources and the market recognition to get the product sales. Having those companies use their own badge rather than the unknown [case L] badge was considered to be a reasonable compromise when you don't have much except a special product.'

The company also maintains close contact with key strategists in the home automation field. In many cases these are former employees of the group who have since established their own businesses.

The dependence of the company's strategic management on these links across the wide value chain leads to learning outcomes that provide information to management on operational success. The learning outcomes will provide a sound knowledge of all aspects of the business, thus facilitating continued operations along established lines. This correlation, in management's view, of successful strategic management and operational success is typical of a path-dependent orientation.

Whilst case L was used to demonstrate the path-dependent orientation, there were several other cases that also depicted this orientation. The three medium-sized manufacturers, cases E, F and G, and the Chinese shipping company case B also display aspects of this orientation in their strategic management activities.

As these case organisations developed to a point of having a recognised history in operations and an established market position developed through at least a set of threshold capabilities, the practice of strategic management in general had become more and more influenced by that history and the strengths that developed to sustain the operation. Hence, the process of strategic management in each case had evolved into and revolved around an intended and defined planning cycle, which strongly influenced decision-making and the learning process. Organisational learning in each case was somewhat confined by the planning cycle with its embedded history incorporating decisions taken and the products and services delivered.

Environmental matching was dependent on existing strengths; and the application of this organisational learning capability mechanism tended to reinforce the path established by the various historical and strategic decisions taken and strengths developed. In case E, the Indonesian manufacturer, the respondent verified that as owner and founder, he has been in the manufacturing industry and trading in packaging products in the pharmaceutical industry since 1980. He indicated '...the business has been quite stable until 2002 but since then the business has been declining due to intense competition as the entry point to the industry is relatively easy for new players'. To date the case organisation is still competing with basically the same products and in the domestic market of Indonesia—although



some recent attempts have been made to expand into Malaysia. In other words, the firm has been unable to re-invent itself. It is path-dependent.

In case G, the Malaysian manufacturer, the respondent portrayed a similar situation of his company being trapped in its own experience. Before he joined the company in 2007, its manufacturing processes were based on a craftsman type culture and structure. He states that he was hired as managing director to bring a new set of experiences and insights to the company and take it to a different level in order to grow the business. His task in the last few years has been to develop new strengths and capabilities to not only sustain the business but to give it the potential to grow. While the respondent was creating a new path for the company, he illustrated the path-dependent orientation that the company was previously pursuing. For his company, learning was constrained by past history and experience.

What is common to the cases listed above in terms of supporting this orientation was the reliance on a deliberate planning process, which, in reality, was more aligned to an operational planning and budgeting system. While the respondents generally identified the planning process in their case as a formal strategic process, these processes were on a 2 to 3 year rolling cycle and the strategic concerns in their terms were meeting targets. For the respondent in case E, the Indonesian manufacturer, 'the main concerns were sales revenue and profitability'. In case F, the Australian manufacturer of cast iron products, respondent 2 also confirmed strategic planning in his firm was more aligned to an operational planning process and the main concerns were meeting financial targets. Such a deliberate intended planning process, particularly with its emphasis on operations, facilitates learning around the issues being dealt with. In each of these cases, such operational planning processes restricted the learning outcomes to the basic issues of revenue and profitability within the context of current strengths and experience. The strategy development mechanism when applied in a deliberate way can restrict or enhance learning outcomes dependent on the issues and agendas that are allowed to be discussed and dealt with.

As mentioned above, in these cases the time dimension generally revolved around a two to three-year cycle influenced by the planning process. Such a mid-term

perspective as an organisational learning mechanism puts a time boundary around strategic thinking and learning outcomes. This was apparent in case G, the Malaysia manufacturer. As the respondent pointed out, until he arrived to take over operations, the mindset in the management ranks was fixed on three-year cycles of performance targets and expanding the customer base. This lack of real strategic thinking limited the ability to take the company to a new and improved position in the marketplace. The respondent believes that he brought a long-term perspective to the company and this has enabled them to begin the process of re-engineering their strengths and capabilities for a more prosperous future.

In terms of the mechanism of responsiveness, the reactive emphasis was also apparent in these cases. Given that the cases strongly relied on an intended planning process, making decisions and taking actions was very much in the context of such planning. However, these planning processes, particularly with emphasis on operations, were not seen as proactive. In fact, from the information provided by the respondents, each case organisation tended to be more reactive to events rather than proactive in creating positive scenarios and seeking innovative approaches in strategic management practice.

In case B, the Chinese shipping company, the respondent described the operational planning process central to running the business. His firm subscribed to an international database that provided benchmarking data on the performance of shipping companies worldwide. He indicated that this data provided essential cues for decision-making. His management team would react decisively to any trends in the data that threatened the operation. He also indicated that over the past years they have been in a very reactive mode in terms of investment decisions in new ships and seeking new contracts because of changes in the economy, the exchange rates and the demand and supply of raw materials between various customers and suppliers. In this case, learning outcomes are facilitated and influenced by a reactive type mechanism. The shipping company was also very much dependent on information from its value chain participants and stakeholders.

The three manufacturing cases and the shipping case also demonstrate that one of the key networks for them is that of the stakeholders involved in their value

chain—the customers and suppliers in particular. For case F, the suppliers of cast iron are important stakeholders in their manufacturing operations. Also, the major customers who regularly placed significant orders with them are also important stakeholders. In case E, the Indonesian manufacturer, the respondent indicated that his ‘...business Model is based on the 80/20 principle...I have a list of loyal customers, and staff are directed to know those customers’ needs and respond effectively to their requirements. About 40 customers generate 80% of the revenue’. The learning outcomes generated around stakeholders who are significantly involved in the value chain associated with the operations of the case organisations have an operational and performance focus rather than a strategic focus.

In summary, the path-dependent orientation can be seen as one where organisations rely on their historical strengths for dealing with opportunities and threats. Emphasis is on the enforcement of the historical path over the mid-term future. The organisations do react to outside stimuli from third parties in their stakeholder networks and, where necessary, make changes to the strategic plan, but they do not generally proactively seek new opportunities.

An important observation from these cases is that the path-dependent orientation is strongly influenced by a deliberate planning cycle that is more operational than strategic and, hence, the learning is trapped within a mindset of more of the same and is single-loop rather than double-loop.

The value chain network as an organisation learning capability influences an input-output type systems thinking. The focus of cases demonstrating a path-dependent orientation is not on exploiting opportunities, as was the case with an entrepreneurial orientation, but rather focusing on learning to keep the value chain intact. This would suggest a stronger emphasis on single-loop learning than on double-loop learning in terms of strategic management practices.

#### 4.3.1.3 Builder

The final orientation identified with respect to organisational learning capability was that of a *builder*. This orientation is typified by organisations that, in the context of opportunities, addressed their weaknesses in order to respond appropriately. They tended to focus on the short-term, but demonstrated a combination of both reactive and proactive responses as their strategic options emerged. They tended to have a network of key resource providers on which they depended. To some extent, the builder represents the early stage of development for an organisation and the practice of strategic management revolves around a somewhat ad hoc and chaotic planning system. Learning is somewhat centred around projects and coping with the crises in progressing the organisation to a sustainable state.

To illustrate this orientation, case K is described below.

In 1998, the school was established in a rural Australian city. It was an initiative of a small number of people from the local community who decided to provide alternative educational opportunities and pathways at high school level for homeless disadvantaged and disenfranchised young people. The school focuses on changing lives by breaking the cycle of disengagement. The goal is to improve the achievement of disengaged students to enhance transition into meaningful career pathways. The school provides students who have been alienated in mainstream schools with an opportunity to re-engage in learning and employment programmes.

The school offers a student centred senior phase of learning that is distinguished by its unique delivery. It offers a caring and welcoming atmosphere where teaching staff, students, support staff and community members work together, share ideas and build meaningful relationships. These form the foundation for improved retention rates of students in learning and pathways to work. The school is credited with breaking the cycle of failure so that students feel valued members of the community. In 2004, it was annexed to one of the local State government high schools. It currently has 70 students at high school level.

While the school is now established and has evolved a culture and identity of its own, it has developed from an organisation run by volunteers and community support to one that now brings together that community support with the resources of the mainstream government education system. It is the early stages of development in this case that the builder orientation became apparent. So it is this part of the case history that is referred to in order to articulate the presence of the builder orientation. The orientation is described in terms of the following five mechanisms with examples as evidence of the mechanisms operating in the case.

**Environmental matching**: the emphasis for environmental matching for the builder is on overcoming initial weaknesses. The term ‘weakness’ is used in a liberal way here so it incorporates the fact that what needs to be developed to become operational is a weakness or challenge that needs to be overcome if the organisation is to survive the first phases of its evolution. Developing infrastructure is obviously a major challenge for all organisations in the first stages of their development. Their focus is on developing that infrastructure in order to take advantage of the opportunity that the establishment of the organisation was based on initially. This focus from an organisational learning capability perspective is viewed as a focus on weaknesses, as these organisations have yet to develop any substantial strengths. In case K, it was a frantic search for resources to survive the initial stages of operation in order to exploit the opportunity that the founding members wanted to exploit—that of providing educational opportunities for disadvantaged youth in their community. It was also a case of concentrating on building operational competencies as quickly as possible. The school was established in 1998 but prior to that a number of key members of the founding committee saw the opportunity for addressing the needs of disadvantaged youth in the community and developed a basic strategy to establish the school using the resources of the distance learning centre of a state government secondary school department. The emphasis here is on *path creation* as, in the initial stages of establishing an organisation, there is no history so the founders are trying to find and establish a path and position to follow for survival.

Based on the material available on the case, the founding coordinator of the school said she had countless meetings with the founders in the early days, identifying issues and developing strategies to overcome them. The issues in the first three years of operation were concerned with obtaining a permanent location for the school and acquiring finances to ensure operational continuity.

This mechanism of organisational learning capability was one of a focus on building the basic threshold capabilities (Johnson et al. 2008) outlined in chapter 2. The staff of the school had to develop new skills and extend their existing skills to get the school up and running. The volunteers were well aware of what the deficiencies were and this focus on weaknesses reinforces a builder orientation. The learning capability around environmental matching facilitated learning outcomes in that staff and volunteers alike focused their learning on threshold resources and competences in general and their learning was around developing the threshold infrastructure.

**Time perspective:** the emphasis for the time perspective is on the *short-term*. For the builder orientation, this mechanism revolves around taking a short-term perspective in order to get through the immediate challenges of the first stages of evolution. For case K, the volunteers were learning ‘on the run’. While the founding members shared the goal of setting up and sustaining a school for disadvantaged youth in their local community, their main concerns were in the short-term. As the respondent indicated, the members of the founding committee were focused on the short-term challenges and there was no long-term vision apart from setting up the school to address the needs of a specific group of young people.

For a builder, this mechanism was a process of discovery, choice and action embedded in the current situation. It is a ‘here-and-now’ challenge of getting the organisation up and running. The collective learning was bounded by the short-term and immediate concerns that needed to be dealt with. The learning capability was an operational rather than a strategic one.

**Responsiveness:** the emphasis for responsiveness was *reactive and proactive*. In the early stages of development, the organisation had to be proactive in seeking

solutions to the immediate challenges and at the same time be reactive to the immediate and unforeseen issues that occur on a regular basis.

The respondent pointed out that he and his colleagues were very reactive in the early days as they were driven by the actions that were needed to establish the school. The founders and staff were totally concerned with the resource issues. However, there was a sense of some proactivity towards finding resources. The respondent remembers having regular meetings with his volunteer colleagues where they would sit around a table with a whiteboard and undertake some rudimentary planning activities, developing strategies around how to go out into the community and find the necessary resources such as cash, buildings and equipment. From the documented material available on the case, one of the founding members said that he used his contacts from work to gain Internet access for students and staff of the school.

This mechanism of the organisational learning capability for a builder had both a reactive and proactive stance to organisational learning. On the one hand, the challenge of establishing a business meant that the people involved needed to be proactive in seeking and gaining resources and, at the same time, they needed to learn in a reactive manner when operational challenges arose—and these can be many and varied in the early phases of establishment.

**Strategy development:** the emphasis for strategy development for the builder was *emergent* in nature. According to the respondent, the school emerged from discussions within an existing local community group trying to come to grips with the issues of disenfranchised youth. The respondent had been involved in the state education department's distance education programs at a senior level. Consequently he saw the possibility of using the distance education resources as a way to establish a school as a local support centre for those youth who struggled with the mainstream education system. From these ideas and the involvement of others, the goal of establishing a school to address the high school needs of these young people emerged, and strategies for getting the school operational were set out. Various subsequent strategies emerged as events unfolded.

From the documented material on the case, one of the founding members pointed out that in the early stages the school had 30 students but he indicated that they needed to develop the capacity to grow the student numbers further. This was an indication that the goals and strategies of the school in the early days were basic and more emergent rather than deliberate and based on the demands at the time, resulting from formal planning sessions with a longer-term time perspective.

The respondent said that ‘the goals and strategies unfolded. The original goal was to keep the kids off the streets and give them something constructive to do and provide them with a meeting place so they could discuss and solve some of their own problems in the community. But that grew into a more educational focus’. The team of community members involved in establishing the school brought their own experiences and skills to the project and it was the interaction of ideas and actions between these people that created such an emergent dynamic in the context of building an organisation with a lot of unknowns.

This mechanism of the organisational learning capability for a builder in terms of the strategy development process was more related to an unfolding emergent process as goals and strategies were reinforced, modified or extended on-the-run. The learning was focused on the broad vision and what was needed to be done at the time, rather than on the specifications of a deliberate plan that was pre-set.

**Network of key stakeholders**: the emphasis with regard to the network of key stakeholders was on *key resource providers*. In case K, this involved the founding members of the community who themselves brought particular skills and resources to the project. From the founding members, the network of people directly and indirectly involved widened considerably to increase the pool of vital resources needed for the school to become operational.

For the first three years, the staffing of the school was purely voluntary and the operational budget was minimal. However, after the three years, the school was able to build its own premises, which gave it a distinct identity in the community. The local government donated the land. A prominent member of the community



donated a building, which was relocated to the new site. A local chapter of Rotary donated \$30,000 to fund a community liaison officer for 6 months to establish support infrastructure to the students in relation to services such as job interviews and accommodation. A local group comprising an 'old men's network' started to provide counselling and other support to the students. Thus, from a small number of founding members, a much larger network of stakeholders became involved in providing resources and commitment to the future of the school.

This mechanism of the organisational learning capability for a builder related to the profile of the main target group of stakeholders. In this case, it is the network of resource providers that has a key influence on the shared learning taking place and the shared learning for establishing the school was around finding and applying the necessary threshold resources.

The builder orientation became apparent in case K because of the detail that was provided by the respondent and other material on the case, particularly in the early years of start-up. Because of the continuing involvement of the respondent from the outset, the respondent told his story of the case with a lot of emphasis on the beginnings because of the real challenges experienced in the absence of institutional support. The case organisation is relatively young. One observation is that this orientation is peculiar to the start-up phase in an organisation's history. However, it is also recognised that it may apply to the creation of a new business within an established organisation. Unfortunately, insufficient detail was forthcoming from the other cases to make any detailed observations about start-up conditions in order to support case K in demonstrating this orientation. This was somewhat due to the focus on the present when the respondents gave their accounts.

The builder orientation can be summarised as follows. It is associated with path-creation in a start-up or the early development phase of an organisation. The organisation focuses on overcoming its initial lack of relevant strengths in order to take advantage of opportunities or combat threats. Because of the developmental nature of such organisations, the focus is on the short-term aim of getting the operation up and running. Whilst such an organisation must, of necessity, be proactive in establishing itself, it must also be reactive to unforeseen issues that

may arise. The opportunity for such start-ups to be created tends to emerge from opportunities that present themselves and in the early stages such organisations must rely on their key resource suppliers for support in establishing the organisation.

The five key mechanisms of organisational learning capabilities are operationalised in such a way as to identify the builder orientation in the practice of strategic management. Unlike the entrepreneurial orientation, which focuses on exploiting opportunities, and the path-dependent orientation, which focuses on learning to keep the value chain intact, the case demonstrating a builder orientation focuses attention and learning around resource providers.

#### **4.3.1.4 Summary of Research Issue 1**

Research Issue 1 addressed the question of:

*How do organisations utilise their organisational learning capability in relation to their approach to strategic management?*

From the analysis of the data, the following three distinct orientations emerged:

- entrepreneurial
- path-dependent
- builder

The three orientations were differentiated by the following five organisational learning mechanisms:

- environmental matching
- time perspective
- responsiveness
- strategy development
- network of key stakeholders

One case in particular, in which the company was headed up by a very entrepreneurial individual, proved to be one where management were continually thinking outside the box. Analysing the data gathered in this case, it emerged that the organisation was continually identifying new opportunities for growth and developing new strengths to address them. The focus on organisational learning was towards gaining knowledge that would enable the identification of new strategic development opportunities. This case with its proactive opportunistic approach to growth was classified as having an *entrepreneurial* orientation.

Although other cases did at times in their history temporarily demonstrate an entrepreneurial orientation in that they addressed particular strategic concerns, most (especially those in manufacture) emerged from the analysis as largely being locked into defending what they already had built up in the past. In these cases, only a limited number of new opportunities were addressed. Rather than developing new strengths to enable them to take advantage of new opportunities, most cases relied on their existing strengths to react to and defend against threats to their historical business. They relied heavily on feedback from customers and clients to identify threats, rather than proactively seeking new strategic opportunities. This orientation was classified as being *path-dependent*. The implication for organisational learning is that, under this orientation, the learning focus is very much on ensuring that existing knowledge is not lost rather than on seeking information that might lead to new avenues for strategic development.

Analysis of the data in one case showed that it did not fall under either of the above two orientations. The period covered by the respondent was one in which the organisation was in its start-up phase. As such, the organisation concentrated on setting up and getting going. Management was concerned with addressing the organisation's weaknesses and was very focused on the short-term survival and growth of the organisation. Several key resource providers were seen as important in this early stage. The organisational learning focus was on path creation, so knowledge sought was both proactive—based on the organisation's strategic plan—and reactive—as unforeseen opportunities and threats emerged. This case was classified as having a *builder* orientation.

The three orientations can be differentiated by the way they facilitate organisational learning. The entrepreneurial orientation focuses on exploiting opportunities, whilst the path-dependent orientation is characterised by a focus on learning to keep the value chain intact. Cases demonstrating the third orientation—builders—focus attention and learning around resource providers.

#### **4.3.2 Research Issue 2**

*How do organisations utilise their organisational learning capability in relation to their approach to performance management?*

The second research issue deals with the nature of performance management in organisations. In particular, it focuses on the usage of organisational learning capabilities that underpin the management of performance in the organisations. The literature on organisational capabilities related to performance management was outlined in section 2.4.2.

As mentioned in section 2.4.2, DeNisi (2000) defines performance management in terms of the range of activities that an organisation is involved in to enhance the performance of people, individually and in groups. For the purposes of this study, this definition of performance management will be used. Where DeNisi refers to groups it is understood that this includes formal groups in sections and departments, as well as informal workgroups.

Respondents were asked about the success or otherwise of their organisation's performance to date and what factors they believed were responsible for this performance. They were also asked to describe how their organisation managed and measured performance in order to enable the interviewer to draw conclusions on the nature of the organisational learning capabilities and processes involved. Data obtained from sections 2 and 4 of the Interview Protocol (see Appendix) were used for analysis of this research issue.

From an analysis of the data, three learning orientations emerged depicting the way the different case organisations tended to utilise their organisational learning capabilities in relation to performance management and these orientations are differentiated by various mechanisms of organisational learning capabilities. The three learning orientations identified are technical, cultural and interpersonal. Table 4-5 highlights how each of the orientations can be differentiated in terms of four mechanisms of organisational learning capabilities.

A number of points need to be made in relation to the analysis involved in this research issue. First, an orientation reflects the way an organisation has utilised its organisational learning capabilities through a set or bundle of mechanisms in the way they practise performance management at particular points in time and in various sections or levels of the organisation. Second, several orientations may have been detected in the same case organisation, either at different times in the evolution of the organisation or in different parts of a larger organisation at the same time. Third, the practice of performance management in a case organisation relates to the processes of discovery of performance issues, choosing appropriate strategies for addressing the issues and putting those strategies into action.

