

# **A Framework of Learning Organization: From Learning Organization Context to Employee Learning Orientation**

## **Introduction**

The topic of learning in organizations has received a great deal of attention in recent years. A growing recognition of organizational learning has its roots located in what Drucker (Drucker, 1988) calls the shift to “third period of change” from command-and-control organizations to information and knowledge-based structures, from Weberian bureaucracy to post-bureaucratic forms of organization or in other words, from modern to post modern organizations. There are many, interrelated reasons behind this shift, starting from globalization and the technological revolution that accelerated the rate of changes in the workplace, to a change in individual perception of the workplace. Nowadays, employees “bring more of themselves (their ideas, their feelings) to their work” (Argyris, 1991) and expect more autonomy, responsibility, flexibility and self-development opportunities. Learning organizations are seen as a solution to those challenges.

Literature on learning organizations portrays organization as a dynamic entity which gains competitive advantage from its relative ability to learn (deGeus, 1988). Some researchers are even more radical, stating that in today’s turbulent environment only learning organizations can succeed and be competitive (Huysman, 2000; Pedler et al., 1991; Senge, 1994).

Despite its popularity, the concept of a learning organization is still in the development stage without solid theoretical and empirical foundations (Huysman, 2000) and a framework that is rather scattered and unordered and not systematic (Weick and Westley, 1996). Although much has been written recently on learning organizations (Gunter et al., 2001), recognizing factors and conditions of organizational learning (Child and Rodrigues, 2003; Starbuck and Hedberg, 2001), identifying agents of organizational learning (Sadler, 2001), analyzing

organizational learning processes (Crossan et al., 1995; Huysman, 2000), or exploring inter-organizational learning on a global context (Birkinshaw, 1997; Ozsomer and Gencturk, 2003), there is much less research on how learning organization context influences individual learning orientation.

Whereas many researchers focus on explaining what a learning organization is and how learning appears, there is a shortage of research explaining the relationship between the learning organization context, in other words – conditions for learning and employee learning orientation. Organizational learning is a process that does not happen in an individual mind, but is rather developed by social interactions. Many researchers agree that organizational learning is deeply rooted in individual minds (Argyris and Schon, 1978; March and Olsen, 1976; Nonaka, 1998; Senge, 1994) although for an organization to be learning-oriented the relational and social aspects are of equal importance (Hosking and Bouwen, 2000). Research analyzing individual learning orientation within a context of learning organizations is overwhelmed by studies where an organization instead of an individual is the unit of analysis (Huber, 1991; Cook and Yanow, 1993; Garvin, 1993). Particularly, we had difficulties with finding research examples that would look into a relationship between learning organization context and individual learning orientation. Existence of such a relationship is rather taken for granted.

The theory presented in this article draws on learning organization literature (Calvert et.al. 1994; Huysman, 2000; March, 1991; Pedler et.al. 1998; Senge, 1994). The objective of this article is to construct a theoretical framework that would explain the relationships between learning organization context and employee learning orientation. First, we suggest that employee learning orientation is the combination of the following elements: striving for innovation and change, acting within shared vision, engaging in system thinking, striving for self-development, willingness to communicate, and being open-minded and committed.

Second, we claim that to leverage employee learning orientation, organizational conditions for learning organization have to be created. We operationalized them in terms of five elements: adaptive learning practices, generative learning practices, top management emphasis on learning, direct manager's behavior and organizational systems and structure. Then, we discuss the outcomes of employee learning orientation and we suggest that organizational performance is conditional on the level of market turbulence, technology turbulence, competitive intensity and market favorability. The framework that we have developed is presented in Figure 1.