**Table 4-5** Orientations towards performance management

<b>Key mechanisms of organisational learning capabilities</b>	<b>Technical</b>	<b>Cultural</b>	<b>Interpersonal</b>
<b>Detecting errors</b>	Systems, policies and procedures	Cultural processes of compliance and exemplification	Styles of interpersonal influence
<b>Performance measures</b>	Objective and clear written criteria	Behavioural norms	Subjective, ambiguous and personal criteria
<b>Feedback mechanisms</b>	Formal	Formal and Informal	Informal
<b>Time perspective</b>	Designated	Circumstantial	Circumstantial

Source: developed for this study

The three orientations emerged from a process of constant comparisons of the way the different cases practised performance management. From the analysis of the data, four key mechanisms of organisational learning capabilities emerged as significant for differentiating the three orientations apparent across the case organisations. They are described below:

**Detecting errors**: this mechanism is based on an ability to detect errors of performance as part of discovery, choice and action around performance management. Each orientation was associated with variations in this mechanism. These were differentiated primarily by the influence of systems and procedures, cultural processes of compliance and exemplification, or styles of interpersonal influence of particular people in the organisation. This mechanism influences different learning outcomes based on the different applications of detecting errors.

**Performance measures**: the mechanism here is based on the development and use of criteria on what constitutes effective performance in order to guide the management of performance as a learning process. These ranged from very clear and objectively written and communicated measures, to the shared understanding and influence of behaviour norms or standards of behaviour, to the ambiguous subjective criteria imposed by specific individuals. Hence, the performance measures represent an organisational learning capability by the criteria that are applied to performance assessment, which varies from objective to subjective. The behavioural norms represent a point somewhere on a continuum of objectivity-subjectivity. The learning outcomes varied according to the objectivity-subjectivity of the performance criteria that were dominating particular instances of managing performance.

**Feedback mechanisms**: this mechanism is based on the use of feedback mechanisms to stimulate organisational learning around performance management. In some cases, formal feedback mechanisms were in place, whilst in others it was largely informal. This is reflected in different approaches to the cycle of discovery, choice and action and to consequent differences in learning outcomes. Formal feedback mechanisms are structured mechanisms, usually based on documented systems and procedures to which staff must adhere, whereas informal feedback

mechanisms rely more on ad hoc reporting of performance changes. Depending on the nature of the management process in the organisation, the necessity for more formal input to the organisational learning capabilities of the organisation will vary and hence the resultant learning outcomes will be different.

**Time perspective:** the time perspective is a mechanism that guides learning by the episodic nature of the learning loop. This ranged from specifically designated times for review being set to other less structured approaches, where a review was based more on circumstances that arose requiring reviews of performance to take place. This mechanism also has an influence on learning outcomes with respect to managing performance, depending on whether the timeframe is designated or circumstantial.

The three performance management learning orientations are described below.

#### **4.3.2.1 Technical**

A *technical* orientation emerged in the analysis of the data in relation to a number of the cases. Organisational learning under this orientation is a very systematic process. The orientation is associated with a focus on the establishment of systems, rules, routines and procedures for managing various aspects of performance in the case organisations. This orientation is also characterised by objective measures, formal feedback and designated timeframes.

Case J will be used as an example to demonstrate the nature of this orientation. From studying the interview responses the case emerged as having a strong technical orientation and a detailed analysis of it provides a good understanding of this orientation.

Case J is a 'high-tech' company (i.e. it is at the cutting edge of advanced technology), supplying telematics technology and IT technology to the utilities markets, primarily the water, energy and environmental sectors. It was founded in 2000 and is a wholly owned subsidiary of a UK stock exchange listed company. By the use of remotely readable utility meters, the company enables improved energy conservation and

environmental protections, as well as the ability to identify problems and irregularities in the use of energy and water. This is achieved by remotely reading utility meters and providing data collection and analytical services. The company connects its customers to their remote utility sensors by the use of machine-to-machine technology for automated meter reading. The bulk of its business is in the UK, but it also operates in other markets.

The company has a team of senior executives covering a diversity of skills including international management, finance, technical know-how, product design and marketing. In addition, there are a number of key performance management systems in place. They have a number of web-based planning systems, and hold regular management meetings, staff performance reviews, and internal and external product training sessions.

The company has put in place these systems in a carefully structured way, such that they can readily monitor and measure the company's performance. These systems enable the leadership to obtain information on performance in a timely and accurate way.

**Detecting errors:** those cases that provide evidence of this first orientation (technical) tend to have well-established *systems, policies and procedures* related to performance management. This can be demonstrated by considering the example of case J.

In case J, the company has a number of performance systems and procedures in place to ensure its ability in detecting errors. These systems and procedures vary, depending on whether they are for individual, section or overall organisational performance. For example, at the regular management 'morning prayer' meetings, individual members of the management team give structured reports based on output from their individual monitoring systems and any required actions are put in place. The respondent stated that attendees at these meetings are required, prior to the meetings, to extract from the computerised Customer Relationship Management system details of all quotations and proposals that have been made and all contracts that have been signed or are proposed for signature. All of these reports and documents are then reviewed at the meetings.



The organisation as a whole relies on data from its web-based systems to provide overall performance monitoring. The respondent commented that ‘the ability of its staff not to make mistakes’ was key to the company’s survival and growth, so several specific monitoring systems had been developed to identify rapidly any errors and enable appropriate correction, as detailed above. These systems include the Customer Relationship Management system, the formal performance reviews and the remote subcontractor monitoring system.

He also stressed the importance of these systems, as they were seen as ‘critical competencies that include the use of electronic and web-based working and planning systems’ and these critical competencies enable them rapidly to detect and correct errors. For example, although the company subcontracts all of its production, it has put in place a remote monitoring system that feeds back data directly from the subcontractors to the company, enabling it to identify errors in production performance at the subcontractors’ sites, such as inadequate component stock levels or reduced output productivity. These formal systems are considered vital by the management, as all the production is subcontracted, and control by remote sensing is a fundamental aspect of the company’s performance management. The company was indeed one of the pioneers in using such web-based systems. Their approach is typical of when an organisation develops performance systems in which information on performance is regularly and systematically gathered in order to monitor and measure performance.

The respondent commented that, ‘as quality assurance is considered by the customer base to be a fundamental requirement, the company has been obliged to put in place a set of systems that identifies errors in performance rapidly’. The production monitoring system mentioned above is a key component of this process, as are systems for monitoring sales and distribution networks.

The approach to utilising the learning capability of error detection was found to vary across the cases studied, with organisations that were demonstrating (either permanently or at stages in their history) a technical orientation typically implementing systems to achieve error detection. Although the company prefers that

mistakes be not made, nevertheless the respondent in case J believes that ‘we learn from our mistakes, continually introducing and implementing new policies and procedures to correct the errors and to avoid recurrence’.

It can be seen that the company places a high degree of importance on managing its performance by ensuring that errors are rapidly detected and corrected. Rather than rely on errors being solely identified and communicated by the management themselves and thus running the risk of human error or omission, the company embeds the detection of errors in its systems and procedures. Its systematic approach to the mechanism of detecting errors provides learning outcomes that have the consistency of information required by management to ensure adequate and timely information is available for rapid and accurate error detection.

This systems-based approach to error detection is a key attribute of this technical orientation. Although the utilisation of formal systems reduces the risk of human error, it does place a strong reliance on the correct design and utilisation of the systems.

**Performance measures:** the second mechanism of learning capability considered was that of performance measures in order to guide the management of performance as a learning process. In any organisation successful performance is vital to the sustainability of the organisation, however how and when this performance is measured can vary considerably.

It emerged from the interviews that this aspect varied across the three identified orientations, but was consistent within any one particular orientation. Measurement of performance against the criteria set in cases when demonstrating a technical orientation was found typically to be the result of *objective and clearly written criteria*, usually in the form of financial measures.

With respect to case J, the respondent commented that being a ‘small and, some would say, struggling company, ...it relies on clear measurement of performance to maximise its productivity and profitability’. The main measures monitored carefully by the company are sales level and cashflow. Regular reports are distributed

providing information on these two items at organisation, section and individual manager level so each member of the sales team can see how the area under their responsibility is performing within the organisation as a whole.

The measurements of sales level and cashflow are pure objective facts, with little, if any, room for subjective interpretation. The importance these organisations place on the utilisation of the organisation's learning capabilities with respect to the criteria of sales level and cashflow leads them to put in place measures that provide the objective information on these criteria that they require to make decisions.

These objective and clear measures with respect to the mechanism of performance measurement facilitate the appropriate learning outcomes believed necessary by the management of those organisations emerging as showing a technical orientation. These learning outcomes, whilst leading to consistency of performance measurement, which satisfies the perceived requirements of the management, risks unusual unforeseen failures in performance being missed, which a more subjective approach may have identified.

**Feedback mechanisms:** this is another mechanism of organisational learning capability that is used to stimulate organisational learning around performance management. All successful organisations require feedback mechanisms to be in place so that unsatisfactory performance can be readily identified. However, in some organisations, these mechanisms are more formal than in others, with organisations demonstrating a technical orientation tending to be more formal in their approach to providing feedback.

To manage performance, case J has established *formal* feedback mechanisms at all levels of the organisation. The respondent stated:

All company processes have formal review mechanisms in place to make sure that compliance is achieved. This involves review of quotations, proposals, contract review and internal delivery mechanisms. Formal feedback mechanisms are largely based around annotated check lists, minutes and formal notes with pre-determined distribution lists.

These processes include, first, daily ‘morning prayers’ where each member of staff is required to report back on issues and opportunities; second, regular scheduled management meetings in which feedback is provided by the individual managers to their colleagues, thus ensuring distribution of information across the organisation; and third, automated computer based reporting systems. There are also regular internal and external training sessions. All of these are processes are documented in a highly formal manner, as can be seen from the respondent’s quote above. In addition, the company has a formal annual staff appraisal process that provides additional feedback both to and from each member of staff. The respondent said, when commenting on the feedback process, that ‘information flow is very good in the company’. He said that this two-way feedback from appraisals was viewed by the staff as very useful and, in his view, was a strong motivator.

In summary, it can be seen that organisations demonstrating a technical orientation emerge as having a formal systematic approach with respect to their utilisation of the mechanism of organisational learning capabilities pertaining to feedback. This is reflected in the formalised way in which feedback mechanisms are put in place within the organisation. The rapid and accurate information obtained by this approach to the mechanism of feedback facilitates the learning outcomes required by organisations demonstrating a technical orientation. This should ensure that the information obtained can be relied upon when making decisions concerning performance management, however there is a risk that the learning occurring can be skewed by the type of information which the organisation chooses to obtain.

**Time perspective:** the formality of systems and providing feedback can also be seen in the time perspective. Organisations with a technical orientation tend to gather and convey feedback according to clearly *designated* time schedules. Rather than feedback being on an ad hoc basis, reviews are scheduled in advance.

With case J, the performance reviews are an example of such schedules. The respondent said that ‘performance timetables are agreed annually and published and rostered in advance. Agendas are prepared and formally circulated in advance and minutes and action notes are circulated afterwards.’

In addition to these scheduled performance reviews, the company's regular management meetings, as well as other performance feedback systems such as the web based monitoring systems that feed production data back to the company both on a daily basis and in a more detailed form on a weekly basis, are all scheduled at designated time intervals as, for example, is the case with respect to their 'morning prayer' and management meetings.

Annual staff appraisals are also carried out systematically and follow a strict timetable. Each member of staff is appraised on the anniversary of his joining the company and follow-up actions are agreed. These include not only actions to be taken by the staff member but also actions to be taken by the company (such as sending the employee on specific training courses)

The approach to utilisation of their organisational learning capabilities with respect to the mechanism of time perspective of cases emerging as having a technical orientation leads them to put in place clear timing schedules for obtaining and providing feedback. The implication of this is that performance management is closely monitored and thus, in the view of the management, the chance of lapses in performance is minimised, since the feedback obtained provides direct timely input into the organisational learning process.

This designated approach to time perspective provides the organisation with learning outcomes that give the management regular information on the performance of the organisation. This, however, means that there is a tendency for performance not to be reviewed at other times unless there is an incident leading to concern. There is, therefore, a risk that this approach, although generally successful, can lead to management becoming complacent and not identifying lapses in performance until it is too late.

Although case J has been used above to demonstrate the technical orientation to performance management through the different mechanisms of organisational learning capabilities, the technical orientation found in case J emerged in several other cases at various times in their history. Case D, for example, relies heavily on systems and procedures for detecting errors and managing its performance. The

respondent did, however, point out that this has made it 'cumbersome and bureaucratic'. He felt that sometimes systems, if not carefully structured, provided an overload of data, not all of which was necessary for the performance management process.

It should be noted that having a systematic approach to performance management, as is the case with organisations emerging as having a technical orientation, does not necessarily imply that the measures are particularly complex. In case L, the performance of the company was assessed simply on the basis of market share, with annual and three year targets being set. It should be noted, however, that the respondent stated that the extreme simplicity of this measurement of performance was the cause of many of the problems in the group. In his view, far too little attention was paid to the operational performance, profitability and cashflow of the company and that virtually all of management's effort was spent in monitoring market share.

The respondent for case I, another company demonstrating a technical orientation, also endorsed the need for a systematic approach to performance management. As with other cases showing a technical orientation, the respondent emphasised that monitoring by technical systems was important. For example, the company has in place a sophisticated bespoke software system that provides the board with a detailed analysis of sales, profitability and cashflow on a monthly basis. He added that the fact that such a systematic approach had not been adequately adopted in the past had directly contributed to the eventual dismissal of the CEO.

It can be seen that organisations demonstrating a technical orientation were typified by a very systematic approach to performance management. They put in place procedures and systems that enabled them to provide information that regularly highlighted current status of performance relating to various aspects of the operations of the firms, for example, individual performance, production performance, sales performance and financial performance. They set very clear and objective parameters for measurement of performance and gathered feedback in a very structured way according to clearly pre-defined timescales.

#### 4.3.2.2 Cultural

Cultural orientation is associated with a focus on self-regulation and performance monitoring through cultural norms. It is a much less systematic approach than organisations demonstrating a technical orientation, as discussed above. The focus is less formal and is not as strict with respect to scheduling of performance monitoring.

Case H is an Australian regional university with approximately 2000 staff. This case was also mentioned under the Entrepreneurial orientation. It has a large enrolment of off-campus students due to the development of a core competence in distance and e-learning capabilities over 30 years. It gained international recognition for its achievements in this area.

While the university has certain cultural traits, some of those espoused traits are somewhat generic—such as respect for the individual, helping students to succeed, being socially responsible, encouraging free intellectual inquiry and promoting excellence, innovation and creativity. As the respondent pointed out, ‘the university is a contested landscape and a mix of many sub-cultures’. For example, two of the main cultural distinctions in staffing relate to academics and administrative staff and within each distinction there are various sub-cultures such as economists, engineers and student support staff.

Academics in higher education are part of an ‘academic’ culture that has evolved over centuries and certain values and beliefs have evolved that guide academic life, regardless of the institution involved. Also, the professions such as engineering, law and accounting have evolved specific values and beliefs that provide strong guidance to academics who subscribe to particular professions. There are various sub-cultures around administrative support staff, such as the human resource area and the student guild.

In case H, it was evident that these sub-cultures have an influence on performance management. In this case, the academic area of doctoral programs is used to demonstrate the cultural orientation in performance management.

**Detecting errors**: in relation to performance management, detecting errors is a mechanism of organisational learning capability associated with managing performance. The emphasis here is on social compliance around the nature and demands of the work in general and performance standards in particular.

In the university, the management and operation of doctoral programs is a key aspect of university work and has a long tradition in many universities. The doctoral programs, including PhDs and the various professional doctorates, have a history and a knowledge base around the supervision of students. The detection and correction of errors revolve around that shared knowledge base and, according to the respondent, colleagues are quick to point out where supervisory practices are not conforming to acceptable standards. The performance of supervisors is influenced by the experience and shared understandings of supervisors as they work more in a community of practice among colleagues rather than any formal performance management system imposed by the university specifically to detect errors with supervision per se.

With traditional doctoral programs such as the PhD, doctoral supervisors have models to work with and exemplars on show. Their discipline experience provides guidance on how to approach research topics in particular discipline areas. The supervisory process and the thesis examination process illustrate a social compliance within the traditions of disciplines such as economics, sociology and law. According to the respondent, the examination process by external examiners reflects the performance or quality of the thesis in terms of contemporary views within the discipline and hence the discipline culture has a strong influence on performance and quality in the doctoral work.

In terms of detecting errors in performance management in the cultural orientation, the organisational learning capability is focused on *cultural processes of compliance and exemplification* of models of good practice that have been established in the various discipline areas. The learning outcomes are influenced by the social demands of sub-cultures, particularly as the members are strongly bound by their communities of practice. As the respondent points out, 'while supervision



is seen as a personal thing, and sometimes supervisors are seen to be acting in isolation, they do mix in small circles to seek out exemplars of quality and an exchange of war stories'. Hence, in seeking new or additional exemplars, such cultural processes stimulate organisational learning to expand the shared understanding of what is good practice and what are acceptable performance standards.

**Performance Measures:** in relation to performance management, performance measures represent a mechanism of organisational learning capability. The emphasis here is on *behavioural norms* and cultural artefacts that provide guidelines for what constitutes acceptable quality and performance. Behavioural norms are the standards of behaviour that are culturally transmitted within sub-cultures of the organisation. Cultural artefacts represent the products or outcomes of performance that are displayed as exemplars. Behavioural norms and cultural artefacts can change over time as sub-cultures learn to realign such exemplars.

In case H, there is over 20 years of experience in doctoral studies and while the university has gained valuable experience through the graduation of many doctoral candidates, it is the discipline sub-cultures that have the biggest influence on determining performance and quality measures. According to the respondent, new inexperienced doctoral supervisors are assisted by their more experienced colleagues who most often bring their discipline knowledge from other universities. Part of the knowledge that is transferred relates to criteria for what constitutes good supervision and quality theses.

The new supervisors also have access to successful theses that have passed the rigors of external peer examination. However, where such discipline knowledge and artefacts are not available, new supervisors can struggle in terms of performance and accepted standards. The respondent gave the example of the introduction of a new doctoral program in professional studies that was quite different in nature to all the more traditional doctoral programs. At the outset, there was no local discipline knowledge. There were no cultural artefacts in terms of successfully completed work. As the university had no experience in these types of professional programs, it was not a matter of writing a manual for staff to follow.

Instead, those few staff who became involved with the program had to learn quickly and seek advice from a number of overseas universities that had experience with similar programs.

According to the respondent, staff supervising in this new and innovative doctoral program were ‘flying-by-the-seat-of-their-pants’ and suffered a degree of stress because of the lack of norms, assessment criteria and cultural artefacts to guide their own performance with their students in assessing the quality of the work submitted by the students.

In terms of performance measures in performance management in the cultural orientation, the organisational learning capability is focused on behavioural norms and cultural artefacts as a reference point for criteria on performance improvement and learning. Learning outcomes and the learning processes are strongly influenced by the availability of exemplars as substitute criteria for performance measures and the norms of supervision that are established in the community of practice that each supervisor is associated with. Where the norms and exemplars are weak in areas of innovation, learning is stimulated by the search for guiding norms, exemplars and artefacts.

**Feedback mechanisms:** in relation to performance management, feedback represents a mechanism of organisational learning capability. The emphasis in the cultural orientation is on both *formal and informal* channels of communication

In case H, the respondent pointed out that supervision was a very personal process between the supervisor and the student. Sometimes an associate supervisor may be actively involved, but this was not always the case. The performance of the supervision process is linked to the performance of the student and, consequently, the outcome in the form of a thesis or dissertation or a portfolio of work representing the outcome for both student and supervisor.

The formal feedback from the examination process influences the organisational learning processes, not just for the supervisor and student but also for others involved in the administration and operation of the doctoral programs. The informal

feedback mechanisms can be just as influential. As illustrated under the detection of errors above, the informal meetings between colleagues, the sharing of war stories and the reading of other theses all have a feedback component for extending the knowledge base of supervisors. The respondent also identified examples of mentoring on an informal basis where experienced staff share their views on supervision. The learning outcomes are strongly influenced by these informal exchanges and the formal process of examination.

***Time Perspective***: in relation to performance management, the time perspective is a mechanism of organisational learning capability. The emphasis for the cultural orientation is *circumstantial*.

In case H, most often the supervisor is aligned with a research student on the basis of interest and experience. But the respondent qualifies this situation by insisting that each topic and each student brings a new set of challenges and demands to the supervisory process and, consequently, the process is a continuous set of questions requiring answers. This is interpreted as a process of continuous learning where a stream of questions around the research topic generates a circumstantial mechanism of searching for answers at the point when they are needed.

In terms of this mechanism of the time perspective in performance management in the cultural orientation, circumstantial pressures facilitate learning outcomes appropriate to a process of continuous learning as opposed to learning around designated time sequences apparent under the technical orientation. The circumstantial capability means that learning outcomes are generated when the need arises, rather than waiting for a designated time slot when the significance of various issues and crises in performance do not generate the same learning response.

There were indications in some of the other cases that the cultural orientation was present. For example, in case D, the Malaysian manufacturer, the craftsman-type sub-culture that formed around the machine operators developed a set of performance norms that limited the ability of the firm to perform at a higher level. However, the various respondents were not approached to provide further details on

particular critical incidents that would demonstrate this orientation in depth. It was deemed sufficient to explore the area of supervision with the respondent in case H.

#### **4.3.2.3 Interpersonal**

The third orientation identified was an *interpersonal* one, in which the differentiation of focus is the influence of styles of interpersonal behaviour on performance management. This orientation is characterised by more informal, subjective and ambiguous approaches than the technical orientation. In order to illustrate the nature of this orientation and its associated organisational learning capabilities, case M is described in detail below.

Case M is a Melbourne based company trading fashion accessories, sporting goods and other items from China into Australia and New Zealand. The company has seven employees and has been operating for 18 years. It is owned by a partnership of two family trusts. When it was founded, the company sold excess and distressed sporting goods stock on consignment, but subsequently joined forces with another firm, thus combining one firm with large stocks with another firm having a network of outlets. The company now sources new products directly overseas through direct importing. It has very high customer loyalty, largely due to its decision to operate electronically and via telephone, which makes it very easy for customers to place orders when compared with competitors who operate via sales outlets. In addition to ease of ordering, the respondent commented that customer loyalty was also enhanced by the fact that ‘Customers enjoyed a no risk business which was offset by having lower mark-ups than with competitors’ offerings’.

Although operating internationally, the company is very small (seven employees). This affects the way the business is run, in particular with respect to monitoring performance. This is largely a matter of intervention by the two partners. From an analysis of the case, it emerged that, with respect to the mechanisms of organisational learning capabilities, case M was found to be strongly affected by the styles of interpersonal behaviour of the two individuals. They have very little in the way of formal systems. Their approach to ensuring that the company is performing

according to their aspirations was found to be very much affected by their individual styles, which, owing to their very different backgrounds, are quite different.

***Detecting errors:*** the size of the organisation in case M means that there is little in the way of formal systems in place and also there is a strong intervention by the two partners. Their approach to detecting errors in performance is very different, as they have very different *styles of interpersonal influence*. One of the partners came from a large corporate background, whereas the other came from small business.

The respondent commented (almost as though he was viewing the organisation through the eyes of an outside consultant) that ‘The two principals had almost mutually exclusive skills. ... Trust ensued and the partnership flourished’. However neither of the partners saw a requirement for a systematic approach to error detection. Those that do exist are virtually exclusively concerned with accounting matters. Although many accounting systems can provide extensive information for the management of an organisation, in case M accounting reports were restricted to monthly Profit and Loss Statements and an annual Balance Sheet. Even purchasing and distribution are generally handled on an ad hoc basis, with very little in the way of standard procedures.

The way the company manages performance is very much dependent on the power and influence of the two partners. The respondent commented that ‘the personalities [of the two partners] were complementary—one aggressive and decisive, the other more considered and accommodating’. Also, one had a high-level corporate background and the other over twenty years’ experience in small businesses. He said that ‘with these two totally different views, most decisions became obvious’. Effectively, the partner with the more relevant knowledge and experience for any particular issue was instrumental in ensuring that the appropriate actions were taken, such that the two partners would reach the same conclusions as to what needed to be done. Each of the partners plays to his strengths. For example, the corporate background of one partner enables ready detection of any problems in areas such as cashflow, whilst the other partner’s small business background is more appropriate for the detailed management of performance of the distribution network.

Their approach to error detection is very much a product of their personal styles. They filter all customer complaints through an answering service, so all direct contacts with customers are initiated as the result of a specific decision to do so by one of the partners. The respondent commented, 'We pre-determine the objective and outcome of every call. We receive twice daily logs of incoming calls by email...enabling us to strategise each and every call back.' The respondent said that although they lost customers due to this approach of ignoring customer complaints, they believed the saving in effort and time by ignoring complaints compensated for the losses. This approach of all customer contact being instigated by the company is highly unusual. The traditional approach to error detection is to welcome feedback from customers and to act upon it. The approach of the partners in case M, which is very much based on their own styles of management, is to decide themselves which customers should be contacted for feedback and when.

This approach to error detection has significant implications for the company. The learning outcomes of the organisation are clearly the result of what the partners each believe is most relevant for ensuring the successful performance of the company. Given the extensive combined experience of the two partners, this may be sufficient to achieve excellent performance. It is nevertheless a very egocentric approach.

**Performance measures:** the second key mechanism of organisational learning capability that emerged as varying between the cases was the approach to performance measurement in each of the cases in the study. Although all organisations have processes and procedures in place to monitor and measure performance, the objectivity and clarity of the measurement techniques can vary considerably. It was found in this study that, in some situations, case organisations used very clear objective measures and in others highly subjective ones.

Those cases that demonstrated an interpersonal orientation were found to utilise an approach to performance measurement based on *subjective, ambiguous and personal criteria*.

In case M, no measurement systems were found to be in place other than basic accounts giving profit and loss results and cashflow trends. The respondent

stated,'[We] wait until late in the season to establish sales success...without even visiting the customers to check on stock levels.' By this he was referring to visits to determine the level of inventory still held by the distributors, which would give a clear indication of their sales figures. This is contrary to the traditional approach in the fashion trading industry, which is to monitor distributor customer stock levels regularly, so that the actual purchases by the end-users can be determined, rather than simply the purchases by the distributors which may not represent the reality in the marketplace. In other words, the measurement of performance in this case is not based on objective analysis of end-user consumption, but purely on the partners gut feeling as to how sales are going.

The respondent's approach to the assessment of performance is very simple. He said that the only question for which he requires an answer is, 'Is what I am doing at the moment making me money?' and said that such measures as market share were not relevant. The approach to this mechanism is in stark contrast to the objective and clear performance criteria found in those organisations demonstrating a technical orientation discussed earlier. This approach to the mechanism of performance measures provides the partners with the information that they deem, based on their personal management styles, to be necessary for the effective management of performance by the company.

This subjective approach to performance measurement observed in cases showing an interpersonal orientation leads to learning outcomes for the organisation that reflect the leadership's views on the relative importance of different measures and the variation in the use of criteria for assessment at different points in time. Whilst thus satisfying the management's requirements, this risks observation of variations in performance being missed that a more objective set of measures might have detected.

***Feedback mechanisms:*** similar to the approach to performance measurement detailed above, feedback mechanisms in the firm, in some cases, were found to be definitely *informal* compared with the formal approach to feedback found in organisations when demonstrating a technical orientation and at least in part when demonstrating a cultural orientation.

This is perhaps partly predictable for case M, given that it is a small company, but it is also consistent with the organisation's approach to performance management. There are no significant formal systems in place in the organisation and most feedback is obtained by face-to-face or telephonic contact with customers by one of the two partners. This customer contact, although frequent, is not according to a formal process, but is carried out purely on an ad hoc basis. The respondent stated, 'Feedback is more by accident than design. We just wait until we have 30-40 customer complaints, then act to fix the problem.' He continued, 'the best learning we can do is to get out into the marketplace'. This informal interpersonal contact provides, in the view of the two partners, the best way for the organisation to gather feedback and provide the information required to manage the company.

Regular contact between the partners ensures that each is aware of the other's activities, but such feedback is on an informal ad hoc basis. It was felt by the respondent that the 'strategy of having a senior partner liaise directly with customers...was very time consuming, but very valuable'. Again, as observed above, this lack of formal procedures introduces significant risk into the performance management process; the ad hoc and personal way that each partner collects information puts a very idiosyncratic spin on knowledge development and sharing for the firm.

***Time perspective:*** the time perspective of performance management in case M is very much one of *on demand*. According to the respondent 'Initiatives to improve performance and productivity are only undertaken if profitability is suffering. Our best review is our bottom line. I used to care greatly about standards etc. but now I am more concerned with dollars, perhaps to the detriment of the future.' The company has no pre-set review schedules. For example, it was not until it was realised that the customer base had peaked and that there was little room for further growth in sales that an initiative was undertaken to introduce summer products to what had previously been a winter-only accessory company. This could have been done at any time, but in fact was only done when falling performance necessitated it.

Combining this on demand approach with the unstructured, informal approach to other aspects of performance management further increases the risk by failing to react



sufficiently quickly to unsatisfactory performance. However the two partners are of the view that the most cost effective way of running the business is to only consider changes when and if profitability declines. Their styles of leadership lead them to the conclusion that they only need to gather information as and when events dictate a need. This on demand approach to the mechanism of time perspective with respect to performance management provides them with the learning outcomes consistent with this conclusion. This reaction to events means that the organisation is gathering information only as a result of variations in performance. This risks leading to a management approach aimed at 'cure' rather than at 'prevention'.

Although case M has been described above in order to profile the interpersonal orientation which emerged, similar indications of an interpersonal orientation were found in some other cases. For example, in case C, the partner, who has 'never been keen on the nitty-gritty of day-to-day managing', left the management aspect largely to the other partner who drove the business 'very tightly and toughly' according to his own views. The informality of this management approach, which relies heavily on the personal subjective criteria of the partner concerned, although acceptable to the respondent, was not always appreciated by the rest of the team. The respondent added, 'we've lost quite a few people over the years because of his management style, but at the same time he is a driver for performance and our performance has been very good'. Also in case C the respondent stated that feedback was largely informal, stating, 'generally any feedback about any aspect of our work is verbal and quite informal'.

Investigation of the cases led to the emergence of themes. One such theme was the identification of cases that could be classified as demonstrating, during part or all of their history, an interpersonal orientation to performance management. In these cases, the styles of leadership combined with a subjective, informal approach, not constrained by rigid time schedules, provided learning outcomes believed by the leadership to be the most appropriate to the business.

#### 4.3.2.4 Summary of Research Issue 2

Research Issue 2 addressed the issue of:

*How do organisations utilise their organisational learning capability in relation to their approach to performance management?*

From an analysis of the responses of respondents of the cases studies, different orientations were identified. As the interviews progressed, it was observed that three distinct orientations emerged. These could be described under the headings of:

- technical
- cultural
- interpersonal

The three orientations were differentiated through the identification of four different mechanisms of organisational learning capabilities, these being:

- detecting errors
- performance measures
- feedback mechanisms
- time perspective

From an analysis of the responses of the respondents in the cases, it emerged that many of the organisations demonstrated systematic approaches to performance management. In other words, they had formal systems and processes in place that provided the basic elements of monitoring performance at the individual, sectional or organisational levels of operation. Examples include the regular individual reviews and feedback in case J, as discussed above, closely managed multi-disciplinary support teams in case D (see detailed description of the case in section 4.3.3.1 below) and the organisation-wide regular reporting and analysis required when case L was stock exchange listed.

From such examples emerged the ‘technical’ orientation. One organisation (case J) was described in detail to illustrate this technical orientation, but it was apparent in several other cases as well. Where this technical orientation was evident, the cases had well-established systems in place for the detection of errors and for monitoring the organisation’s performance. The cases that have been observed as showing a *technical* orientation varied significantly in size, from a handful of employees up to many thousands.

The learning outcomes resulting from a technically oriented approach provided the leadership with consistent reliable and regular information with which to manage performance.

Case H was identified as showing a *cultural* orientation. Some aspects of other cases also demonstrated this orientation. Although having some formal systems in place, a number of informal procedures were also utilised. This combination of a mixture of formal and informal was also evident in the approach of case H to the mechanism of feedback mechanisms. Its approach to the detection of errors was more one of evolving standards of behaviour and compliance with prescribed norms, rather than reliance on established systems.

The influence of the social demands of sub-cultures and the continuous learning resulting from both formal and informal feedback strongly affected the learning outcomes.

Analysis of the data obtained from several of the cases led to the identification of a third orientation with respect to the utilisation of learning capabilities for performance management. To illustrate this *interpersonal* orientation, case M is described in detail as an example. Throughout the company’s history, management has used much more subjective approaches to the measurement of performance than had been observed in either the technical or cultural orientations. For example, determining when performance management needed review was not according to any predetermined schedule, but was simply a question of when the key managers deemed it to be necessary. This was true, no matter whether it concerned an individual’s performance, that of one of the channels to market, or of the company as

a whole. Feedback mechanisms were generally very informal and the management style of the key individuals in the organisations dictated the way errors were detected. Organisations demonstrating this approach to utilisation of the key mechanisms of learning capability were described as showing an *interpersonal* orientation.

The learning outcomes associated with an interpersonal orientation strongly reflect the views of the leadership as to the relevance of particular performance risks and associated measures.

Although three distinct orientations (technical, cultural and interpersonal) emerged from the cases, all three can sometimes be found in one organisation, in different parts or levels of the organisation, or at different stages in the organisation's development.

### **4.3.3 Research Issue 3**

*How do organisations utilise their organisational learning capability in relation to their approach to organisational renewal?*

The third research issue deals with the concept of organisational learning capabilities and how they are associated with organisational renewal practices in organisations. The literature on organisational learning capabilities in relation to organisational renewal has been discussed in section 2.4.3. The basis for this question is to identify various ways that organisations utilise their organisational learning capabilities to their approach to bringing about strategic change and innovation in the organisation. Organisational renewal is defined in terms of any activity within an organisation that can be associated with changing the strategic capability of the organisation in response to environmental changes and demands. It was noted in Section 2.4.3 that the literature differentiates between planned and emergent innovation.

Respondents were asked to describe and comment on the way their organisations gather and disseminate the information required to bring about significant change and innovation. This was in the context of each respondent describing the history

and evolution of the organisation at the outset; and providing examples of significance to the evolution of the organisation. Data obtained from the questions in section 5 of the Interview Protocol (see the Appendix) were used for analysis of this research issue.

An analysis of the case data from the point of view of organisational renewal revealed that the examples of organisational renewal provided in the cases aligned basically with one of the two significant themes already identified in the literature on organisational renewal (see section 2.4.3); that is, the themes of planned and emergent innovation. The two orientations identified in this research issue as planned change and emergent innovation depict the way the different case organisations tended to deal with organisational renewal through various mechanisms of organisational learning capabilities. Table 4-6 highlights how each of the two orientations can be differentiated in terms of mechanisms of learning capabilities.

A number of points need to be made in relation to the analysis involved in this research issue. Firstly, an orientation reflects the way an organisation has approached the utilisation of different mechanisms of organisational learning capabilities in the way they practice organisational renewal at particular points in time and in various sections or levels of the organisation. Secondly, different orientations may have been detected in the same case organisation either at different times in the evolution of the organisation or in different parts of a larger organisation at the same time. Thirdly, the practice of organisational renewal in a case organisation relates to the way change and innovation occurs within an organisation with a view to changing and improving various aspects of the organisation's strategic capability – its resources and competences.

**Table 4-6** Orientations towards organisational renewal

<b>Key mechanisms of organisational learning capabilities</b>	<b>Planned change</b>	<b>Emergent innovation</b>
<b>Focus</b>	Process	Content
<b>Mode</b>	Structural	Experimental
<b>Influence</b>	Authority	Expert
<b>Culture</b>	Mechanistic	Organic

Source: developed for this study

The two orientations emerged from a process of constant comparisons of the way the different incidents regarding organisational renewal were identified and described by the respondents. Resulting from the analysis of the data, only two distinct orientations were clearly identified. In some organisations, at various points in their evolution the organisations adopted a highly structured approach to change. In other cases, or at different points in the various cases' evolution, innovation and change emerged from logical incremental changes resulting from the political, technical and cultural environment. This distinction aligns closely with the differentiation between planned and emergent innovation identified in previous research (see section 2.4.3) and the two orientations have thus been named accordingly. Some of the cases clearly demonstrate instances of planned change during their history and there were other cases where evidence of emergent innovation was observed. Case D and case I exhibited examples of change and innovation that typified the differences between the two orientations and are described in detail in the next section.

From the analysis of the data, four key mechanisms of organisational learning capabilities emerged as significant for differentiating the two orientations that were apparent across the case organisations, namely:

**Focus**: this mechanism reflects the learning capability embedded in the particular focus that provides momentum to the change process or innovation in question. The

differentiation in this learning capability occurs around the different approaches to bringing about the change. Organisations may place emphasis on the processes for managing change. For example, this may include the step-wise processes of quality improvement, business process re-engineering or organisational development. On the other hand, organisations may focus on the content of the change itself in the form of operational or strategic issues or innovative ideas. In this latter situation, the issues and ideas are the focus of attention and the process of change emerges as solutions for change are sought, relevant to the issues and ideas at hand. The learning outcomes from this mechanism are determined via a problem-solving focus that places a strong emphasis on either process or content. That is not to say that it is one and not the other. Certainly, both are present—but it is a matter of emphasis that influences the learning outcomes.

**Mode**: this mechanism reflects the learning capabilities embedded in the mode of change. The mode of change can be dominated by a reliance on structural change where new or re-configured roles and processes are adopted and the learning capability is dependent on the way employees adapt to these roles and processes. On the other hand, the mode of change can be dominated by a more experiential or action learning perspective where the learning experiences unfold as staff seek solutions for their initiatives. In this case, it is the participants involved directly in the change initiative who provide the learning capability. The learning outcomes are influenced by the learning capabilities of the employees placed in new situations dictated by structural re-configuration; or by the participants grappling with the issues at hand in the change process itself.

**Influence**: this mechanism reflects the different learning capabilities embedded in the dominant influence tactics of the instigators of the change efforts. In some organisations, changes are imposed using the hierarchical authority of the leaders, whilst in others this authority is not needed as the expertise of the instigators of the change is recognised and accepted by the members of staff and therefore the change is accepted without the need for imposition by virtue of the instigator's position. The learning outcomes will be impacted by the response of employees to authority or expertise.

**Culture:** this mechanism reflects the learning capabilities embedded in dominant sub-culture driving the change. In some organisations, the dominant sub-culture driving the change can view development in a very structured way and hence change is carried out in a rigid mechanistic format; whilst in other organisations a more organic approach is adopted and this is based on the more flexible, open and problem-solving perspective adopted by the people driving the change. This is similar to the distinction proposed by Burns and Stalker (1994) in their classic work (originally published in 1961) on organisations and change. The learning outcomes are impacted by the sub-cultural perspective on change management.

The two organisational renewal learning orientations, although being a classification already mentioned in the literature on organisational renewal (see section 2.4.3), emerged from an analysis of the various examples and explanations of changes and innovations that were identified by the respondent's accounts of their organisations. The two orientations are couched in terms of the dominant driving force between the changes or innovation; and these forces in turn represent different processes and structures for modifying aspects of the organisation's strategic capability. These aspects are described below:

#### **4.3.3.1 Planned change**

A planned change orientation was titled as such to classify and separate those change initiatives that were planned, were significant in terms of the scope of the organisation's strategic capability targeted, and were directed by one or more change agents. Typically, cases that contained instances of this orientation demonstrated a process oriented, mechanistic approach to development, with change imposed by the authority of the instigators of the development.

This orientation was identified in a number of the cases. To illustrate, case D will be examined in depth.

The case company is a large (35,000 employees operating in 450 locations) 50-year-old company that supplies oil and gas services and products. The company is listed on the New York stock exchange. Until relatively recently, it had historically always



been a typical hierarchically structured company that, according to the respondent, is 'based on old school technologies that were tightly compartmentalised'.

Several years ago, following the acquisition of several high technology companies, the company decided that its customer base was confused by the corporate structure, often being visited by several representatives of the company and sometimes on the same day. The company had a known presence in the oil and gas sector for decades, however the recent rapid expansion (following a change in CEO) contributed to this confusion as to what the company now saw as core to its future,

To clarify this situation, a major project was launched to merge several divisions and adopt a flatter structure incorporating a matrix management model, instead of the historical hierarchical one. It was recognised that this was more than a mere structural change, but that it implied a major change in the business model that required managing as a planned change project. Three key competencies were identified. First, there was the presence of a highly skilled multi-disciplinary engineer capable of managing and implementing the required changes. Second, there was the confidence and understanding of the regional director in embracing new technologies in an old industry. Third, there was the certainty by all the local marketing managers that this change was the correct approach.

The respondent said that the leadership of the company, having realised that the company needed to 'change its business model and strategic direction in order to embrace new technologies in an old industry', decided that they would need to bring in new ideas on technological advancements and industry trends by the creation of a special interdisciplinary technical support team. It was to be centrally managed but regionally dispersed and the funding was not to be based on country revenue but regional revenue. It was decided that this necessitated the human resources department hiring skilled staff (directly onto the payroll, rather than as consultants) from outside the organisation, as well as initiating a major graduate intake, with the intention of providing a workforce with knowledge of the latest technological developments in the industry sector. In the past, the company had no graduate entry programme in place. The initiative to restructure the organisation and the way technical support was handled was treated as a major change project and one of the

staff was appointed as project manager with the initial task of recruiting a project team.

**Focus:** with respect to the mechanism of focus, the focus that emerged in Case D with respect to the change project was very much one of *process*. The CEO put a project team in place with the remit of bringing about the changes he desired. The respondent said that to achieve the CEO's target of doubling the size of the company every three years, 'it was vital to embrace new technologies in an old industry'. The CEO concentrated on putting in place an appropriate *process* for development, believing that, in the respondent's words, 'these changes in the business model [to focus on regional collaboration with respect to product development, sales and technical support, rather than the company being a number of disconnected divisions] would lead to innovation'.