## **Literature review**

Organizational learning has been discussed for over 40 years now (Crossan, et. al., 1999), although it was not until the 1980s that we noted the radical growth of interest in this phenomenon (Easterby-Smith, et. al. 2000; Crossan and Guatto, 1996). Still however little consensus exists on what is meant by the term of learning organization (Crossan, et. al., 1999; Huber, 1991). The definition that received a great deal of attention and that constitutes a dominant approach to learning organization was one provided by Argyris and Schön, who defined a learning organization as an organization in which “members act as learning agents for the organization by detecting and correcting errors in organizational theory-in-use and embed the results of their inquiry in private images and shared maps of the organization” (Argyris and Schön, 1978, pg.29). Their approach was both an inspiration and a subject of criticism. The criticism came from three different streams of research. The first one treats organizational learning as a dynamic process based on constant knowledge renewal (Crossan et al., 1995) and the spiral of knowledge creation (Nonaka, 1998). The second approach stresses organizational rules, procedures, systems or culture as critical elements of a learning organization, stating that individuals are important in the concept, but as they operate in

certain organizational contexts, their behavior is conditional on a specific context (March and Olsen, 1976; Kieser et al., 2001). Importance of organizational context in creating a learning organization may also derive from the assumption that different people placed in the same structures produce qualitatively similar results (Senge, 1993). The third stream of research represents a relational constructionism approach which states that knowledge exists only in relation (is not a separate product or thing) and that organizational learning might be only interpreted within social interdependencies and co-dependencies (Hoskin and Bouwen, 2000; Gergen, 1985; Reason, 1994; Bouwen and Hoskin, 2000).

The theorists of organizational learning often treat individuals and organizations as separate entities, stating that learning starts and ends in individual minds or that it is located in the organizational routines, systems and structures (Cyert and March, 1963; Bouwen and Hoskin, 2000; Simon, 1991). We would like to contribute to those discussions by integrating these two approaches. First, while we believe that individuals are fundamental to the development of a learning organization, we acknowledge that the emergence of a learning organization is conditioned on shared learning that must result in organizational change (see Sambrook and Stewart, 2000). Second, a learning organization analysis must be carried within organizational conditions that influence individuals' behaviors and assumptions. Among those conditions are: learning practices, top management emphasis on learning, direct managers' behavior and organizational systems and structure.

In this article we understand learning organization as the one which facilitates the learning of all its members, where people cooperatively expand their capacities and challenge their own patterns of thinking and collective assumptions to continuously transform their organization (Gravin, 1993; Senge, 1990; Pedler et al., 1988).

## **Employee learning orientation**

Based on literature review and a series of interviews with practitioners from companies located in Poland and USA, we decided to create a framework for employee learning orientation based on seven elements. We claim that individuals that are oriented towards learning should strive for innovation and change, act within shared vision, engage in system thinking, strive for self-development, are open-minded, willing to communicate, and committed. Among many others we found the work of following authors to be particularly important while establishing this framework: (based on Leitch et. al., 1996; Bunderson and Sutcliffe, 2003; Wang and Wei, 2005).

Learning orientation requires constant search for new more effective solutions and practices. Competing in dynamically changing local and global markets has recently shifted the strategic imperative of many organizations to abilities of leveraging innovative potential of human capital. Innovation and entrepreneurship understood as encouraging employees to think independently and competitively are among the basic principles of the “excellent companies” (Peters and Waterman, 2004). Hamlet and Prahalad state that success requires “the capacity to bring about a revolution” that will start from the middle or bottom of organizations (Hamlet and Prahalad, 1994). Learning organizations are those where employees are willing to be “activists” that care for the future of their companies. Employee learning orientation will require continuous **striving for innovation and change**, which means that employees take risk on new ideas in order to find out what works; are not afraid that taking risk might have negative consequences; like to invest their time in new experiments, take the initiative to pursue action-learning projects; continuously test ideas and perceptions; are not afraid of mistakes; openly challenge their assumptions and talk about different solutions.

Another important factor of learning orientation is employees’ understanding and **acting within shared vision**. Shared vision provides the focus and energy on common learning. It is

particularly important for generative learning, as it gives a sense of direction and increase meaningfulness of individual work. Employee learning orientation will be leveraged if employees: believe that shared vision gives everybody the sense of direction; know how to apply vision in daily work; are committed to goals; understand direction of company's development; understand the market conditions and the fit between the vision and market; often clarify what is important to them and express they own visions; believe that there is an agreement on organizational vision across all levels, functions and divisions.

The next element that underlies employee learning orientation is *system thinking*. The essence of system thinking lies in seeing interrelations, understanding how our behavior and actions influence us and others. Understanding interdependencies helps people to view a broader picture of their environment and facilitates what Senge calls "shift of mind" (Senge, 1994) on both the individual and group level. Individuals cannot be isolated within their departments, they need a "big picture" of the organizational reality and they need to understand different variables influencing company's development and performance. Shift of mind also incorporates "shift in seeing people as helpless reactors to seeing them as active participants in shaping their reality" (Senge, 1990). Employees that learn system thinking will: understand interdependencies between departments and different organizational events; believe that constant collaborative learning will influence company's performance; understand how their work influences company performance; understand how knowledge developed in their unit can help, influence or be used by other units; know and understand market conditions, customers, and competitors; understand the forces that shape change and their own role in the change; believe that their attitudes and actions make a difference and cause changes.

Employee learning orientation requires also *open-mindedness* which comes from overcoming the problem of defensive behaviors. There are two aspects of defensive behavior that might

block employee learning orientation. First, people can be afraid to expose their thinking as they try to protect themselves from the embarrassment that they can experience while exposing their reasoning which others can question or in which others can find errors (Argyris, 1985). Pressure to have the “right answer” as a sign of competence can block people from exposing their thinking and from explaining the thought behind their opinions. Second, defensive behavior insulates people’s mental models from examination (Senge, 1990) which prevents them from accepting new insights that conflict with their way of thinking. Mental models are perception of the reality, assumptions and generalizations that influence how people understand the world and how they take action (Senge, 1990). To leverage individual learning orientation individuals should be aware of the phenomenon of defensiveness and understand a need for questioning their mental models. Albert Einstein said “The world we have created is a product of our ways of thinking. It cannot be changed until we change those patterns of thinking” (Senge, 1993). Open-mindedness will come from self-disclosure, constant inquiry and willingness to question individual and group assumptions. Employees are open-minded if they: are not afraid to ask questions; are willing to admit the lack of knowledge; constantly question present practices, because they believe that changes require inquiry; are not afraid to reflect critically on shared assumptions; realize that the way they perceive the marketplace must be continually questioned; often discuss weaknesses and strengths of their practices; share individual insights openly.

Another element of employee learning orientation concerns **willingness to communicate openly**. Learning is impossible without interaction and communication. Organizational learning is not a sum of what individuals learn and it does not take place only in the heads of individuals (Easterby-Smith et al., 2000). Leveraging learning orientation means encourage individuals to interaction and dialogue. Through communication employees convey meaning, exchange different points of view; confront stereotypes, perceptions and mental models.

Employees learning orientation will be higher if they: openly share information and communicate with employees from different departments; use inter-departmental meetings as the opportunity to learn; are willing to communicate with top management via meetings, chats, e-mail, etc.; actively search for information from different internal and external sources to make changes and learn; participate in informal or formal initiatives to improve present or create new practices, routines, products, etc.

Next element that has potential to increase employee learning orientation is **striving for self-development**. Constantly leveraging one's capabilities and competencies increase self confidence and self efficacy needed for open mindedness and inquiry-oriented behavior. Employees learning orientation will be higher if they: look for opportunities to develop new skills and knowledge; like challenging and difficult assignments that teach new capabilities; like to work on things that require a lot of skill and ability; see learning and developing skills as important.