This focus on ensuring that the appropriate process was in place to ensure successful change and innovation in the company was a key aspect of its successful evolution. The respondent stated, 'Important to this organisational renewal is information acquisition by the project members...by liaison with external parties (vendors, suppliers, clients, customers and occasionally competitors)'. The significant organisational renewal deemed necessary by the CEO could not, in the view of the respondent, have been achieved without such a carefully planned change project. This process-oriented focus provides the company with the appropriate learning outcomes in the form of consistently structured information, specifically designed to facilitate the desired planned change towards a centrally managed but regionally dispersed organisation.

**Mode:** the mode of achieving the planned change was very much based on ensuring an appropriate structure was in place. The CEO of the company believed that appropriate *structural* changes were fundamental if the required innovations were to be achieved, so significant restructuring was implemented. The respondent stated, 'There was a commitment by all management, from the CEO down, to ensure that the structural changes were understood and implemented as quickly and as successfully as possible'. He added that, 'This restructuring was radically different to the company's previous business model and was fundamental to the ability of the

company to achieve its objectives.’ The primary structural differences were concerned with flattening the former hierarchical structure and introducing a centrally managed but regionally dispersed technical support function. The creation of the multi-disciplinary team under a single control removed several layers of the previous hierarchy.

In addition to the formal announcements by the CEO to staff detailing the restructuring programme, the internal networks of the members of the change project team enabled rapid spread of the changes throughout the organisation. The respondent commented, ‘Informal channels (hallway’ meetings for example) are often used for [dissemination of] worthy information.’ A number of training programmes were also introduced to ensure that staff understood the new structure and the implications for their own roles, in particular with respect to the change towards regional accountability.

The CEO had a clearly defined plan and was not seeking radical new ideas that deviated from it. He therefore believed that imposing a structure that would ensure achievement of the plan was the correct approach to be taken by the company. This approach of putting in place a carefully planned structural change facilitates the organisational learning outcomes by ensuring that there is a consistent understanding across the organisation of the way technical innovation and support will be handled in the future and the structural changes that will enable them. It does, however, reduce the likelihood of learning outcomes resulting from free-flowing creative thinking and consequent radical new ideas.

***Influence:*** in the ‘planned change’ mechanism, the basic influence mode observed in case D relies on the *authority* of the leadership. The CEO had decided that the organisation needed to change in the way it developed and supported its product lines, so he used his authority to initiate a change project in order to introduce a new structure that he believed would be more appropriate for product innovation. He insisted on the new structure (initially having to counter strong resistance) and delegated the authority for its implementation to the project manager.

The new development programme was accompanied by the introduction of a number of new regulations and routines and changes to the operations. The CEO imposed a number of changes as part of the project including, for example, new incentive bonuses in remuneration packages. Clear instructions on cost management, whilst still maintaining the CEO's ambitious growth objectives and the associated requirement for innovation, were given. This approach to the mechanism of organisational capabilities with respect to developmental influence, based on the authority of the leadership, assured that the changes desired by the leadership were achieved.

The learning outcomes resulting from the CEO having imposed his desired changes provided management across the organisation with a clear understanding of the way the CEO had decided the organisation would be organised going forward. The learning outcomes did not necessarily, however, provide the employees in the organisation with any assurance as to the validity of the proposed changes. They simply reflected the CEO's decisions.

**Culture**: the culture of development within the 'planned change' orientation is very much a *mechanistic* one. The changes desired by the CEO in case D were introduced by a carefully structured plan put in place and enforced by management. In the company, which the respondent described as a company that was normally 'cumbersome and bureaucratic', the change project was highly structured and established on formal project management techniques emanating from the experience of the project manager who had an engineering background.

Engineering projects are traditionally very mechanistic in their nature and the project manager's methods were readily acceptable to other members of the leadership who themselves had very similar backgrounds. All members of the management team were used to working in environments where all activities were carried out according to clearly defined, and usually well documented, processes and procedures. Clearly defined project plans, usually using a sophisticated project management software, such as Microsoft Project<sup>®</sup>, are the norm in an engineering environment. As a result of this, according to the respondent, once the change project was accepted by the team, the actual introduction of the required changes proceeded very smoothly.

This mechanistic approach to the mechanism of developmental culture leads to learning outcomes that provide the management team with knowledge of clearly detailed procedures to be followed in order to achieve the desired change. Each employee will be aware of his role and the tasks that he is to undertake. This clarity reduces the risk of misunderstandings, but does, of course, restrict the opportunities for members of the team to put forward suggestions for improvements to the plan.

Case C was another case that displayed a planned change orientation, although only with respect to one period in its history. The two partners decided several years ago to list the company's shares on the stock exchange. This strategic move was handled as a separate project, with only the two partners in the firm and the Chief Financial Officer being involved. This enabled the project to be kept apart from the on-going operations, so very little disruption was felt.

The listing exercise was highly mechanistic and needed to follow clearly defined processes. Although authority for all decisions theoretically rested with the company's management team, the team relied on their external advisors (the sponsoring broker and the investment bank) to structure and lead the project, as the partners did not have prior experience of stock exchange listings. In particular, they needed advice on how the structure of the organisation should be adapted in order to make it suitable for a listing. Thus, in effect, the advisors temporarily assumed the role and authority of the company's executive team. They developed (after taking input from the partners) a project plan that would take the company through the listing process. The advisors put in place very clearly defined mechanisms for achieving the desired changes.

In order to grow the sales revenue to a level more attractive to stock exchange investors, under instruction from their advisors, the firm put in place structural changes to expand the business into lower level recruiting rather than just the top level staff on which they currently concentrated. This was a market in which the partners had negligible experience.

The process of learning that the partners went through required them gaining knowledge of the detailed, inflexible and mechanistic procedures and processes required for a stock exchange listing. This eventually led to the decision to abandon the listing. As the respondent said, ‘After two years of getting to know a lot more about what was involved, ...we decided to stay with what we knew best’.

It can be seen from the above that case D, as well as case C during its attempted listing, demonstrated a clear ‘planned change’ orientation. As shown in Table 4-6, this orientation is highly structured in the way that change is managed. It depends on clear processes and procedures, as well as appropriate organisational structural modifications. Change is introduced in a mechanistic way, with the authority of the leadership being fundamental in pushing through the desired changes.

This approach to organisational renewal is geared towards providing learning outcomes that ensure that the whole organisation is aware of their roles and tasks and that the changes desired by management are implemented according to the plan. .

#### **4.3.3.2 Emergent innovation**

An emergent innovation orientation was identified in a number of the cases. This orientation is characterised by its focus on organisational renewal and innovation emerging through experimental, organic approaches, rather than the highly structured top-down approach that emerged in the ‘planned change’ orientation.

Case I will be used to illustrate the different learning capabilities associated with this orientation. Case I is a high-technology company in the Information and Communication Technologies (ICT) industry, specialising in niche market software, training and support services for healthcare. The software provides an information retrieval system for university medical schools. The company also provides training and support services related to its product offering. It is privately owned and operates in several countries in Europe, as well as in Hong Kong and Australia. The respondent stated:

Solutions are targeted at universities with weak or non-existent IT systems in the company’s highly specialised niche area. Value is created by selling at a profit

software solutions which pay for themselves by strengthening control of money, educational development, people development and procedures in the purchaser's environment.

The company has evolved steadily since its incorporation in 2002. There have been some changes in structure in that time, largely as a result of circumstance rather than as part of a strategic plan. There has been no clearly defined plan for organisational renewal. It was initially venture capitalist funded, but a Management Buy Out (MBO) in 2005 refinanced it with private funds. Its innovation historically has largely been event driven. For example, the desire of the Venture Capitalist to exit caused a complete organisational restructuring, and the initiative to enter the United States was abandoned due to local political and cultural issues.

The CEO and the sales manager in the buy-out team were both dismissed in 2008 due to poor performance and the company has had an interim CEO since that year. The company has evolved since this change, but more in an ad hoc way than in a planned way. For example, the company is currently developing a simplified non-enterprise low-budget version of its software for a closely-related market sector, but this initiative emerged as a response to a cashflow crisis, not as part of a planned strategic change.

***Focus:*** the focus in this case, as with other cases when they demonstrated an 'emergent innovation' orientation, was clearly on the *content* of problems and opportunities rather than on the process of the change itself. This focus on the content of issues, whether emanating from an external or internal source, is considered key in the orientation.

As a result of the information gathered during the interview process, it emerged that information relevant to organisational renewal of case I was not reliant on internally generated information—as was the situation with other cases. The management team rely on their contacts with the education community to stumble across innovation requirements and developments. The respondent stated that regular feedback on market requirements 'resulted in a continuous questioning and challenge around the vision of the company, and thus a steady evolution in the company's strategy'. He

said that this was particularly noticeable since the new CEO took charge two years ago.

The leadership of the company addresses issues as they arise, rather than having a clear plan in place for organisational renewal. As an opportunity, problem or crisis presents itself, the issue is evaluated and appropriate steps are taken to move forward. An example of this is the issue that arose in 2008, when the sales performance since the 2005 MBO fell below expectations. The board of directors identified the drop in sales, but the CEO had no plan in place for handling the problem. It was felt by the board that an innovative approach to the marketing of the company's services was necessary.

It was decided that the CEO was failing, so he was removed and an interim CEO was put in place. However, no specific plan for improvement was imposed. The new CEO was simply handed the ball and instructed to see what he could improve. He was instructed to evaluate the issues arising from the sales decline and to take actions to counteract, or at least mitigate, the effect on the company. Neither the board nor the CEO put in place new processes or procedures to avoid recurrence of the problem. This 'temporary' fix is still in place now.

A further example is the company's approach to software development. Rather than having a centrally planned and structured project in place for organisational and product evolution, the company relies on evaluating input from users as and when this may be received, and making modifications and improvements based on that input. When users identify a need for new or changed products and services, the company adapts the existing products according to the users' needs. This input can come in at any level of the organisation, most commonly being feedback by users to the sales support team. The users might, for example, request an alteration to the input screen or to the format of the output. These changes are then implemented in a bottom up manner, but there is no general plan for product innovation.

This focus leads to learning outcomes that provide information on issues that arise, thus enabling the issues to be evaluated, as opposed to providing information on the progress of the changes with respect to a specific plan. The learning outcomes reflect



the content of the views and needs of the user community and innovation is based on that content, not the result of a planned process for product renewal..

**Mode:** under the ‘emergent innovation’ orientation, the mode of organisational renewal is *experimental*. It is less structured than was found with cases demonstrating a ‘planned change’ orientation.

In case I, development is, for the most part, carried out in an ad hoc manner based on the experience of users. Organisational renewal is not the result of a structured process put in place by the senior management, but comes from a ‘suck it and see’ experimental approach based on feedback sought from the marketplace. The company benefits from a widely-experienced board of non-executive directors and investors with considerable contacts with key university educators. Feedback from these informal networks is passed to the management team. For example, the company regularly receives suggestions for product innovation from a government sponsored, European Union funded institution, as well as from a number of educational bodies that use the company’s products.

The implication of this unstructured experimental approach to sourcing new ideas for innovation implies that the capturing and acting on feedback is crucial to development activities. Rather than deliberately structuring the organisation to achieve a desired innovative change decided on by the leadership, the company takes note of ideas from its customer base and other stakeholders and then tries them out. These innovative ideas are usually initially tried in a limited way and then, if successful, expanded into a fully-fledged product or service offering.

This experimental mode for organisational renewal leads to learning outcomes that provide the management with information directly gathered from the marketplace rather than feedback on changes that are driven by plans put in place by the leadership themselves.

**Influence:** the achievement of successful development in the organisation under the ‘emergent innovation’ orientation is largely one of reliance on the fact that those providing the ideas for innovation are recognised as *expert* in their field, or that the

input leading to the change comes from people who have such expertise (such as the user base). This is very different from the cases that demonstrated a ‘planned change’ orientation wherein acceptance of change relied on the authority of the leadership team.

As the respondent in case I noted, ‘The relationship with educators comes first and the business evolves to meet their requirements’. The change is ‘sold’ throughout the organisation by the expertise, enthusiasm and drive of the instigators of the changes. In terms of development of its organisational learning capability, the company seeks to innovate based on knowledge gained from experts in the sector rather than by the leadership imposing its own ideas on the company. As well as in-house expertise, the company relies strongly on external experts, these primarily being university educators in the health sector.

According to the respondent, ‘the business founder’s skill...[and] strong financial background...[together with] the expertise of a widely experienced board of non-executives and investors have been key to business achievements to date’. This emphasis on expertise rather than authority is typical of cases that demonstrated an ‘emergent innovation’ orientation.

This influence as a result of expertise as opposed to authority results in learning outcomes that provide knowledge of the skills and capabilities of the leadership and other key participants (primarily university educators in the company’s target sector). Ensuring awareness of this expertise is important for successful organisational renewal.

***Culture***: unlike the ‘planned change’ orientation, there is little mechanistic in the way development is achieved in the ‘emergent innovation’ orientation as typified by case I. It is very much an *organic* process as opportunities and ideas present themselves. As the respondent commented, ‘The relationship with educators came first and from this the market need was identified and the business established to meet that need’. Rather than having a mechanistic process oriented approach to organisational renewal, the company evolves organically, taking ideas fed in from

the market place and trying them out. If they are successful, the company and its product offerings are then modified to incorporate the new developments.

This has significant implications for the organisation. The respondent said that this organic approach to innovation and organisational renewal has both positive and negative implications. On the positive side, he believes that this approach of gathering relevant knowledge in a non-mechanistic, organic way, 'maximises the likelihood of the company maintaining its leading-edge position in the industry'. However, he said that the downside of this method of development is that, 'planning and forecasting for the business is very difficult, because you never know what is going to come up that may move the goal posts dramatically'.

The key difference between a mechanistic pre-planned approach to development and an organic approach is that the organic approach to the mechanism of developmental culture provides the organisation with the ability to come up with innovative changes. The cultural orientation facilitates the learning outcomes relative to such innovation since learning is not constrained by preconceived planning.

In summary, cases demonstrating the 'emergent innovation' orientation are far less planned and process driven with respect to organisational renewal than those showing a 'planned change' orientation. They rely on an expert analysis of information available concerning opportunities and problems in order to determine and manage change.

#### **4.3.3.3 Summary of Research Issue 3**

Analysis of the responses for the cases studies resulted in different approaches being identified. As the interviews progressed, it was observed that two distinct orientations were emerging. These could be described under the headings, as previously used in literature, of:

- planned change
- emergent innovation

As the data gathered on each of the cases was analysed, different approaches to four different mechanisms of organisational learning capabilities emerged, these being:

- focus
- mode
- influence
- culture

From analysis of the data gathered, a number of cases were identified which displayed a very structured approach to utilising their organisational capabilities for organisational renewal. Innovation was carefully planned. The organisations relied on putting processes in place to identify and implement developmental changes. A combination of these processes and associated structural changes led to planned organisational renewal. The changes were very much driven in a top-down manner through the authority of the leadership, who pushed for innovation in line with their thinking. As a consequence of this process driven evolution, innovative changes were implemented in a very mechanistic manner. It should be emphasised that a planned approach does not necessarily imply that the objectives of the change projects are achieved.

These cases were classified as having a *planned change* approach to their utilisation of the different mechanisms of organisational learning capabilities with respect to organisational renewal.

Some cases showed different characteristics from the others in their approach to organisational renewal. These cases did not have the same structured approach to change that was seen in those demonstrating a 'planned orientation'. Instead, their focus was on the content of opportunities or problems that were encountered by members of the organisation at all levels, rather than on the process of the change itself. This bottom up innovation emerged as a result of evaluation of the issues and an experimental approach to determining the best way forward, starting small and seeking value-added benefits.

Commitment to change under this orientation results from the employees' faith in the expertise of the instigator of the project, whether that be a member of the

management team or not. It may, in some cases, be someone totally outside the organisation. Because of this focus on the content of issues and opportunities that arise, the organisational renewal is an organic evolution, rather than a mechanistic one.

Cases that demonstrated this approach to their utilisation of their organisational learning capabilities were classified as being ones with an *emergent innovation* orientation.

#### **4.3.4 Research Issue 4**

*How does the political style of the senior leaders in organisations impact the utilisation of organisational learning capabilities in general?*

There is no doubt that politics and political behaviour, both within and external to the firm, can have an influence—both positive and negative—on the organisational learning processes within a firm and on the associated learning capabilities. This is the topic of more recent studies as pointed out in section 2.4.4. When people get together in groups, power will be exerted and hence people will carve out a niche from which to exert influence, earn rewards and advance their careers. When people convert their power into action, they are engaged in politics and those with good political skills have the ability to use their bases of power effectively (Robbins et al. 2008).

For this research issue, the focus is on the political style of the senior leaders in organisations and how their ‘style’ impacts the utilisation of organisational learning capabilities in general. The term ‘style’ as used for this research issue is somewhat similar to leadership style, but the intention here is not to go into the numerous arguments apparent in the literature over the definitions of leadership. The intention here is to investigate style with respect to how senior leaders in organisations use power and influence and how such style impacts, either directly or indirectly, organisational learning capabilities.

From the analysis of the data collected in relation to the first three research issues, as well as a number of specific questions directed at respondents (as set out in the Appendix), a number of themes emerged in relation to the fourth research issue. These themes emerged from the descriptions, stories and critical incidents that respondents provided in response to the questions (identified in the Appendix) that were used to stimulate such descriptions.

The four themes that emerged involve:

- Guanxi
- Power and trust
- The politics of feedback
- Individual power against the bureaucracy

These themes are each described in detail below.

#### *Guanxi*

In case A, the large Chinese conglomerate, the managing director had developed a powerful group of business associates and friends over a long period of time. His use of *Guanxi* was fundamental to the success of his business enterprise. According to respondent 1, this concept describes the basic dynamic in personalised networks of influence, and is a central idea in Chinese society. On one occasion when the managing director was unable to pay his employees, he telephoned a friend to lend him the considerable amount of money needed to meet his payroll commitment over a two-week period. His friend transferred the money immediately with no specific conditions and no paperwork. The money was repaid several weeks later. There was obviously an understanding amongst powerful friends that in times of need they help each other. This was a general principle.

This example represents one incident of many that demonstrates the power, influence and political behaviour that is fundamental to the managing director's entrepreneurial and leadership approach. According to respondent 1, Guanxi is widespread in China in terms of the business landscape. This emphasis on connections and personal relationships is very much about power and politics and influencing desirable outcomes in the business environment. Respondent 1

provided other examples of the managing director using his powerful connections in the government for business purposes. For example, in developing a business unit in hydroelectric power plants, the managing director utilised and enhanced his political networks in various levels of government to achieve his goals. Also, the company is involved in road and highway construction and, according to the respondent, the contracts for these big construction projects were won after a lot of political activity behind the scenes, particularly at various levels of government, according to the respondent.

Evidence of Guanxi was also observed in two other cases, interestingly both with Asian connections. The respondent in case C, the Malaysian-based recruitment company, commented that the growth of the firm had been due in a large part to him having ‘a powerful database of people around town’. This ‘database’ could better be described as a network of key individuals whom the respondent knows well, thus enabling him to be made aware of recruitment opportunities ahead of rival firms. The ability of case M to arrange attractive partnership deals in Taiwan and China was also, in the view of the respondent, because of the network he had established of powerful people in the region. In his case, although he was not himself Chinese, he benefitted from the extended Guanxi network of his Chinese wife and her family.

The implications for organisational learning are considerable. Primarily, the development of powerful networks of influential people can provide access to information and knowledge that are denied to other business leaders and competitors. This, according to respondent 1 in case A, was significant in the success of the company. The incident regarding payroll illustrated the strong informal ties between entrepreneurs and business associates in the wider business environment. The extent of experience and knowledge in these wider ‘business’ networks is a source of learning that can result in competitive advantages. Politics and political behaviour are the essence of exploring networks of influence and, hence, can be seen as a possible organisational learning capability in that sound political skills can support positive learning outcomes for the organisation. The case of the development of the hydroelectric plants also provides support for this viewpoint. The politics of obtaining stage-by-stage approvals for the project was a

learning process of understanding the self-interests of stakeholders and finding the leverage points for influence and action.

### *Power and trust*

In case F, an Australian manufacturing SME, there was an example of political behaviour at the corporate board level which demonstrated the negative impact politics can have on an organisation. When the company was sold several years ago to another company with manufacturing interests, the chairman of the board of directors of the purchasing company secretly separated the purchase contracts so that his company purchased the operational business and he personally acquired the land and premises on which the factory operated. His personal intention, according to respondent 1, was to make his money on the asset rather than the business. When the secret was exposed, the Chairman was removed from the board and the company (case F) entered into a period of total uncertainty about its future.