Individual learning orientation requires **affective commitment**, although commitment alone is not enough to leverage learning orientation. Even when individual commitment is high, deep patterns of defensive reasoning can block learning (Argyris cited in Senge, 1993). Nevertheless, commitment is needed for an employee to be responsive to organizational activities to leverage learning orientation. Affective commitment is defined through emotional attachment to the organization, involvement and identification. People experience affective commitment if they (based on Cook and Wall instrument, Cook and Wall 1980): are proud to be able to tell people who they are working for; want to remain a member of the organization; are willing to put themselves out just to help the organization; would be reluctant to change to another employer, even if the firm were not doing too well financially or if they would have a chance to earn more somewhere else; feel to be a part of the organization; want to feel they



contribute to the organization's success; would recommend a close friend to join the company.

In the next section we discuss the conditions, that shape organizational learning and we predict the direction of the relationship between those conditions and employee learning orientation.

### **Learning organization context and employee learning orientation - Hypothesis development**

As we believe that learning organization analysis must be carried within organizational context, we operationalized the construct of learning organization through five variables: adaptive learning practices, generative learning practices, top management emphasis on learning, direct manager's behavior and organizational systems and structure. Learning organization context and conditions for learning organization are used in this article alternatively. We also predict the relationships between the learning organization context and employee learning orientation.

#### ***Adaptive learning practices***

Adaptive practices are the result of exploitative learning, which involves modifying existing knowledge and present practices. Returns from adaptive practices are considered to be characterized by certainty, speed, proximity, and clarity of feedback which ties them closely and more precisely to their consequences than more creative, generative practices (March, 1991). The benefits of adaptive practices are demonstrated in the refinement of existing knowledge and learning which result in lower transaction costs and better decision choices. We consider as adaptive practices those practices which are heavily based on past experience and we included in our analysis two types of adaptive activities: learning from own past

experience which represents learning through reflection and self-analysis and learning from the experience and best practices of others.

*Learning from own past experience* is the process of creating, disseminating and utilizing knowledge about own practices to improve efficiency. We understand “own experiences” as internal experiences of organization concerning different organizational units. Based on literature review we find five major types of such practices. Primarily, organizations systematically review own successes and failures, assess them and make the results accessible to employees. Secondly, such systematic approach is also recommended in solving emergent problems, where experience of one unit can be valuable for other units (DiBella et.al., 1996). For effective use of this experience it is crucial to understand interdependencies between units and to diagnose the essence of the problem - whether it is generic or idiosyncratic. Generic problems as opposed to idiosyncratic ones are highly probable to concern other units so inter-group exchanges will not only leverage the quality of solution, but also increase efficiency and decrease costs. Generic problems once diagnosed should be reported to headquarters or designated unit and should be discussed in inter-departmental meetings.

Thirdly, learning from own experiences might require establishing temporary or permanent teams which develop set of “lessons learned” about past problems (DiBella et.al., 1996) and prepare recommendations. The fourth practice used in learning organizations are management meetings. Designated management teams (from various functions and levels of organizational hierarchy) focus on critical problems diagnosed by top management. We believe these meetings to be an example of adaptive learning, based on exploitative orientation, as time constraints, uncertainty of new risky solution, less certainty of returns from exploration and the high pressure for efficiency would limit experimentation.

And lastly, learning from experiences might be also boosted by cooperation with educational institutions. Reviewing organization's case studies by academics, researcher or students can be the source of improvements and internal modifications.

*Learning from experience of others* involves reacting on feedback information from the environment or assimilating knowledge from other organizations (Huysman, 2000) or institutions. Reacting to feedback information occurs when organizations learn from the interaction with external entities such as customers, suppliers, business partners, etc. Organizations learn from customers and their experience with organizational products or services. Inter-organizational cooperation with suppliers or business partners also gives feedback on products and services, helps to evaluate policies and cooperation practices. Another way to gain new knowledge is benchmarking which is the practice of comparing own practices, processes, and performance against those considered the best in a specific industry (Garvin, 1993).

Based on above analysis we conclude that adaptive practices can help employees to understand the interconnectedness between departments, encourage collaborative learning and facilitate understanding of market conditions, customers' needs and competitors' dynamics. It also increases openness of communication and builds commitment to constant incremental improvements. Adaptive practices cause also less stress and resistance as they operate within established dominant logic, which also contributes to more open communication and commitment. Thus adaptive learning will influence positively system thinking, willingness to communicate and affective commitment. At the same time, adaptive learning will decrease innovation and open-mindedness, which means constant questioning present practices and past experiences and taking risk in pursuing new alternatives. Therefore, it is hypothesized that:

*H1: The greater the emphasis on adaptive learning practices (a) the greater the engagement in system thinking, (b) willingness to communicate openly and (c) affective commitment, and the lower (d) strive for innovation and change and (e) open-mindedness.*

### ***Generative learning practices***

Generative practices involve departure from existing practices and concern more proactive, risk-taking and explorative behavior. According to Calvert and his colleagues (Calvert et al., 1994), learning organizations learn faster and smarter than their competitors because they encourage risk taking and pursue innovation and experimentation. Exploration generates knowledge that is new, which questions present mental models (Wang and Wei, 2005) and is the source for emergent changes.

There are different forms of encouraging generative learning practices that might have more focused or dispersed character, although both of them should be treated as complementary rather than alternative. Organizations use *focused approach to generative learning* if they treat innovativeness as a specialized function. They create semi-autonomous cross-functional entities, with little formal structure, and with management support for creativity, experimentation and risk taking (Birkinshaw, 1997, Kuratko et al., 1990). They also use demonstration projects that involve “holistic, system wide changes, introduced at a single site” and which represent a “sharp brake from the past” (Garvin, 1993 pg. 83). There are two conditions for focused generative learning effectiveness. First, as already stated, focused learning should be complimentary to dispersed learning as new solutions and processes will get more acceptance in the work environment where experiments and innovativeness are common practices. Second, to have a considerable impact on the rest of the company, new solutions and practices should be accompanied by explicit strategies and be transferred throughout the organization.

Rather than having separate groups or units focused on creative actions, *dispersed learning* rests on the premise that individuals in organizations have the potential for creative and entrepreneurial behavior (Birkinshaw, 1997) and organizations have to encourage different generative learning practices to become common part of decision making processes and basis for ongoing dialogue. First, new knowledge is being created through team-based generative solution-seeking tools such as brainstorming, nominal group techniques, statistical methods, graphical techniques, or creative techniques such as redefining problem techniques (ex. cause and effect diagrams, Osborn's checklist) or associative play (storytelling, artistic activities, morphological analysis). Second, companies can use ongoing programs that include a set of small experiments (Garvin, 1993) or town hall meetings preceded by intensive small group meetings where employees learn different aspects of organizational and market reality (changing demographics, economies, and competitive circumstances) using learning maps, dialogue, and action plans (Rucci et al., 1998). Third, organizations create systems and processes for collecting and reviewing new ideas. They create electronic platforms for information and ideas exchange, they organize online discussions with top management and create committees for systematic and ongoing ideas evaluation. Fourth, generative learning is also stimulated by sabbaticals and internal transfers. Sending employees or managers on sabbaticals to different company's locations, often abroad, develops their knowledge about different work practices, challenges their perception and mental models and expands their views on the organization as a whole which potentially boosts their creativity and initiative. Fifth, generative learning is leveraged throughout the company if Systematic Approach (SA) is in practice, which means that employees are encouraged to work interdependently in teams to solve their work problems (Andrews and Delahaye, 2000). SA is aimed at replacing fixed procedures by a more pro-active and participatory approach and to encourage employees to take actions on problems so they can feel more involved and empowered. It supports active

and open attitude toward problems, dialogue, interaction and creativity. It also diminishes the feelings of “helplessness” and increases the sense of social support.