Such political behaviour was detrimental to the organisational learning processes of the firm's chief executive officer and his staff, who struggled to continue to make profits for the owners while operating under conditions of uncertainty and mistrust. For the senior managers of case F, such behaviour by the chairman of the board was a confounding variable for their own learning capabilities. Hence, this example illustrates the confounding nature of personal and company agendas when it comes to the utilisation of organisational learning capabilities—as well as the strong interplay between political and learning processes and the degree of trust.

The issue of power, influence and trust was also apparent in case C where the respondent identified staff turnover as a major impediment to being successful. If he could not build a relationship of trust with the employees, the risk of increased staff turnover would be greater. In the recruitment business, a lot of information is held within the minds of individual members, thus turnover leads to information loss. The respondent pointed out that, as the company 'only employs people with specialist skills', the risk of information loss from employees leaving is significant. Being aware of this danger, he introduced a number of web-based knowledge management procedures aimed at capturing the information held collectively by the company's staff and storing it all in databases.



This proved harder than he had expected and eventually he had to threaten to fire anyone who did not comply with the procedures, even if in all other respects they were exemplary employees. This use of the respondent's power, although achieving the desired result, led to a reduction in trust by staff and, consequently, a lack of loyalty and willingness to share information—which was an impediment to learning capability. Following the threat of dismissal for non-compliance, the respondent successfully countered this risk of reduction of loyalty by introducing attractive staff incentive schemes.

It can be seen from the above example that because the CEO of case C was aware of the dangers of information loss through employee turnover, he had in place measures to reduce turnover, thereby reducing the risk of loss of organisational knowledge. The respondent admitted that this problem of knowledge being lost with the departure of staff members is likely to worsen, as information becomes more and more dispersed. Whereas, historically, information was normally filed in paper form, it can now be on individual's laptops, in email folders, on instant messages, on chat histories or even on such platforms as Twitter.

The CEO in case C was aware of the importance of maintaining trust and that loss of trust would lead to increased staff turnover and consequent loss of knowledge and reduced productivity. Although he could theoretically exercise his power and authority to ensure that, even when employees left, the knowledge they had was passed to others within the firm, in practice it would be impossible to gather this knowledge without willingness on the part of the departing staff member. Without a high degree of trust, this willingness would not be there. Case C demonstrates the interplay between the CEO's political style and trust and the impact that both style and trust can have on learning capability and the accumulation of essential knowledge.

### *The politics of feedback*

In case H, a regional Australian university, there were various examples provided by the respondent of the political behaviour embedded in the processes of organisational learning. One example related to a situation of communication between the university and a partner organisation. A partner organisation offers programs of study to their local students, such as the MBA degree, on behalf of the case organisation and provides tutorial services as well as some administrative services for students. Formal communication between the two parties was generally filtered through one particular university person responsible for the relationship with a partner organisation—a partnership manager. The partnership manager reported directly to a senior executive of the university in charge of overseeing all partnership agreements, present and future.

According to the respondent, it became apparent to a number of university staff that there was a communication breakdown by using one person as the source of vital information flow between the two organisations. In relation to a specific international partner organisation, several members of the university staff were receiving informal complaints from the partner about the behaviour of the partnership manager. However, even though these university staff informed the senior executive of this situation, no change or remedy was forthcoming. Although no reason was apparent for this inaction on the part of the senior executive, the respondent believes that the senior executive's style is one of following protocol and formality in terms of partner relationships. Unless the complaint is formal and received directly from the partner's senior managers, then it is not considered credible.

This example illustrates how the political style of a senior executive of an organisation can influence the way feedback is handled and, hence, how the organisation's learning capability is affected. The power and politics in this senior executive's network of influence has blocked important information that was critical to the success of that particular partnership.

The respondent from case I noted that although the company had improved significantly since the new CEO took office, it was still poor at learning from its mistakes and avoiding repetition. The current CEO, who is in fact only appointed on an interim basis, is the third CEO of the company in its short life. The respondent noted that quality assurance and quality control procedures need addressing, as they are vital for error detection. This has been an issue throughout the history of the company, but little has been done to improve the procedures. In the view of the respondent, key to this lack of feedback is the fact that the CEO has enormous faith in his own ability to understand and interpret any situation and takes little notice of feedback from other members of the organisation that might contradict his view of the world. The company therefore is failing to take full advantage of its organisational learning capabilities by analysing and learning from its mistakes. Power and influence are centred on one individual rather than participatory. Personal executive style thus has an impact on the learning capabilities concerned with dealing with feedback.

Similarly, in case C, although it has in general been a highly successful company, when it has made errors it has not always recognised its mistakes and reacted quickly to mitigate the effect and ensure there is no recurrence. An example relates to the decision of the firm to attempt to expand outside its traditional Malaysian base by opening a regional office in Singapore. Although they had very clear feedback indicating that the initiative was not succeeding, it took the partners several years of unsatisfactory performance to accept this, as their wish to expand was stronger than the evidence provided to them. The partners' political style with respect to this situation was similar to that of the CEO in case I above. They relied too much on their own judgement rather than the feedback they were getting. The implication for organisational learning was that valuable information that was available was not acted upon.

Case M also demonstrated some evidence of failure to learn from its mistakes. In particular, the respondent noted that although the business they are in is by nature a cyclical one, wherein fashions come and go, they regularly made the same mistake of not adapting to the latest trends quickly enough. The respondent believed that this inability to utilise their organisational learning capability with respect to market

demand hampered their ability to grow the business as quickly as they would have wished. Again, as with case C above, the political style of the partners led to them ignoring available feedback and missing out on valuable input to organisational learning. The way each of these senior leaders used power and influence led to some detrimental aspects of using positive feedback, hence indicating the issues in unilateral political behaviour.

In each of the examples above, the learning outcomes of the organisation have been strongly affected by the faith of the senior executives in their own ability to filter feedback and to determine what was important and what was not. This egocentric and political perspective of various managers can have a negative effect on the organisation's performance.

#### *Individual power against bureaucracy*

A further issue that was identified in the case studies was that sometimes bureaucratic pressures had a restrictive effect on a firm's ability of the leadership to learn and adapt and it is the leader's use of power that can overcome this impediment. Case D, a company with 35,000 employees suffers from this problem according to the respondent. He said that the cumbersome and inflexible nature of the bureaucracy leads to too much focus on internal issues and not enough on the broader strategic issues in developing the company. He commented that it was only the far-sightedness and determination of the management team that enabled bureaucratic rigidity to be overcome in the strategic development process.

In the past, the company had been based on tightly compartmentalised bureaucratic procedures that tended to keep the organisation in its historical form, rather than embracing new technologies in their area of business. However, he realised that the company's business model was resulting in a 'failure of the company to be able to bid competitively for work' in the region. He identified a key strategic initiative as a response to current market pressure. This initiative aligned closely with the company's desired growth strategy, so despite the bureaucratic inhibitors to change, he used his power to ensure that the new approach was initiated. His leadership and embedded leadership style were critical to overcome the impediment of bureaucracy to his company's ability to learn and adapt.

Case L was, for part of its history, listed on the stock exchange. A combination of regulatory requirements and pressure from investment banks and other members of the investment community places a heavy bureaucratic burden on listed companies. There are many reporting audit requirements that take up management time and shift the focus from strategic development to procedures aimed at compliance with bureaucratic requirements. The respondent gave examples of these bureaucratic requirements as the necessity to publish full sets of accounts on a quarterly basis, instead of annually for non-listed companies, and the need to go through a complicated process of shareholder meetings for any significant changes in the strategic direction of the company.

In addition, he added that the fact that stock exchange reporting is required on a quarterly basis leads to management developing a very short-term focus towards strategic development. He said that this is due to the fact that business analysts and investors tend to focus on the published quarterly profitability figures rather than on any long-term predictions. Consequently the company's management must also focus on driving short-term profitability, even if it is detrimental to the long-term sustainability of the company. This acts counter to an organisational learning approach in which the organisation is continually striving to benefit from newly acquired knowledge in order to grow.

For case L, the respondent commented that this often meant that the best strategic initiatives based on the knowledge gained by the management team from within and outside the organisation were discarded, because they ran counter to achieving short-term profitability. During the period from 1999 to 2001, while the company was listed on the stock exchange, although the CEO realised that this was leading to failure of the organisation to benefit from various opportunities because of the focus on compliance,, he was unable to overcome the bureaucratic inhibitors, despite his theoretical position of power. The respondent explained that, once listed, the rules of the exchange severely restricted the company as to how and when it could raise funds or modify shareholdings, or even as to what could be said to potential investors with respect to the future prospects of the company. This brought the company virtually to its knees and it was not until after the company was delisted that it started to regain

its ability to develop and grow. This decision to delist was made by the CEO, when he finally used his power to overcome the bureaucratic nightmare.

It can be seen in each of the above two examples that there is a significant issue of the conflict between the political power of the leadership and the inhibiting effect of bureaucracy. In both cases, bureaucratic procedures were restricting the learning outcomes of the organisation. In both cases, the leader was able to overcome the bureaucratic hurdles.

The four themes identified in research issue 4 (Guanxi, power and trust, the politics of feedback, and individual power against bureaucracy) collectively illustrate the considerable impact that the political style of the senior leaders can have on the utilisation of organisational learning capabilities. The learning outcomes are affected by the leaders' style. As was seen above, this political style can have a significant effect on the sustainability of the organisation. It can be seen that, in some situations, this style can be beneficial by overcoming hurdles (such as bureaucratic inhibitors), whilst in others (such as egocentric filtering of feedback) it may be detrimental.

#### **4.4 Summary and conclusions**

The cases studied in order to address the research issues provide considerable insight into the different orientations of the various organisations with respect to their utilisation of their organisational learning capabilities. Analysing each of the cases, it was possible to develop a framework for mapping the cases according to their particular orientations with respect to strategic management, performance management and organisational renewal. For each of these three primary research issues, different orientations emerged, each having different approaches to specific mechanisms of organisational learning capabilities. Specific cases, typical of each orientation, were used as examples of the way organisations in each orientation utilised the relevant organisational learning capabilities relevant to the particular research issue and the effect this had on the learning outcomes.

With respect to orientations towards strategic management, three orientations emerged, these being 'entrepreneurial', 'path-dependent' and 'builder'. Each of these

varied in respect to their approach to five key mechanisms. It was observed that the majority of the cases usually showed a path-dependent orientation, in which the historic path of the company is enforced. Under this orientation, strategic management tended to be focused on the mid-term. Deviations from the path were primarily in reaction to new information obtained from the organisation's value chain participants.

Cases demonstrating an entrepreneurial approach, on the other hand, tended to focus more on the long-term, proactively developing new strengths to take advantage of opportunities that arise. The emphasis under this orientation was concerned with developing new strengths and matching existing core strengths to address opportunities and threats.

The third, orientation, builder, was associated with the start-up phase of companies, when the leadership are focused on the short-term and are concerned with path creation. Responsiveness was a mixture of both reactive and proactive approaches and depended on utilising the organisation's network of key resource providers.

The second area of study, performance management, also identified three orientations—'technical', 'cultural' and 'interpersonal'. In this case, four key mechanisms were investigated. The technical orientation was typified by a very systematic, formalised approach to performance management. Performance management under this orientation was dependent on rigorous systems and procedures, with very clear performance measures. Reviews were according to preset schedules, with formal feedback processes.

Under the interpersonal orientation, the leadership was less formal and more subjective with its approach. The styles of interpersonal behaviour of the leadership had a significant effect on the learning outcomes, as feedback and performance measurement tended to be subjective and informal.

The third orientation, cultural, showed a blend of formal and informal feedback on performance. The focus was on compliance, with performance measurement being

based on behavioural norms. Reviews were largely as a result of events or issues arising, rather than according to specific designated schedules.

For organisational renewal, only two distinct orientations were identified—‘planned change’ and ‘emergent innovation’—with both being investigated with respect to four key mechanisms. A very clear distinction was observed between the planned change orientation and the emergent innovation orientation.

The planned change orientation was typified by a focus on the process of achieving change. The changes were achieved as a result of structural modification and relied on the authority of the leadership. The evolution of the organisations was largely mechanistic in manner, due to the process-oriented approach to change.

For the emergent innovations orientation, the content of the issue being evaluated was the key focus. Following analysis of information obtained from the marketplace, innovative ways forward were tried out and, if they were successful, they were then implemented within the organisation. The organisations thus evolved in an organic manner.

In addition to this classification of the cases, the question of how the political style of the senior leaders in the cases impact the utilisation of organisational learning capabilities in general was investigated. It was concluded that the key areas of impact were ‘*Guanxi*’, power and trust, the politics of feedback, and individual power against the bureaucracy. For each of these aspects of political style, it was noted that the style could significantly affect the learning outcomes within the organisation, which could have either a positive or a negative effect on the performance going forward.

The mapping of organisations with respect to the three basic research issues provides an in-depth analysis of the utilisation of organisational learning capabilities for organisational sustainability. The implications for management are discussed in Chapter 5.



## CHAPTER 5

### 5 CONCLUSIONS AND IMPLICATIONS

#### 5.1 Introduction

This study was designed to address the research question: *How do organisations utilise their organisational learning capabilities for sustainability purposes?* In Chapter 1, the background to the research question was presented with particular reference to organisational capabilities.

In Chapter 2 the literature on organisational learning and learning organisations was detailed, with particular emphasis on strategic capability. In particular, literature related to strategy, performance and organisational renewal was studied.

In Chapter 3 the methodology for this study was described, indicating that this was an investigation employing a case study methodology within the critical realism paradigm. The chapter concluded with a discussion of the limitations of case study research and ethical considerations for this study.

In Chapter 4 the findings for each research issue were discussed in detail, making extensive use of tables and matrices to display results. Findings for each research issue were summarised in sections 4.3.1 to 4.3.4.

Chapter 5 now draws conclusions and implications of this investigation. It begins by presenting, in section 5.2, a summary of each research issue and relating these to the literature reviewed in Chapter 2. In section 5.3, implications for understanding the research question are discussed and a number of propositions in answer to the research question are outlined. In section 5.4, implications for theory are suggested and a number of new models are proposed. In section 5.5, implications for practice within the firm are outlined. Section 5.6 outlines limitations of the study and indicates how these can be understood. The chapter concludes with section 5.7 by proposing further directions, both for quantitative and qualitative research.

**Table 5-1 The research question and research issues**

<b>Research Question</b>	
<i>How do organisations utilise their organisational learning capabilities for sustainability purposes?</i>	
<b>Research Issues</b>	
<b>RI 1</b>	How do organisations utilise their organisational learning capability in relation to their approach to strategic management?
<b>RI 2</b>	How do organisations utilise their organisational learning capability in relation to their approach to performance management?
<b>RI 3</b>	How do organisations utilise their organisational learning capability in relation to their approach to organisational renewal?
<b>RI 4</b>	How does the political style of the senior leaders in organisations impact the utilisation of organisational learning capabilities in general?

This chapter is structured in line with the above Research Issues, with conclusions about each being treated in turn in sections 5.2.1 to 0. Following this, conclusions about the overall Research Question are noted in section 5.3, together with the implications of the research for theory and practice in sections 5.4 and 0; as well as the limitations of the research in section 5.6 and possible directions for future research in section 0. Finally an overall summary of the research is provided in section 5.8.

## **5.2 Conclusions about the research issues**

This study specifically focuses on the utilisation of organisational learning capabilities and a multiple case study approach was used to explore this aspect. Chapter 4 provided a set of findings in relation to four specific research issues that defined the scope of the research question.

The first three research issues investigated the utilisation of organisational learning capabilities relating to three particular managerial processes prevalent in the literature, namely, strategic management, performance management and organisational renewal. The fourth research issue investigated the topic of political style.

Discussion and conclusions of the findings of each research issue are provided below. However, some comments need to be made about the first three issues at the outset.

In chapter 2, section 2.4, the concept of organisational learning capabilities was discussed. DiBella et al. (1996) pointed out that learning capabilities can be formal and informal processes and structures put in place for the acquisition, sharing and utilising of knowledge and skills in organisations. These authors also added that within organisations there are intrinsic learning capabilities where their manifestations vary across organisations through distinctive styles and patterns of learning. What is relevant to the findings for research issues 1, 2 and 3 is that the orientations that emerged as a response to answering the questions associated with these three research issues reflect what DiBella et al. (1996) refer to as patterns of learning.

The concept of organisational learning capability stresses the importance of the facilitating factors for organisational learning or the organisational propensity to learn (Chiva, Alegre & Lapiedra 2007).

The studies listed in chapter 2 that deal with the concept of organisational learning capabilities generally identified the capabilities as dimensions (see Chiva et al. 2007), as mechanisms (see Styhre et al. 2004) or as orientations (see DiBella et al. 1996). What was apparent from the various studies on organisational learning capabilities was their description in singular terms, that is, as dimensions or mechanisms or orientations. In this study, it was deemed to be more appropriate and informative to express the capabilities in more expansive terms, that is, as orientations that were differentiated by various mechanisms.

This arose during the search for themes in the data. The term ‘orientation’ was used to identify some broad differences between and within various cases. These orientations reflect a general approach or style in relation to the utilisation of the capabilities. However, in order to define these orientations more specifically, the term ‘mechanisms’ was used to indicate how the orientations differed and what was the actual nature of the facilitating factors for organisational learning for the three managerial processes of strategic management, performance management and organisational renewal.

The combinations of mechanisms within orientations that emerged from this study in order to describe in some depth the utilisation of organisational learning capabilities has added another perspective on defining such capabilities and hence has made a further contribution to the literature; that is, an organisational learning capability can be defined as a general orientation differentiated by the utilisation of various mechanisms or facilitating factors relevant to the managerial process under study (strategic management, performance management and organisational renewal).

Another point needs to be made at the outset about the case studies. There was no intention to present the findings for the first three research questions in a comparative study format looking at the impact of contextual differences between the cases on the learning orientations. This was not appropriate. The cases were selected on the basis of a wide range of contextual variations for the purpose of exploring such variations and seeking their approaches to utilising organisational learning capabilities in relation to their approaches to the three managerial processes.

### **5.2.1 Research Issue 1**

The first research issue sought to answer the question:

*How do organisations utilise their organisational learning capability in relation to their approach to strategic management?*

The first research issue deals with the concept of organisational learning capabilities and how they are utilised with respect to strategic management practices in organisations. The literature on organisational learning capabilities in relation to strategy has been discussed in section 2.4.1. The basis for this question was to identify various ways that organisations utilised or applied different organisational learning capabilities in their approach to strategic management. Strategic management is defined in terms of Johnson, Scholes and Whittington's (2008) perspective on strategic management; that is, a process of positioning, making strategic choices and actioning those choices. As pointed out in section 2.4.1, the strategic management process is fundamentally an organisational learning process of discovery, choice and action.

From an analysis of the data, three learning orientations emerged depicting the way the different case organisations tended to deal with strategy development and implementation through various organisational learning capabilities. The three learning orientations are entrepreneurial, path-dependent and builder. Table 5-2 highlights how each of the orientations can be differentiated in terms of the mechanisms of organisational learning capabilities.

**Table 5-2** Orientations towards strategic management

<b>Key mechanisms of organisational learning capabilities</b>	<b>Entrepreneurial</b>	<b>Path-dependent</b>	<b>Builder</b>
<b>Environmental matching</b>	Developing new strengths and matching existing core strengths to address opportunities and threats  Path differentiation	Reliance on historical strengths for dealing with opportunities and threats  Path enforcement	Addressing opportunities and threats by focusing on overcoming weaknesses  Path creation
<b>Time perspective</b>	Long-term future	Mid-term future	Short-term future
<b>Responsiveness</b>	Proactive	Reactive	Reactive and proactive
<b>Strategy development</b>	Emergent	Intended	Emergent
<b>Network of key stakeholders</b>	Opportunists	Value chain participants	Key resource providers

Source: Analysis of interview data

The conclusions to this research issue will be discussed below in terms of the two major aspects contained within the findings relating to this research issue. First, the three orientations towards the utilisation of organisational learning capabilities that were identified in the case studies associated with the strategic management processes will be discussed. Second, the five specific mechanisms of organisational learning capabilities that emerged from the case studies and provided the basis for differentiating the orientations will be discussed. What is unusual in terms of the literature is that, in this study, the findings represent organisational learning capabilities as a set of mechanisms, the application of which influences a number of different orientations. In other words, the concept of organisational learning capability is seen as both an orientation and a mechanism where the orientation is determined by the application of a set of mechanisms that facilitate or enhance the ability of an organisation to learn. While the organisational learning capability is certainly evident in each identified mechanism, the significance of the identification of the overarching orientation is to highlight the pattern or strategy implicit in the application of the various mechanisms.

#### *The three orientations*

Three significant orientations were identified. It should be noted that had a greater range of case studies been included and explored it is possible that a number of other orientations might have surfaced.

As implied in the discussion in the previous section, this research could not locate any study that looked at the way organisations utilised their organisational learning capabilities in terms of the practice of strategic management. Hence, the three orientations present an interesting and unique set of insights into the processes of strategic management in relation to organisational learning activities.