Based on the above analysis we state that dispersed generative learning practices positively influence all aspects of employee learning orientation. They encourage taking risk and initiative, thinking interdependently, constantly questioning practices and critically reflecting on shared assumptions and vision. They also leverage communication and interaction, and set up higher requirements and expectations on individual competencies. Thus, the hypothesis is:

*H2: The greater the emphasis on generative learning practices, the greater the (a) strive for innovation and change, (b) acting within shared vision, (c) engagement in system thinking, (d) open-mindedness, (e) willingness to communicate openly, (f) strive for self-development, (g) affective commitment.*

### ***Top management emphasis on learning***

Top management is reported to have the biggest influence on organizational culture and climate, providing shared vision that helps to focus and energize organizational learning, guiding for integrated efforts and creating communality of purpose. We operationalized the construct of top management emphasis on learning through transformational leadership concept. Following conceptualization of transformational leadership proposed by Bass (Bass, 1990) we believe that to create a learning organization, top management must score high on the following four characteristics of transformational leadership: idealized influence, inspiration, intellectual stimulation and individualized consideration. Idealized influence considers providing vision and sense of mission, emphasizing commonality of purpose, instilling pride and gaining respect and trust. Learning orientation requires shared vision that gives employees a sense of direction and appealing future, binds them together by a common aspiration, improves their role perception, inspires them and fosters their commitment to

learning. Inspiration refers to communication of high expectations, using symbols to focus efforts, expressing important purposes in simple ways, encouraging creativity and pursuing action-learning projects. Intellectual stimulation focuses on promoting systematic problem solving, constant learning, improvement and inquiry. Individual consideration considers giving personal attention, interacting with employees and being visible among employees, emphasizing importance of people as a key asset in their organization.

Transformational leadership best describes the top management emphasis on learning as it generates acceptance of vision and mission, enhances creativity, innovativeness and inquiry, stimulates self-development by setting high expectations, elevates interest to look beyond self-interests (Bass, 1990) and beyond the organizational boundaries, motivates to open communication and increases commitment. Therefore it can be expected that:

*H3: The greater the top management emphasis on learning, the greater the (a) strive for innovation and change, (b) acting within shared vision, (c) engagement in system thinking, (d) open-mindedness, (e) willingness to communicate openly, (f) strive for self-development, (g) affective commitment.*

### ***Direct manager's behavior***

The major role in stimulating individual learning comes from middle or lower level management, which has a much stronger direct impact on employees than top management. Deriving from presented definitions of learning organization, we argue that leveraging learning orientation requires direct managers to be goal-oriented, emphasize learning orientation and shared vision and use coaching leadership style. Scoring high on those elements they should encourage creativity and flexibility, which are basis for learning orientation.

The importance of the *goal orientation* for learning organization is stated by several studies, which approach goal orientation from individual (Gray and Meister, 2004; Porter and Tansky, 1996; Senge, 1993) or team learning perspectives (Bunderson and Sutcliffe, 2003). Following educational psychology literature they claim that individuals hold different dispositions towards learning based on their belief in their own or malleable. People with performance-judgment orientation believe their abilities are fixed and competence can not be improved. They are more focused on demonstrating their competences and avoiding failure, are more ego-focused, instrumental and defensive in their behavior (Bunderson and Sutcliffe, 2003), they avoid risky decisions and performance that others may judge as inadequate (Porter and Tansky, 1996). Conversely, people with goal-orientation believe that their abilities, knowledge, and competence is malleable. They are more task and solution-focused, they present mastery-oriented behavior (Bunderson and Sutcliffe, 2003), seeking challenge and continuously evaluating their behavior outcomes and searching feedback in an attempt to improve their future actions and avoid future failures. They also treat failure as a chance to learn, engage in self-instruction and report to enjoy the challenge (Brett and VandeWalle, 1999).

To leverage learning, managers must also demonstrate in their behavior an *emphasis on learning orientation* which means that they: see their primary task as facilitating members' experimentation and learning from experience instead of controlling and knowing what needs to be done or being a problem-solver; continuously emphasize importance of the idea of continuous improvement; talk with employees, reflect on their views, expose the reasoning behind those views and encourage employees to inquire into their reasoning (Senge, 1993); integrate employees insights and institutionalize them; encourage employees to inquire into the nature of complex issues, asking questions and critically analyze problems; are opened to suggestions and ask questions about how things should be done.



Importance of *shared vision* derives from its ability to provide the focus and energy for learning. People will commit to vision if they perceive it as their own (Senge, 1990), thus involving them in establishing or modifying vision will increase their commitment and create a truly shared vision. Direct managers should be active implementers of organizational vision, emphasizing its importance and help to integrate personal visions of their employees with organizational vision. They should also help their employees to understand how their work fits into an organizational vision, so they can understand what really matters and why, and define standards that evolve around that vision (Goleman, 2000).

Bouwen and Fry (Bouwen and Fry, 1991) propose that to obtain long-term organizational learning effects, a confrontational learning model is required, where manager takes a *coaching role*. Coaching managers consult employees on their strength and weaknesses, tie them to their personal and career aspirations, encourage employees to establish long term goal, and excel at delegating (Goleman, 2000). They involve employees in policy and strategy-forming process, and in decision-making process. As coaching requires constant dialogue, coaching managers create open and trustful work environment which is crucial for learning orientation. Coaching style is particularly important for leveraging learning orientation for two reasons. First, learning orientation means ongoing change and emergence of new alternatives that can be rejected by some employees. It involves confrontational character of discussions and communication, and a need to understand why things are developing in a particular way (Bouwen and Fry, 1991). Pursuing changes often requires challenging employees' mental models and creates a constant tension between exploitation of well known practices and introduction of experiments. Coaching style facilitates confrontation, eases tensions and helps everybody understand their role in changes. Second, coaching gives feedback that is crucial in a learning-oriented work environment, as it helps to correct errors much quickly. Third, coaching managers give employees challenging tasks and

assignments and are willing to accept short-term failure if it fosters long-term learning (Goleman, 2000).

Based on the above analysis we conclude that goal oriented managers, that emphasize learning orientation, articulate shared vision and manage their teams with coaching style will positively influence their employees learning orientation. Stated formally:

*H4: Direct manager's emphasis on learning and shared vision, goal orientation and coachin influence positively (a) strive for innovation and change, (b) acting within shared vision, (c) engagement in system thinking, (d) open-mindedness, (e) willingness to communicate openly, (f) strive for self-development, (g) affective commitment.*

### ***Organizational systems and structure***

We included in our framework five elements of organizational systems and structure that facilitates learning organization: autonomy, flexibility, formalization incentive systems, skill-development programs and emphasis on communication.

*Autonomy* is defined as the degree to which decision-making authority is delegated to organizational units (Ozomer and Gencturk, 2003) and to individuals. *Flexibility* as the degree to which policies and strategies are continuously restructured along organization's learning process, rules and structures so an organization can respond effectively to market changes. Autonomy and flexibility are necessary for open-mindedness (Wang and Wei, 2005). Empowerment is crucial for forming work environment that will encourage strive for constant change, experimenting and entrepreneurship (Birkinshaw, 1997). In decentralized organizations actions are taken more quickly to solve problems, more people provide input into decisions, which are taken collaboratively, and people do not feel alienated from decision makers. As the result employees understand interdependencies better, they communicate more

and are more committed to the work for which they take responsibility. Therefore we hypothesized that:

*H5: Autonomy and flexibility will have a positive influence on (a) strive for innovation and change, (b) engagement in system thinking, (c) open-mindedness, (d) willingness to communicate openly, (e) affective commitment.*

*Formalization* means the degree to which emphasis is placed on following organizational rules and procedures (Zaltman et al., 1973). Formalization can decrease the authority of top management, but at the same time limit decision-making process autonomy for specific units as their decisions are the subject to impersonal rules and policies (Ozsomera and Gencturk, 2003). Formalization discourages managers and employees from questioning procedures, limit their receptivity and flexibility to changing needs of the external environment and competitors' behaviors.