The majority of the cases emerged as having a *path-dependent orientation*. Path dependence and its far-reaching consequences have recently gained prominence and constitute an issue of high relevance in the strategic management and organisational decision-making literature. It is generally used to illuminate

organisational rigidities, stickiness, or inflexibility and the predominant usage is more metaphorical than theoretical in nature. (Sydow, Schreyögg & Koch 2009).

Prost et al. (2002) discuss path dependencies, wherein the response of organisations to new stimuli is influenced by the organisation's prior experience. In some cases, this is a deliberate policy, in others not. As Sydow et al. (2009) point out:

A detailed conception of organizational path dependence has much to offer when we are aiming to solve the puzzle of how organizations become locked in and adhere contra-intuitively to historical solutions. To this end, we have defined organizational path dependence as a process that (1) is triggered by a critical event leading to a critical juncture; (2) is governed by a regime of positive, self-reinforcing feedback constituting a specific pattern of social practices, which gains more and more predominance against alternatives; and (3) leads, at least potentially, into an organizational lock-in, understood as a corridor of limited scope of action that is strategically inefficient. (Sydow, Schreyögg & Koch 2009, p. 704).

An important part within the above quote is the concept of organisational lock-in, which is a pertinent feature of those cases that demonstrated a path-dependent orientation. Karim and Mitchell (2000) also clarify the nature of path-dependency by differentiating it from path-breaking change. They view firms that retain resources that are similar to the firms' existing resources as pursuing path-dependent change. Firms accumulate resources as a result of path-dependent actions of learning, investments and other organisational activities the firms take over time. In the context of their study of acquisitions in the U.S. medical industry, the authors proposed that acquirers are most likely to pursue path-dependent change and retain targets' resources that overlap with their existing resources. However, they also proposed that path-breaking change may occur in cases where expansion incentives and competitive pressures outweigh path-dependence. Path-breaking change occurs when acquirers retain targets' resources that are distinct from their own.

Organisational learning, by its very nature, is tied to the history of the firm and its already-accumulated knowledge, and therefore tends to be difficult to imitate and path-dependent (Barney 1991). This is particularly true when complex routines are

in place (Kogut & Zander 1993). This proved to be the case in the majority of the cases studied, particularly in the manufacturing cases E, F and G.

Looking at their historical development, the manufacturing cases could be described in terms of long periods of incremental change with few or no periods of discontinuous change (as for example discussed in Meyer et al. 1990; and Kuwada 1998). For the most part the learning mechanisms or facilitating factor of organisational learning could be described in terms of the table above. Their organisational learning capability was one of organisational lock-in—they were tied to the processes and products they had developed over time and felt comfortable with. This is satisfactory when things are going well but as Sydow et al. (2009) suggest, such a corridor of limited scope of action can be strategically inefficient. This path-dependent limitation in the manufacturing cases was reinforced by the processes of organisational learning around their strategic planning processes which were virtually operational planning and budgeting systems—and limited any real focus on the strategic issues and double-loop learning.

The utilisation of organisational learning capabilities under this orientation were more aligned with single-loop than double-loop learning (Argyris & Schön 1978) and, hence, as a general observation, would restrict or limit an organisation's ability to engage in an effective strategic management process of discovery, choice and action by virtue of its ability to engage in path-breaking change, test assumptions and challenge their current status quo whether they are in a crisis situation or not. While this orientation was prominent in manufacturing, it was also apparent in other cases such as case H, the university. The fact that a majority of the cases demonstrated a path-dependent orientation with respect to strategic management tends to suggest that this 'more of the same' approach is the predominant one for organisations, with senior management not wishing to take risks with a significant change in direction such as might result from a double-loop learning process. Further research on a larger sample of cases could be very valuable here. If a path-dependent orientation is as prevalent as this study would indicate, it has significant implications for an understanding of strategic development and growth of organisations.



Another important point to note here is the nexus between operational and strategic management. In the path-dependent orientation there appeared to be a blurring of the boundaries between these two processes and, in some cases, it is suspected that the three-year planning cycle was perceived to be strategic but in reality it tended to be more operational. This aspect may be one of the reasons why path-dependent firms get into a lock-in situation and have difficulty with managing strategically with a capability for both single-loop and double-loop learning.

One case emerged as significantly different from the majority of cases. It was classified as having an entrepreneurial orientation. An entrepreneurial approach in strategic management has been identified in other studies from a different perspective. The concept of entrepreneurial strategy is elusive, and defining it has been difficult (Meyer & Heppard 2000). Ireland, Covin and Kuratko, (2009) define entrepreneurial strategy in corporate terms as ‘a vision-directed, organization-wide reliance on entrepreneurial behaviour that purposefully and continuously rejuvenates the organization and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity’ (p. 21). Some researchers use the term entrepreneurial strategy to refer to a specific strategy (e.g. Mintzberg & Waters 1985).

Miles and Snow (1978) presented a classification of organisations based on their strategic types. The four types were Prospectors, Analyzers, Reactors and Defenders. Their typology became popular in strategic management texts. However, the typology was developed in an era when firms tended to perform all business activities themselves. While the Miles and Snow classification does not specifically identify an entrepreneurial strategy, there is no doubt that Prospectors have an entrepreneurial tendency. They have the capabilities to be first to market with new technologies and products. These firms have a strategic approach of exploiting and taking risks and the buyers for finding new opportunities. They generally have flexible work arrangements to allow innovation and responsiveness to customer demands.

There have also been a number of studies dealing with the concept of entrepreneurial learning (e.g. Sullivan 2000; McCarthy 2000) but these tended to be related to the learning capabilities of entrepreneurs rather than organisational learning in general.

As opposed to the cases identified as having a path-dependent orientation, the entrepreneurial-oriented case A demonstrated a portfolio of paths available in order to take advantage of strategic opportunities that might arise. Indeed the company's management proactively sought such opportunities and has a long-term approach to diversification.

The various organisational learning mechanisms or facilitating factors emphasise why this orientation has been an important finding. No similar orientation was found in the literature. The orientation demonstrates the most strategic of the three orientations. This was somewhat due to the various factors apparent in the case. First, the case represented more than any of the other cases the strategic management of diverse business units and, hence, that the leadership was not trapped in specific domains of business activity. Second, the managing director, as portrayed by the respondent, was very entrepreneurial in style. But his style was not about building a business for short-term gains—it was about building an empire for his family to inherit and expand, hence emphasising the very strategic nature of his actions.

However, there needs to be some caution in relation to this orientation that would suggest the need for further study. First, one case provided the basis for the identification of this orientation. It is a large conglomerate with a portfolio of businesses and, hence, represents the area of corporate rather than business level strategy. At a corporate level, it could be expected that organisational learning would be concerned with more strategic issues because of the portfolio management focus. The question this poses is what are the real differences in the application of organisational learning capabilities between business units and corporate headquarters. Second, the leadership style was autocratic and this would suggest, intuitively at least, limitations to organisational learning. So it raises the

question of the impact of different leadership styles on the application of organisational learning capabilities.

The *builder orientation* is the third orientation identified and it, like the entrepreneurial one, was identified in one particular case that did not fit the normal path-dependent orientation.

What made this case stand out was the detail provided by the respondent on the establishment of the organisation—a special school set up by volunteers to address the issue of street kids who had dropped out of high school with few prospects of education and employment for the future. The detail provided around its 10-year evolution into a success story pointed to the stages of evolution in an organisation's development and the learning that may be associated with particular stages of that development. A closer look at the first stage of development, the set-up, pointed to some differences with the mainstream organisations that were somewhat path-dependent in the application of learning capabilities.

The builder is only strategic in the sense that it is driven by a vision of the founders, but the strategic management processes are in their infancy and the leadership is focused on surviving the traumas of the short-term associated with developing an operation with a critical mass of support and cashflow. Hence, operational management is more the concern than strategic management. The utilisation of organisational learning capabilities is very much focused around the acquisition of resources and the development of the fundamentals of an organisation.

As pointed out by Yusuf (1997), many patterns of organisational life-cycles have been proposed from three, four, five, seven, nine to the ten stage models with each stage having its own peculiar problems. One of the more simplified models is identified by Churchill and Lewis (1983), whose five-stage model consists of:

1. existence;
2. survival;
3. success;
4. take-off; and
5. resource mature.

In the builder orientation the learning capabilities operate within the context of existence. The orientation based on the early stages of the organisational life cycle has a different set of priorities compared to a more mature and path-dependent organisation or the entrepreneurial organisation operating in an evolutionary stage past the initial existence and survival stages.

This third orientation, 'the Builder', emerged as being the approach used by an organisation in the 'start-up' stage of its development. It is a short-term focused approach, concentrating on weaknesses within the organisation that might jeopardise its success. This orientation is therefore seen as a transient one, which may at a later stage of the development of the organisation evolve into a path-dependent or entrepreneurial orientation.

In summary, the three orientations each show very distinct features that clearly differentiate them from each other. The majority of cases showed a path-dependent orientation, where the organisations generally adopted a single-loop learning approach resulting in long periods of incremental change based on operational planning and budgetary systems. Two cases, however, demonstrated different orientations. The case identified as having an entrepreneurial orientation demonstrated a portfolio of paths in order to take advantage of strategic opportunities. One case demonstrated a builder orientation, wherein the focus was on the short-term issues of ensuring the survival of the organisation in the early stages of its existence.

On the basis of the thirteen cases studied, it appears that the senior management in most organisations concentrate on the possibly lower risk approach of only making minor modifications in terms of their strategic management practice. Further research to validate this strong leaning towards one of the three orientations identified would be worthwhile.

### *The five organisational learning mechanisms*

From the analysis of the data, five key mechanisms of organisational learning capabilities emerged as significant for differentiating the three orientations apparent across the case organisations. These mechanisms also offer some interesting insights into the utilisation of organisational learning capabilities as the differentiating feature of the orientations discussed above. The significance of orientations and mechanisms to organisational learning capabilities has been outlined at the outset in section 5.2.1. They are described below.

**Environmental matching:** this reflects the learning capability of an organisation in relating the strengths and weaknesses of its internal environment to the opportunities and threats perceived in the external environment. The capability is in the matching process and how well managers are able to do this and embed their learning into organisational knowledge. Morgan (2004, p. 82) points out that ‘Learning capabilities have become central to assessing the extent to which organisations are positioned to take advantage of future opportunities’. Hence, in a general sense, Morgan appreciates the importance of learning capabilities in matching the organisation’s strengths (and associated weaknesses) to the environment as described in terms of opportunities (and associated threats). The matching of internal and external environments requires a specific set of learning capabilities.

A number of studies in the marketing literature investigate the relationship between market orientation and organisational learning (e.g. Jiménez-Jiménez, Sanz Valle & Hernandez-Espallardo 2008; Weerawardena 2003). Market orientation is the firm’s cultural disposition to obtain information from the market and its different stakeholders such as customers, competitors and distributors to disseminate it through the company’s departments, and to react to the market demands and hence adapt to market requirements (Kohli & Jaworski 1990). Market-focused learning activity as an organisational learning capability for advancing research in strategic marketing has been stressed in the literature (Day 1994).

Jiménez-Jiménez et al.'s (2008) study found that although market orientation and organisational learning foster innovation, the effect of the latter is comparatively higher. Moreover, the impact of market orientation and organisational learning on performance is completely mediated by innovation. Weerawardena's (2003) study generally supports the proposition that market-focused learning capability enables entrepreneurial firms to successfully pursue innovation-based competitive strategy.

These studies from the Marketing discipline do indicate the significance of the relationship between market-based intelligence and organisational learning. However, in this study, the identification of environmental matching as an organisational learning mechanism that facilitates learning associated with strategic management activity adds additional insights into this relationship.

Environmental matching facilitates learning when organisations and their management engage in decision-making around strategy; that is, matching strengths and weaknesses with opportunities and threats. Additionally, an orientation indicates different ways that this mechanism is utilised: as a path creator, a path differentiator and a path enforcer. This adds new insights for the literature and provides insights for practice.

**Time perspective:** this learning capability comes from a perspective on the future in terms of strategic decision-making. The capability stems from either a long-term perspective or a short- to medium-term perspective on strategic decision-making. The influence of time on organisational learning is not a new topic in the literature. Neely et al. (1999) observed that a problem with most performance management systems is that they tend to be driven by short-term goals and local optimisation.

Greve (2002) made the point that 'Organizations may vary in the extent to which they encourage a focus on the past when setting aspiration levels for the performance, and such variation can cause differences in competitive behaviour and organizational outcomes' (p. 2). In terms of organisational learning, Weber and Berthoin Antal (2001, p. 355) made a very pertinent observation that 'organizational learning processes would take place more rapidly in future oriented organizations than in organizations that are oriented to the past...?'

From this study, the time perspective is seen as another organisational learning mechanism that can facilitate organisational learning outcomes with variations dependent on whether the decision-makers have mindsets that are focused on the future or the past. While Weber and Berthoin Antal (2001) reinforce this point in the literature, the implication for practice is that mindsets and time perspectives are important to effective strategic management; but the appropriate emphasis on time will depend on the organisational context and the stage of development it may find itself in. In general, focus on short-term will lead to more tactical decision-making, compared with strategic decisions emanating from a long-term focus.

The builder and path-dependent orientations very much indicate that managers restrict their learning outcomes to short- and medium-term horizons, whereas the managers involved in an entrepreneurial orientation are only restricted by their ability to search for and explore strategic opportunities. It would seem that many managers are caught in the mindset of just surviving the current issues at hand and, hence, learning revolves around issue management rather than real strategic management. The implication for strategic management is how to develop an organisation's leadership capability to achieve a competent balance between the different time perspectives in order to enrich the prospects for the short and long-term futures.

**Responsiveness:** this capability relates to the tendency of an organisation to be proactive or reactive in dealing with information. Garrick (1999, p. 39) refers to two levels of responsiveness to supercomplexity. 'The first is...reactive responsiveness... Responses are...*ad hoc* and ill-thought through. ...The second level of responsiveness is more anticipatory in character [and could be called] either 'strategic' or 'proactive' in character'.

This reactive/proactive responsiveness mechanism has direct implications for organisational learning capabilities. An organisation adopting a proactive approach will be actively seeking information that will aid in its strategic management process, whereas a reactive approach will lead to an organisation only responding to information that it currently has available. This differentiation is directly

applicable to the practice of strategy development. A more proactive approach will tend to be associated with a more entrepreneurial focus. This could be used as an indicator of the strategic nature of organisations.

The organisational learning capability embedded in the responsiveness mechanism is an important facet of strategic management. A reactive approach will tend to generate learning outcomes around the issues at the centre of the reaction and hence learning will be constrained by the boundaries imposed by the issues at hand. A proactive approach on the other hand will provide the opportunity to explore endless possibilities and promote more possibilities for double-loop learning to occur. Looking for opportunities requires a stretch of the imagination that in turn should lead to testing of assumptions and new perspectives—essential ingredients for constructive organisational learning.

**Strategy development:** this capability relates to the tendency of an organisation to develop and promote its strategies in an emergent way or in a more deliberate way. This distinction between deliberate and emergent strategies was introduced by Mintzberg and Waters (1985) when they described them as two ends of a continuum on which strategies lie.

Antonacopoulou et al. (2005), when discussing organisational renewal, also distinguished between changes to the strategic capability of organisations in response to environmental changes and demands varying between emergent and planned. The use of the term ‘organisational renewal’ in preference to ‘organisational development’ was suggested as being a broader, more dynamic term by Lippitt (1982).

In a similar manner to the contribution to practice mentioned with respect to responsiveness above, the identification of where an organisation lies on the spectrum of deliberate and emergent strategies can provide a useful insight into the nature of strategic development within the organisation. Path-dependent oriented organisations were found to have an intended approach, whereas organisations falling into the other two orientations identified showed a more emergent approach.



As with the other mechanisms described above, there are important implications for organisational learning capabilities. Organisations with an intended approach will focus on gathering information and improving their learning outcomes only to the extent that it is necessary for the pursuit of that intent and hence, as in the case of path-dependency, run the risk of a lock-in. Whereas organisations explicitly or implicitly seeking emergent strategies will extend their information gathering efforts more widely. They are more likely not to be constrained by their original intent and follow strategic cues as they arise. Learning outcomes have the potential to provide richer insights for strategic managers if they are able to harness the potential in such emergence.

**Network of key stakeholders:** this capability is embedded in the different key networks that generate critical strategic information for the organisation.

Shaw (1997) is one of a number of authors who pointed out that the level and sophistication of networking activity affects the quality of experiential learning of the entrepreneur. Using qualitative research methods, Shaw (1997) illustrated the importance of interaction and learning from the exchange process in close-knit networks of small firms in the printing industry. Deakins and Freel (1998) assert that the following factors are critical to entrepreneurial activity and for the entrepreneur's skills set: to network in their sector at an early stage; to assimilate experience and opportunity; to reflect on past strategy; to recognise mistakes; to access resources; and to bring in external members as part of the 'entrepreneurial team'. At least in the literature on entrepreneurship, the significance of networking is deemed to be significant.

The learning outcomes obtained will depend on the networks seen as key for the organisation. Depending on the orientation of the organisation towards strategy development, their approach to this mechanism of utilisation of organisational learning capabilities will vary. They may find it sufficient to build a network of their key suppliers or they may extend this to the full value chain of their products and services. They may spread the network even wider in order to take advantage of unforeseen opportunities that may arise.

### 5.2.2 Research Issue 2

The second research issue sought to answer the question:

*How do organisations utilise their organisational learning capability in relation to their approach to performance management?*

This issue deals with the concept of organisational learning capabilities and how they are associated with performance management practices in organisations. The literature on organisational learning capabilities in relation to performance has been discussed in section 2.4.2. The basis for this question was to identify various ways that organisations utilise or apply different organisational learning capabilities to their approach to performance management. Performance management is defined in terms of the range of activities that an organisation is involved in to enhance the performance of people—individually and in groups (De Nisi 2000).

From an analysis of the data, three learning orientations emerged depicting the way the different case organisations tended to deal with performance management through various organisational learning capabilities. The three learning orientations are technical, cultural and interpersonal. Table 5-3 highlights how each of the orientations can be differentiated in terms of learning mechanisms.

**Table 5-3** Orientations towards performance management

<b>Key mechanisms of organisational learning capabilities</b>	<b>Technical</b>	<b>Cultural</b>	<b>Interpersonal</b>
<b>Detecting errors</b>	Systems, policies and procedures	Cultural processes of compliance and exemplifying	Styles of interpersonal influence
<b>Performance measures</b>	Objective and clear written criteria	Behavioural norms	Subjective, ambiguous and personal criteria
<b>Feedback mechanisms</b>	Formal	Formal and Informal	Informal
<b>Time perspective</b>	Designated	Circumstantial	Circumstantial

Source: developed for this study

The conclusions to this research issue will be discussed below in terms of the two major aspects contained within the question. First, the three orientations identified in the case studies in terms of the organisational learning capabilities associated with the performance management approaches within the cases will be discussed. Second, the four specific mechanisms of organisational learning capabilities that emerged from the case studies and which enabled differentiation of the orientations will be discussed.

*The three orientations*

As mentioned earlier, there was no intention to present the findings for the first three research questions in a comparative study format. This was not appropriate. The cases were selected on the basis of a wide range of contextual variations for the purpose of seeking their approaches to utilising organisational learning capabilities in relation to their approaches to performance management.

Three significant orientations were identified. As also mentioned earlier, it should be noted that had a greater range of case studies been included and explored, it is possible that a number of other orientations might have surfaced.

This research could not locate any study that specifically looked at the way that organisations utilised their organisational learning capabilities in terms of performance management. The three orientations present an interesting and unique set of insights into the processes of performance management. However, Shrivastava (1983) developed a typology of organisational learning systems that were:

1. one man institution;
2. mythological learning systems;
3. information seeking culture;
4. participative learning systems;
5. formal management systems; and
6. bureaucratic learning systems.

It is interesting to note that points 5 and 6 are closely related to the technical orientation while 2 and 3 could be associated with cultural orientation. No. 1 is the more interesting because Shrivastava (1983) also recognised the presence and significance of the person-centric system that, in this study, emerged as the interpersonal orientation. Point no. 4 could not be aligned with any of the three orientations, although it could be implied that the cultural orientation by its very nature must involve participation of some description.

In summary, Shrivastava's (1983) typology—which emerged from his study of 32 organisations—identified a comprehensive set of organisational learning systems that have a degree of alignment with the three orientations found in this study. The uniqueness of this study is that the three orientations relate specifically to the practice of performance management. It raises an issue of whether the three orientations in fact operate concurrently in all organisations. This was not able to be verified in this study due to the lack of in-depth probing across all cases as each orientation started to emerge in the data for some cases. Further research would need to be conducted in the future to resolve this issue.

However, in an implied way, the work of Noel Tichy (1983) might suggest that these orientations work concurrently within organisations. He developed what he

called the TPC model of an organisation (Tichy 1983) where the organisation is a mega-system consisting of three interrelated systems: the technical system, the political system, and the cultural system. Tichy developed the model in order to conceptualise his approach to strategic change management, which was central to his consulting work. He believes that the need for change occurs when one or more of these three systems fall out of alignment and he highlights the interdependence of the three systems and the need to ensure congruence among them. His research shows that most failures of strategic organisational change occur because management only focuses on the one system they want to change and fail to take into account the incongruence of the other two systems.

In terms of his three strands that require congruence (that is, working together interdependently), the technical and cultural have some association with two of the orientations. Tichy's (1983) political strand, it might be argued, could be aligned in broad terms with the interpersonal orientation and the one-man institution of Shrivastava (1983). Hence, from different studies, there are some grounds to suggest that the three orientations may have a presence in all organisations with respect to performance management.

Many of the cases could be associated with a *technical orientation*. They had well-established systems, rules, routines and procedures, which assisted management in dealing with issues of performance. This finding comes as no surprise because much of the management literature deals with the influence that technical systems have on performance in a normative and prescriptive way. Moreover, Shrivastava's (1983) categories of formal management and bureaucratic learning systems support what many practising managers would intuitively believe.

While one case was used to demonstrate a *cultural orientation* with respect to performance management, other cases indicated various critical incidences that, with further probing, could have also demonstrated this orientation. The cultural orientation showed a focus on self-regulation through cultural norms. Unlike the technical orientation, there probably has not been enough attention given to the way culture as an organisational learning system can provide managers with advice on using cultural norms for improving performance as opposed to writing more

bureaucratic policies and procedures. The issue is one of 'living' the performance norms rather than complying with policy expectations.

This is recognised in the textbook by Johnson, Whittington and Scholes (2011, p. 445):

Organisations typically have distinctive cultures which express basic assumptions and beliefs held by organisation members and define taken-for-granted ways of doing things...Despite their taken-for-granted, semi-conscious nature, organisational cultures can seem a tempting means of managerial control...Such cultural systems aim to standardise norms of behaviour within an organisation in line with particular objectives. Cultural systems exercise an indirect form of control, because of not requiring direct supervision: it becomes a matter of willing conformity or self-control by employees.

The final orientation was an *interpersonal orientation* wherein the differentiation of focus is the influence of styles of interpersonal behaviour. This orientation is characterised by more informal, subjective and ambiguous approaches than the other two orientations. In terms of Shrivastava's (1983) 'one man institution' the influential manager acts as a filter and controls the level of information to and from every other manager. By virtue of his knowledge, experience and position in the organisation, he is considered by organisational members to be the source for all critical information. His perceptions, biases and limitations become organisational perceptions and limitations through a process of passive acceptance by other organisational members (Argyris and Schön 1978).

There are significant implications for organisations using subjective approaches to performance measurement. The unstructured, informal and subjective approach utilised in these cases, whilst sometimes very effective, invites the possibility of unsatisfactory performance possibly not being noted and corrected quickly. However, for those organisations demonstrating such an approach, the mechanism of performance measures ensures that the relevant learning outcomes required for their subjective views are achieved. In their view, systematic measures are not required; simply those that align with their personal view of what matters. This view could be

seen as arrogant and/or naïve. There is a need to investigate further the impact that significant leaders have on the learning outcomes of their organisation.

*The four organisational learning mechanisms*

From the analysis of the data, four key mechanisms of organisational learning capabilities emerged as significant for differentiating the three orientations that were apparent across the case organisations. They are described below:

**Detecting errors:** this reflects variations in the mechanism of the learning capability of an organisation to identify errors of performance and to make the necessary changes to avoid future under-performance. As Argyris (1992, p. xiii) points out, ‘...the better organizations are at learning the more likely it is they will be able to detect and correct errors, and to see when they are unable to detect and correct errors’.

This mechanism of detecting errors has an impact on the organisational learning capabilities of the organisation. Depending on the orientation of the organisation at the time, the focus on systems and procedures for the gathering of information will vary. When exhibiting a technical orientation, case organisations tended to have in place sophisticated systems for detecting errors, as opposed to the cultural processes or interpersonal influence found with respect to the other two orientations. This leads to more structured organisational learning capabilities.

An emphasis on systematic control of errors has implications for organisations. On the one hand, it ensures a consistency in error detection, however the systems will only detect errors that are foreseen when the system was designed. Other errors that could be detected by a more subjective approach and personal criteria of the leadership may well pass unnoticed.

**Performance measures:** this learning capability reflects the use of different criteria for evaluating performance. The learning outcomes varied according to which performance measures were dominating particular instances of managing performance. Sinkula et al. (1997) point out that, to maintain core competencies,

learning must not be at a rate that is slower than the rate of environmental change, even if in absolute terms the company is strong. They continue:

For example, over time, a semiconductor manufacturer may have an impressive array of new generation product introductions and a steep experience curve, but if other producers introduce new lines at a faster rate and a lower cost, then the absolute marketing dynamism of the company is a misleading measure of the firm's long term ability to learn. Thus, in the long run, the success of the learning activities should be addressed by performance measures (Prahalad & Hamel 1990; Stata 1992).

The implications for organisational learning capabilities are significant. When exhibiting a technical orientation, measurement will be based on clear and objective criteria and these criteria will determine the learning approach of the organisation. This objectivity is not evident when organisations are demonstrating either a cultural or an interpersonal orientation. Under these orientations, learning is based respectively on behavioural norms and on subjective personal criteria. Such lack of objectivity implies that there is less clarity as to whether performance is satisfactory and members of the senior management team need to ensure that the basis for determining performance success is clearly disseminated throughout the organisation.

**Feedback mechanisms:** different organisations have different approaches to feedback mechanisms for stimulating organisational learning around performance management. There has been some research carried out on feedback mechanisms associated with organisational learning. For example, Caemmerer and Wilson (2010) found that organisational learning in relation to service improvement is influenced by the interplay between the way data are gathered through customer feedback mechanisms and implemented at a branch or business unit level. The implementation depends on attitudes of middle management towards such mechanisms.

When demonstrating a technical orientation, the organisations studied tended to have more formal feedback mechanisms. This is consistent with their reliance on systems and procedures and with their use of objective criteria. However, when the orientation was observed to be interpersonal, the feedback mechanisms tended to be of a more informal nature. A cultural orientation exhibited a combination of both formal and informal feedback. The implication for organisational learning capabilities is similar to that of performance measurement. When formal feedback



mechanisms are in place, the learning process is clear to those concerned, whereas when reliance is on informal feedback, it is more important for management to monitor and guide the feedback process.

**Time perspective:** the timeframes for reviewing performance vary from regular planned reviews to on demand and/or event driven ones.

De Waal (2001) defined *performance reviews* as a process that ‘...periodically reviews actual performance, targets, and forecasts to ensure timely preventive and corrective action taken to keep the company on track’ (p. 9).

Martinez and Kennerley (2006) proposed that performance management reviews (PMRs) are used to ensure timely preventive and corrective actions. They highlight the dynamism that PMRs inject into overall strategic performance management. Overall, the field of performance management helped to develop the concept of PMR at various organisational levels, from the highest—including executive/strategic level—to the operational and individual level. In their paper, they use the term *performance management reviews* (PMR) to describe the process by which performance is evaluated in the organisation.

In keeping with their reliance on systems, objective criteria and formal feedback when showing a technical orientation organisations tended to designate specific timing for performance management reviews, whether in the form of regularly timed management meetings, computer system output or whatever. Cultural and interpersonal orientations, on the other hand, do not tend to require designated time scheduling and reviews; and reports and feedback in the cases demonstrating these two orientations were found to be largely ad hoc when responding to events and circumstances.

Depending on which of the orientations an organisation is demonstrating, there are different implications for management. Designated timing for reviews has the advantage of ensuring that reviews are undertaken regularly, but it introduces the risk of delays in response to incidents or changes that a less structured review schedule might avoid.

### 5.2.3 Research Issue 3

The third research issue sought to answer the question:

*How do organisations utilise their organisational learning capability in relation to their approach to organisational renewal?*

This issue deals with the concept of organisational learning capabilities and how they are associated with organisational renewal practices in organisations. The literature on organisational learning capabilities in relation to organisational renewal has been discussed in section 2.4.3. The basis for this question was to identify various ways organisations utilise or apply different organisational learning capabilities to their approach in bringing about strategic change and innovation in the organisation. Organisational renewal is defined in terms of any activity within an organisation, either planned or emergent, that can be associated with changing the strategic capability of the organisation in response to environmental changes and demands.

From an analysis of the data, two learning orientations emerged depicting the way that the different case organisations tended to deal with organisational renewal through various organisational learning capabilities. The two learning orientations are planned change and emergent innovation. Table 5-4 highlights how each of the orientations can be differentiated in terms of organisational learning capabilities.

**Table 5-4** Orientations towards organisational renewal

<b>Key mechanisms of organisational learning capabilities</b>	<b>Planned change</b>	<b>Emergent innovation</b>
<b>Focus</b>	Process	Content
<b>Mode</b>	Structural	Experimental
<b>Influence</b>	Authority	Expert
<b>Culture</b>	Mechanistic	Organic

Source: developed for this study

The conclusions of this research issue will be discussed below in terms of the two major aspects contained within the question: namely, (1) the two orientations identified in the case studies in terms of bundles of organisational learning capabilities associated with organisational renewal approaches within the cases; and (2) the four specific mechanisms of organisational learning capabilities identified in terms of differentiating the two orientations.

### *The two orientations*

Once again it is not appropriate to present the findings of the research questions in a comparative study format. The cases were selected on the basis of a wide range of contextual variations for the purpose of seeking their approaches to utilising organisational learning capabilities in relation to their approaches to organisational renewal.

Two significant orientations were identified which were strongly correlated with a distinction made in previous research. Organisational renewal has been identified previously as being either planned or emergent (see section 2.4.3) and this distinction emerged amongst the cases studied in this research.

The two orientations present an interesting and unique set of insights into the processes of organisational renewal. The two orientations are not unique in the general change management literature as various authors look at the use of project teams in managing major change management projects (French & Bell 1999), while other authors looked at the change agents and CEOs taking a strong interventionist role in bringing about change in their organisations (Fullan 2001), and the literature on innovation identifies various types of emergent approaches (Olsen & Eoyang 2001).

A number of the cases emerged as having a *planned change* orientation with respect to organisational renewal. This related to significant change initiatives that were planned in a top-down manner and directed by change managers appointed by the senior management. In these cases processes—whether already in place or

specifically introduced—were used to acquire the information required to make the appropriate changes for organisational renewal.

Associated with the change projects, the organisations showing this orientation made structural changes that provided a central lever for guiding the desired goal of the planned change project. Information on the changes was provided through formal announcements or training. Acceptance of the changes was a result of the hierarchical structures in the organisation and the authority of its leadership, and the developments were brought about in a very mechanistic way.

Other cases demonstrated an *emergent innovation* orientation with respect to organisational renewal. They were more focused on the content of ideas rather than the introduction of processes for developing innovation. This content could emanate from various sources either within or exterior to the organisation. The innovation tended to be unstructured and largely the result of an experimental approach to development.

Due to this focus on content rather than process, acceptance of change was largely dependent on recognition of the expertise of the person or persons who had proposed the innovations. This is significantly different from relying on the authority resulting from the hierarchical structure that was evident in those cases with a planned change orientation.

In terms of organisational learning capabilities, a planned top-down approach to change will put boundaries around the potential learning outcomes because of the attributes and capabilities of the people “at the top” who are leading the change effort. As Pettigrew (1987) suggests, the top-down consensus-oriented views of change tend to assume that organisational renewal programs are sequenced to produce rationally declared and defensible ends. It is these and other aspects of the rational and defensible plan and its underlying political agendas that can limit whatever capabilities for learning that an organisation has.

Emergent efforts at organisational renewal on the other hand offer greater potential for achieving learning outcomes that can stimulate ongoing organisational improvement, large and small. One insight from the findings is that any planned organisational renewal project needs to recognise and take account of how learning outcomes can be exploited at various stages in the project. In other words, planned change needs to have an action research methodology and debriefing sessions on a regular basis.

#### *The four organisational learning mechanisms*

From the analysis of the data, four key mechanisms of organisational learning capabilities emerged as significant for differentiating with respect to organisational renewal of the two orientations apparent across the case organisations. They are described below:

**Focus:** this reflects the different emphases placed on development. Some organisations emphasise the processes of change, whilst others focus on the content of the change. Process driven change focuses on such aspects as the step-wise processes of quality improvement, business process re-engineering or organisational development. When content driven, organisations are more concerned with operational or strategic issues or innovative ideas. The process of change emerges as a result of this focus on issues and ideas.

The learning outcomes for the organisations reflect this focus on process or content. Although it is unlikely to be a focus purely on one or the other, whether the emphasis is more on a problem-solving focus of process or content will determine the learning outcomes.

The leadership of an organisation demonstrating a 'planned change' orientation and a focus on process will be more concerned with whether the changes that are being implemented are being correctly carried out than whether the change desired is actually being achieved. Organisations demonstrating an 'emergent innovation' orientation, due to their focusing more on the content, will not have this issue, but on the other hand they may be less effective in the actual implementation.

**Mode:** this learning capability reflects the different abilities related to the way the development is conducted, differentiating between a structural approach and an experimental approach. Under a structural approach, the learning capability is dependent on the way employees adapt to re-configured roles and processes that have been put in place to achieve the desired planned change. On the other hand, under an experimental approach, an action learning perspective that is more experiential is adopted. The learning capabilities of the employees when placed in new situations due to structural changes or when they are coping with the issues at hand influence the learning outcomes.

The differentiation between a structural approach and an experimental one has implications for the organisation. Under a structural mode, the emphasis will be on ensuring staff compliance with the changes as proposed by the senior management. Whilst helping ensure the planned outcome, this mode of implementation of change severely reduces the likelihood of improvements to the planned change being identified. An experimental mode allows such learning.

**Influence:** this mechanism of organisational learning relates to the basis on which change is accepted, whether by the imposition of hierarchical authority or respect for the expertise of the instigators of the change. This has a significant effect on the learning outcomes, as the employees will respond differently to the two situations.

If hierarchical authority is used to impose change, the learning outcomes will be mainly related to gaining a clear understanding of what changes are required. If the employees accept changes due to their respect for the expertise of the leaders, the learning outcomes will be more concerned with confirmation of that expertise.

The main implication of this differentiation is that CEOs adopting a 'planned change' approach need to realise that the commitment to the idea may be lacking. If staff have faith in the expertise of the instigator of change, they are more likely to be committed to its success. On the other hand, change that is introduced based on

expertise may lack the forcefulness of change imposed by authority and thus may be prone to a failure in implementation.

**Culture:** this relates to the way in which development is actually carried out. In some cases this is very mechanistic, whilst in others it is more flexible and organic. Alwis (2004, p. 2) comments that ‘the linkages between organizational culture, learning, and innovation have scarcely been examined together in the literature’.

Sanz Valle et al. (2011, p. 8) state that ‘the type of culture of the [Competing Values Framework] which is expected to foster innovation most is adhocracy culture, since it emphasizes both external orientation and flexibility. Furthermore, this type of culture is what enhances the more key values for innovation such as creativity and risk-taking. Hierarchy culture, in contrast, will inhibit innovation since it emphasizes values that hinder innovation: internal focus and control and stability’.

Similarly to the other mechanisms of organisational capabilities applicable to organisational renewal, a mechanistic approach is more likely to ensure successful implementation of the change in the way originally planned by the senior management. It does however reduce the opportunity for the plan to evolve during its implementation as improvements are identified during the implementation process.

#### 5.2.4 Research Issue 4

The fourth Research Issue sought to answer the question:

*How does the political style of the senior leaders in organisations impact the utilisation of organisational learning capabilities in general?*

Whilst politics has not been a dominant discourse in the organisational learning literature, Easterby-Smith and Araujo (2004) point out that the notion of organisational learning as a political process has nonetheless been discussed by many authors. They add that authors from the technical perspective on organisational learning have viewed political behaviour as something to be overcome or stamped out if effective learning is to occur. They also distinguish authors promoting the social perspective of organisational learning, pointing out that these authors take a different view. For them, the goal of eliminating organisational politics is seen as naive and idealistic because politics are a natural feature of any organisation if it is viewed as a social system.

In chapter 2, politics was identified as a significant issue in relation to organisational learning capabilities and research issue 4 emerged from that recognition. The political style of senior leaders can be viewed as having an impact on organisational learning capability with both positive and negative outcomes. A number of important points were highlighted. Firstly, there is a strong interplay between political processes and organisational learning processes. This viewpoint is supported by Coopey and Burgoyne (2002). Beer et al. (2005) in their paper on strategic management as organisational learning, identify unhealthy politics and inhibitors to organisational learning as two significant areas that contribute to ineffective strategy implementation. What they fail to elaborate on is the interplay between these two areas, particularly in relation to the political style of senior leaders. Politics can influence organisational learning and organisational learning can influence political behaviour—a mutual dynamic. The examples in chapter 4 illustrate this point which is significant as models on strategy implementation suggested by Beer et al. (2005) and others need to take into account this influential



and mutual relationship between these two variables rather than taking them as unrelated variables.

Four themes wherein the political style of senior leaders affected the organisation's learning capabilities emerged during the study. Each of these is addressed in turn.

#### **5.2.4.1 Guanxi**

It was observed in three cases with strong Asian connections that Guanxi played an important role. This is the advantage that is gained from being part of a close network of very powerful people who support each other without hesitation in times of need. As with case A, Guanxi is a powerful force in conducting business in China as Rupert Murdoch of News Corp (Dover 2008) and KFC (Liu 2008) found out during their entry there.

Clark (2001, p. 382) argues that it is important 'to identify the social groupings of individuals within which learning occurs, and the institutional forms that stabilize and transmit the resulting lessons.' As Pahl-Wostl and Hare (2004, p. 193) put it, 'Management is not a search for the optimal solution to one problem but an ongoing learning and negotiation process where a high priority is given to questions of communication, perspective sharing, and the development of adaptive group strategies for problem solving.' From the findings in chapter 4, it is clear how significant it is for senior leaders to use their political style to generate powerful 'friends and colleagues' outside their organisations, as these social groupings can work in a positive manner to the mutual benefit of members.

Guanxi has an important implication for organisational learning. The powerful Guanxi networks provide access to information and knowledge that would otherwise not be available, thus giving the organisation a clear competitive advantage. The implications for practice revolve around the abilities of senior leaders to develop such networks and relationships as a capability of future action. There also needs to be a word of warning as there is a fine line between what are considered ethical and unethical practices when it comes to exploiting relationships

in business. From a theory perspective, there needs to be more investigation around the issue of Guanxi as an organisational learning capability.

#### **5.2.4.2 Power and trust**

The importance of trust within the organisation was identified as an issue by several respondents. If a senior manager is seen as abusing his power (as was seen in case F in section 4.3.4), this is likely to drastically reduce the loyalty and motivation of the rest of the staff. Lack of trust and consequent lack of loyalty can lead to underperformance by staff and to increased staff turnover.

A learning organisation needs to retain the information it has gained; otherwise lessons learned will be quickly forgotten. In this modern technological world, where information is less and less likely to be found in filing cabinets but, rather, in emails, instant messages, blogs or tweets, the loss of information when employees leave is an increasing problem for organisations. New procedures, policies and disciplines are required in order to ensure retention of information essential to the company's strategic development.

Carley (1992) introduced the concept of 'learning deterioration risks' through employee turnover. Matlay (2000) noted that smaller firms (such as was the case with case C) with simpler, flatter structures are more at risk from staff turnover. As Carley (1992, p. 93) observed, 'organizational learning depends, at least in part, on the memories of individuals and their ability to learn' and thus that personnel turnover may be particularly crippling.

Not all research supports the view that employee turnover always has a negative effect on organisational learning. In fact, Egan et al. (2004) put forward the view that the effect is in the other direction. They suggest that a poor organisational learning culture leads to increased staff turnover.

Ton and Huckman (2008, p. 57) point out, however, that 'several studies provide support for the benefits of turnover in settings requiring exploration or innovation' as the introduction of new workers may bring new knowledge and ideas into the

organisation. They found greater negative effects from staff turnover in organisations where there were less process-oriented activities, as information loss in such situations was more likely.

Neither of the cases cited as identifying staff turnover as an issue fall into the innovative category; both rely on tried and trusted procedures and technology, whereas other cases did not identify staff turnover as an issue. In fact, the respondent in case D actually identified the influx of new staff as a *positive* factor in the company's strategic growth and sustainability.

It would appear both from the cases studied and from the literature that lack of trust is likely to be an issue in organisations. There are implications for both theory and practice with respect to this issue of power and trust. From a practical point of view, leaders need to be aware of the level of trust in their employees and should work to build this trust. Relying on power without also building trust may lead to increased staff turnover and consequent loss of expertise and knowledge. In addition, further theoretical study on the relationship between employee trust and organisational sustainability would be useful.

#### **5.2.4.3 The politics of feedback**

The political style of a senior executive can influence the way feedback is handled and consequently can affect the organisation's ability to learn from its mistakes. This issue, raised by several respondents, unlike the issue of bureaucracy, is not really an *inhibiting factor* in using the organisation's learning capabilities. It can more accurately be described as a *lack* of learning capability. For an organisation to fail to learn from its mistakes, the implication is that either there is a lack of satisfactory feedback following failure or the feedback is being ignored. In either case, this should not happen in a successful learning organisation.

Garvin et al. (2008, p.110) discuss the necessity for a supportive learning environment, where employees do not 'fear being belittled or marginalized when they...own up to mistakes'. They go on to say: 'Learning is not simply about correcting mistakes...It is also about crafting novel approaches' (2008, p. 110). This

is a view also expressed by Edmondson (2004), who says that leadership is critical in overcoming the barriers to open reporting and sharing of concerns.

Cannon and Edmondson (2005) also address the issue of the negative associations of failure and believe that management needs to shift its mindset towards a more positive attitude to the learning benefits of mistakes. Garcia-Morales et al. (2006) go further and put forward the view that learning from mistakes produces greater performance benefits than that resulting from positive experiences.

Several of the cases studied identified failure to learn from mistakes as being important. The respondent from Case I acknowledged the need to change in the light of lessons learnt from mistakes, but did not believe the company did this well. The respondent from Case C, although believing that the company did learn from its mistakes, felt that the speed of reaction could be improved.

The cases studies appear to demonstrate that although most managers agree with the accepted view of researchers that organisations can benefit from learning from their mistakes, the organisations do not always find it easy to achieve this in practice. The implication for practice is that managers should investigate any underperformance or errors made across the organisation and identify whether adequate feedback mechanisms are in place and, if so, whether they are being used effectively.

#### **5.2.4.4 Individual power against the bureaucracy**

Although considered by the respondents to be less of an issue than organisational politics, the inhibiting effect of bureaucratic procedures within the organisation was mentioned in several cases. The emphasis on adherence to procedures, by its very nature, normally runs contrary to the implementation of change.

Van den Eede et al. (2004) discuss the trade-off between the improved reliability of a bureaucratic approach and the reduced flexibility that goes with it. Damanpor's (1996) research, however, indicated that this negative correlation is not always valid.

McGill and Slocum (1992) discussed the problems that adaptive learning organisations have when attempting to change age-old bureaucratic practices. In the case of Sears Roebuck, they observed that bureaucracy inhibited even small changes. Rogers et al. (2000) similarly noted that ‘bureaucracies respond too slowly to survive’. They commented on the need for reflection in a learning organisation to be critical, saying that this was ‘the antithesis of what happens in a typical bureaucracy’.

It is interesting to note that in case D the restraining effect of bureaucratic procedures was recognised by management who fought against it in order to implement their strategic plans, rather than using their power and influence to reduce the bureaucratic procedures themselves. This contrasts with case L, where management could find no way around the bureaucratic restrictions of their stock exchange listing and eventually delisted the company.

In summary, the cases generally support the view that bureaucracy is an impediment to organisational learning; however, awareness of the problem can enable the problem to be minimised. In terms of the implications for practice, managers need to be aware of the potential disruptive effect of bureaucratic restrictions and take steps to reduce it. Further case studies to determine how common this problem is would contribute to a better understanding of the issue.

### **5.3 Conclusions about the research question**

The overall research question was set as:

*How do organisations utilise their organisational learning capabilities for sustainability purposes?*

A number of conclusions have been reached concerning the Research Question. A classification of different approaches to the use of an organisation’s learning capability has been made, with a number of different orientations identified for each of the areas studied (strategic management, performance management and organisational renewal).

For each of these three areas (each being investigated as a separate research issue), a number of key mechanisms were identified relating to the utilisation of organisational learning capabilities with respect to the particular research issue. Analysis of the cases led to two or three different orientations emerging, each of which was typified by a different approach to these key mechanisms. Resulting from this analysis, matrices have been created showing the way a number of key learning capabilities are commonly found in each of the different orientations identified.

In terms of answering the first research issue '*How do organisations utilise their organisational learning capability in relation to their approach to strategic management?*' the findings presented the concept of organisational learning capability at two levels—a set of mechanisms within an orientation. This is different from how the concept is presented in the literature to date.

In particular this research issue identified three orientations with respect to strategic management, however, the majority of the cases demonstrated a 'path-dependent' orientation. Only two of the cases were seen to show different orientations, these being 'entrepreneurial' and 'builder'.

For the second research issue '*How do organisations utilise their organisational learning capability in relation to their approach to performance management?*' three orientations also emerged from the study. Again organisational learning was considered at the levels of mechanisms within an orientation. The organisations studied demonstrated at various points in their history, 'technical', 'cultural' and/or 'interpersonal' orientations.

Only two orientations were identified in the third research issue '*How do organisations utilise their organisational learning capability in relation to their approach to performance management?*' These were a highly structured 'planned change' orientation and a more experimental approach of 'emergent innovation'.

For the final research issue, '*How does the political style of the senior leaders in organisations impact the utilisation of organisational learning capabilities in*

*general?*' several points arose here. The four most prevalent issues raised were Guanxi, power and trust, the politics of feedback, and individual power against the bureaucracy.

The analysis of the cases studied in this research provides a significant contribution to both the theory and the practice of organisational learning. For each of the first three research issues, distinct orientations with respect to how the case organisations utilised their organisational learning capabilities emerged and a classification was developed that can be used as a basis for further research as well as providing a useful analytic tool for senior management. The fourth research issue raised some points that should be borne in mind when considering the utilisation of organisational learning capabilities. These implications for theory and practice are discussed in more detail below.

#### **5.4 Implications for theory**

The analysis carried out in this research provides a useful theoretical framework of organisational orientations mapped against key learning capabilities. This will enable an understanding of the application of learning capabilities in different organisations as well as providing a basis for further studies. The concept of the adaptive learning organisation was discussed at length in Chapter 2. The first three research issues present the processes of strategic management, performance management and organisational renewal as organisational learning processes of discovery choice and action. This adds depth to the existing literature.

In section 1.3.2 it was noted that it was not clear whether and, if so, how organisations utilise their organisational learning capabilities to adapt and sustain the organisation. There has been a proliferation of recent research work concerning organisational learning with respect to strategic management. However, the literature search did not identify any research on how organisations utilise their organisational learning capabilities in terms of sustainability. This research, therefore, contributes valuable insights into the processes of sustainability and provides a matrix structure for further analysis in this field. The identification of an entrepreneurial orientation

with respect to strategic management is considered an important finding, as no similar concept was identified in the literature.

A number of specific implications for theory were identified during the research. The overall approach of considering a number of key mechanisms within each of the orientations that were identified adds a new perspective on defining organisational learning capabilities. In this study the concept of organisational learning capability is viewed as an orientation that is determined by a set of mechanisms that facilitate or enhance organisational learning ability.

In the first research issue, one of the organisational learning mechanisms investigated was environmental matching. It is believed that this mechanism adds additional insights to the relationship between market-based intelligence and organisational learning.

With respect to the second research issue, the three orientations identified provide a unique insight into the way organisations utilise their organisational learning capabilities with respect to performance management. The research did not identify any other study that looked at this relationship, although Shrivastava (1983) did develop a typology of organisational learning that closely matches the classification emerging in this research.

The investigation of the utilisation of organisational learning capabilities for organisational renewal supports the view in some of the existing literature (see section 2.4.3) that the renewal process can be either planned or emergent. This confirmation is considered useful.

The consideration of how the influential and mutual interaction between the political style of the leaders and organisational learning (research issue 4) indicates that researchers should take this into account more, rather than taking them as unrelated variables.



## **5.5 Implications for practice**

There are many practical benefits to be derived from this research. The framework that has been constructed provides a base for analysing and understanding how different firms use their organisational learning capabilities.

In addition, it provides a useful classification of the different approaches to ensuring sustainability. This can aid managers in assessing their own style of leadership and make them aware of alternative approaches they might consider. It can also enable them to compare their style with that used in other similar organisations.

The primary benefit, which has been identified in all four research issues in section 5.2, is that organisational leaders need to be aware not only of the benefits of a particular orientation, but also of the deficiencies associated with it. For example, it has been seen above that, in many cases, there is a trade off between ensuring implementation of senior management ideas and providing an organisation where input of ideas from all level of staff is encouraged.

Furthermore it provides anyone analysing a business with a framework that can help classify the management approach of an organisation. Whether firms are, for example, proactive or reactive with respect to responsiveness concerning strategic management or whether organisational renewal is influenced by authority or expertise can help determine the orientation of the organisation.

Argyris and Schön (1978) pointed out that only if procedures change as a result of knowledge can knowledge be truly learned. The understanding of how organisations are utilising their organisational learning capabilities will enable senior management better to understand how their organisation approaches organisational learning and therefore to put in place procedures designed to maximise the effectiveness of their learning capability and its application to the sustainability of the enterprise.

Several specific points for management practice emerged during the research. In the first research issue it emerged that the vast majority of the cases studied demonstrated

a path-dependent orientation. If the leadership of such organisations wish the organisation to be more entrepreneurial in their strategic development, they need to adapt their organisation learning to focus more on the long-term, and to be more proactive and opportunistic in their approach.

By deliberately seeking emergent strategies, they have the potential for insights that previously may have not come to light. As an aid to this identification of new strategic options, the study indicates that broadening the network of key stakeholders to include opportunists outside the normal value chain would be useful.

One aspect that emerged from the fourth research issue was the importance in some markets of Guanxi. There is a significant implication for practice in the ability of senior leaders to develop such networks and relationships.

Two other issues arose in research issue 4 that have important implications for practice. The first was the importance of the leadership building trust in order to maintain loyalty and reduce turnover. Secondly it was identified that managers should see the recurrence of the same mistakes as an indication either that the feedback processes in place are inadequate or that they are being ignored.

## **5.6 Limitations of the study**

There are a number of significant limitations to the scope of this study. These are primarily related to the utilisation of a case study methodology.

As pointed out by Yin (1994), the limited sample size of a case study approach is a limitation on its effectiveness. In this study, only thirteen organisations have been used, so it is possible that a larger sample may have given rise to additional orientations emerging from the analysis. The geographic diversity of the cases to a certain extent counteracts the effect of the limited number of cases. In addition, as pointed out by Perry (1998), the richness of information gained from in-depth interviews helps to offset the effect of a small sample size. The fact that only one or two respondents were interviewed with respect to each case is also a limitation, in that it somewhat diminishes the depth of the interview process.

This is an exploratory study, so although the cases cover a number of geographic regions (Australia, South East Asia and Europe), no attempt at comparing regions has been made. The intention of drawing on cases from different regions was to obtain a variety of responses due to the diversity of the cases selected, however it has not been possible to make any deductions concerning geographic variations. A significantly larger sample would be required in order to undertake any comparative analysis. Indeed, it is possible that some of the variations identified are due to local regional factors, rather than to inherent differences in management thinking and adaptation.

The interview process used a semi-structured approach, with interviewees not only responding to specific pre-set questions, but also providing free unstructured comments on the various factors investigated. The study was restricted to the relationship between organisational learning capabilities and sustainability. Research was aimed at determining how organisations develop their organisational learning capabilities with respect to strategic development, performance and organisational renewal in order to ensure the sustainability of the organisation. Other factors that might affect sustainability were not investigated.

In most of the cases, data was only obtained from one respondent. It is possible that interviewing other members of the management team would have led to different conclusions. However, the senior positions held by the interviewees (mainly CEOs) should mean that one can assume that their responses are an accurate portrayal of the organisations.

Lastly, the fact that the study has been carried out by an individual researcher introduces the possibility of a lack of objectivity on the part of the researcher. Efforts have been made at all stages to ensure objectivity, however, it is possible that the researcher's own views may have biased the results of the study.

## **5.7 Directions for future research**

This study creates a number of opportunities for further research.

Expansion of this research by the study of further cases would be useful in verifying the validity of the conclusions reached in this research. Increasing the number of cases would make it possible to determine whether additional orientations emerged or whether the orientations identified in this study are sufficient to cover all organisations. It would also give a clearer idea of the prevalence of different orientations. For example, it would be useful to determine whether organisations are as heavily biased towards a path-dependent orientation as the results of research issue 1 indicate.

A second area for possible future research is to investigate further the impact that strong leaders have on the learning outcomes of their organisations and whether their personal views override any systematic measures that may be available. This might identify a correlation between the strength of the belief of the leaders in their own capability to make correct decisions and their view of the need for structured performance management measurement systems.

In addition, regional studies with the specific aim of identifying variations due to local cultural factors could be a fruitful area for further research. This might lead to the conclusion that particular orientations are more prevalent in one region than in another. For example, the study identified Guanxi as an important factor in organisations with an Asian connection. Further study of Guanxi as an organisational learning capability and determining whether a similar concept exists in other regions outside China and South East Asia could be valuable.

It would also be useful to study variations in orientation due to the size and complexity of organisations. This would require a larger sample of cases. The thirteen cases studied in this research varied from very small (less than 10 employees) to very large (over 35,000 employees) and from single product companies to a diversified conglomerate.

If further research confirms the classification of organisations identified in this study as a sufficient classification, then the matrix could be used as the basis for a study of individual firms, whereby the organisation being studied could be classified according to the matrix. The resultant classification could then be tested against the views of a number of the senior executives in the organisation in order to determine if it reflects their own views of the organisation's approach to its development of organisational learning capabilities.

## **5.8 Summary and conclusions**

This chapter has summarised the results of the research study and the four specific research issues. The chapter went on to summarise the implications for theory and practice and to list the limitations of the study. A number of areas for future research were identified.

Four specific research issues were proposed following an extensive literature review. The first three research issues looked at how organisations utilise their organisational learning capabilities for sustainability purposes with respect to three areas—strategic management, performance management and organisational renewal. The fourth research issue considered how the political style of the senior leaders in organisations impacts the utilisation of organisational learning capabilities.

As a result of this analysis, matrices were constructed showing, for each of the first three research issues, the different orientations that emerged. These orientations were mapped against a number of key mechanisms for utilisation of organisational learning capability that were significant in differentiating the orientations.

It has been demonstrated that even with the limited number of cases investigated in this research, there are marked differences in the way organisations utilise their organisational learning capabilities for sustainability purposes. In each of the three areas investigated (strategic management, performance management and organisational renewal), a number of very different orientations emerged which,

when mapped against specific mechanisms of organisational learning capability, serve to describe the way the organisations are managed to ensure sustainability.

A number of areas for future research have been identified that will enable the findings of this study to be expanded to contribute to both the theory and the practice of organisational learning.

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Some notes for the interviewer:

- Consent must be gained from the interviewee before the interview is conducted
- The interviewer must assure the interviewee that the text of the interview will remain confidential.

The following interview protocol is established as a set of broad-based questions to stimulate the discussion around a set of topics that will start to focus on the various research issues. The interview protocol cannot be overly prescriptive because the follow-up questions will depend on how the responses evolve.

## **1. Profile Information**

### 1.1. Profile of the organisation

- 1.1.1. Name?
- 1.1.2. Size (number of employees)?
- 1.1.3. Age of the organisation?
- 1.1.4. What is the ownership structure?
- 1.1.5. What are the main area(s) of geographical coverage?
- 1.1.6. Describe the range of product(s) and/or service(s).

### 1.2. Profile of the interviewee

- 1.2.1. Name?
- 1.2.2. Position in the organisation?

## **2. General**

(These questions are intended to build an informative background to the case organisation based on the knowledge of the interviewee)

### 2.1. History of the organisation

- 2.1.1. Description of the basic history.

- 2.1.2. What have been the key events in the organisation's history? Give examples.
- 2.1.3. How has the organisation reacted to these events?
- 2.1.4. What have been some of the key decisions that have impacted the evolution of the organisation?
- 2.1.5. What are currently the key issues?
- 2.1.6. Has the organisation been successful to date? Explain.
- 2.1.7. Do you think that the organisation has been effective at learning from its actions over time? Explain with examples.

3. **Research Issue 1:** *'How do organisations utilise their organisational learning capability in relation to their approach to strategic management?'*

(The following questions are broad and meant to develop a rich set of insights around the research question. Further questions will be determined based on the dynamics of the responses. The opening themes cover how strategic management is practised, what capabilities of organisational learning are apparent in this practice, and how they are utilised)

- 3.1. How is strategic management practised in the organisation? Give examples.  
Possible prompts:
  - Describe the process that the organisation uses to develop its strategies.
  - Is there a formal strategic plan? Explain.
  - Identify any historical changes in strategy and the reasons therefor.
  - Describe the current business model and structure
- 3.2. Is the organisation good at strategic management? Explain and provide examples to illustrate.
- 3.3. Do you think that the organisation practises strategic management in a way that promotes sound organisational learning? (At this stage of the interview, the interviewee will be asked for her/his understanding of the concept of organisational learning so that the interviewer can provide

additional explanations of the concept consistent with the definitions used in this study)

- 3.4. Explain how those involved in strategic management in the organisation are capable of learning from their actions either individually or collectively.
- 3.5. Do you think that the organisation has developed particular capabilities in organisational learning when it comes to the way strategic management is practised? Explain and give examples.

Possible prompts:

- How does the organisation compare with similar organisations in its practice of strategic management? Better/the same/worse?
- How important for the success of the organisation is good strategic planning?

4. **Research Issue 2:** *‘How do organisations utilise their organisational learning capability in relation to their approach to performance management?’*

(The following questions are broad and meant to develop a rich set of insights around the research question. Further questions will be determined based on the dynamics of the responses. The opening themes cover how performance management is practised, what capabilities of organisational learning are apparent in this practice, and how they are utilised)

- 4.1. How is performance management practised in the organisation? Give examples.

Possible prompts:

- Describe the process that the organisation uses to manage performance.
- Are there formal performance measurement systems in place? Describe them.
- What parameters are evaluated to determine successful performance?

- Give examples of any informal performance management and performance measurement techniques used within the organisation.
  - Identify any historical changes in the way performance is managed and the reasons therefor.
- 4.2. Is the organisation good at performance management? Explain and provide examples to illustrate.
- 4.3. Do you think that the organisation practises performance management in a way that promotes sound organisational learning?
- 4.4. Explain how those involved in performance management in the organisation are capable of learning from their actions either individually or collectively.
- 4.5. Do you think that the organisation has developed particular capabilities in organisational learning when it comes to the way performance management is practised? Explain and give examples.

Possible prompts:

- How does the organisation compare with similar organisations in its practice of performance management? Better/the same/worse?
- How important for the success of the organisation is good performance management?

**5. Research Issue 3: *'How do organisations utilise their organisational learning capability in relation to their approach to organisational renewal?'***

(The following questions are broad and meant to develop a rich set of insights around the research question. Further questions will be determined based on the dynamics of the responses. The opening themes cover how organisational renewal is practised, what capabilities of organisational learning are apparent in this practice, and how they are utilised)

- 5.1. How is organisational renewal practised in the organisation? Give examples.

Possible prompts:

- Describe the process that the organisation uses to manage innovation and change.
  - Are there formal structural/product/service development systems in place? Describe them.
  - Give examples of any informal techniques used within the organisation to renew the organisation and to promote innovation.
  - Identify any historical changes in the way organisational renewal and change has been achieved and the reasons therefor.
- 5.2. Is the organisation good at organisational renewal? Explain and provide examples to illustrate.
- 5.3. Do you think that the organisation practises organisational renewal in a way that promotes sound organisational learning?
- 5.4. Explain how those involved in organisational renewal in the organisation are capable of learning from their actions either individually or collectively.

Do you think that the organisation has developed particular capabilities in organisational learning when it comes to the way organisational renewal is practised? Explain and give examples.

Possible prompts:

- How does the organisation compare with similar organisations in its practice of organisational renewal? Better/the same/worse?
- 5.5. How important for the success of the organisation is good organisational renewal?

**6. Research Issue 4:** *‘How does the political style of the senior leaders in organisations impact the utilisation of organisational learning capabilities in general?’*

(The following questions are broad and meant to develop a rich set of insights around the research question. Further questions will be determined based on the dynamics of the responses.)



5.6. How does the political style of the senior management impact on the operations of the organisation? Give examples.

Possible prompts:

- What aspects of the political style of senior management are most beneficial for ensuring that the organisation is successful?
- Is the use of hierarchical power and authority important?

5.7. How effective is the political style of senior management in ensuring the capability of the organisation to learn? Give examples.

Possible prompts:

- In what ways is learning throughout the organisation improved by the senior management political style?
- Are there other influences (internal or external) that work for or against the learning capability of the organisation?