*H6: Formalization is negatively related to (a) strive for innovation and change, (b) acting within shared vision, (c) engagement in system thinking, (d) open-mindedness, (e) willingness to communicate openly, (f) strive for self-development, (g) affective commitment.*

A number of literature suggest that measurement and reward system shape employees behavior (Anderson and Chambers, 1985; Garvin, 1993; Jaworski and Kholi, 1993; Webster, 1988). Learning organizations require *incentive systems* that favor risk taking, information sharing, innovativeness, achieving corporate goals, best ideas and suggestions and best practices. They also need measurement systems based on long-term criteria, as innovativeness needs time to bring results. If employees and managers are evaluated based on short term profitability, they will rather focus on those short-term criteria and neglect focusing on change and innovation which brings much time-delayed results. Thus:

*H7: The greater the reliance on learning-based incentives the greater (a) strive for innovation and change, (b) acting within shared vision, (c) engagement in system thinking, (d) open-mindedness, (e) willingness to communicate openly, (f) strive for self-development, (g) affective commitment.*

*H8: The greater the measurement and evaluation based on short term profitability the (1) lowest strive for innovation and change.*

*Skill development* based on individual versus team learning has lately received much attention (DiBella et. al., 1996; Kasl et al., 1992; Senge, 1993). Individual learning is important to develop capabilities and competencies that are the basis for self confidence and self efficacy needed for open mindedness and inquiry-oriented behavior. Team learning is recognized presently as even more important due to today's interdependent and networked work environment (DiBella et al, 1996). Skill-development programs focused on developing learning competencies and abilities consider skills that will help employees to act proactively and evaluate experiments. They include statistical methods, graphical techniques, creativity techniques, large number of alternatives evaluation, and action learning (Garvin, 1993). In a learning organization employees should be also taught competencies and skills that will help them to communicate, reflect on and articulate personal vision, understand interdependencies and to balance advocacy and inquiry (Senge, 1993). These competencies should be developed not only on a personal level, but also practiced collectively. Based n the above we hypothesize:

*H9: Skill development programs focused on developing learning competencies and abilities influence positively (a) strive for innovation and change, (b) acting within shared vision, (c) engagement in system thinking, (d) open-mindedness, (e) willingness to communicate openly, (f) strive for self-development, (g) affective commitment.*

Learning organizations rely heavily on *communication*. We partially included communication aspects in the above learning organization conditions. Thus, we want to augment what has already been discussed. First, a learning organization requires open and non-boundary vertical and horizontal communication. Access to tools that facilitate communication across departmental borders and enable interaction with higher level management (chats, blogs, forums) will result not only in information exchange, but also will boost motivation and commitment to learning. Second, building a learning organization requires organizational support for formal (electronic platforms) and informal initiatives (ex. communities of practice) that will allow employees to exchange their expertise, ideas and experiences. It will not only increase availability for experience and knowledge exchange, but also will increase interaction which underlies learning process. The third issue concerns the ease of access to databases that store relevant information about markets and customers, decisions made in the past and problems solved (Cahill, 1995). Availability of databases will leverage both adaptive and generative learning. Access to experiences and relevant information about customers (ex. from sales sources), market, or competitors will not only help to built on past projects and knowledge, but also facilitates innovativeness that derives from seeing “a big picture” and interrelatedness of different information. Therefore, we suggest that communication systems will influence employee learning orientation.

*H10: The greater emphasis on communication, the greater (a) strive for innovation and change, (b) acting within shared vision, (c) engagement in system thinking, (d) open-mindedness, (e) willingness to communicate openly, (f) strive for self-development, (g) affective commitment.*

## **Employee learning orientation and performance**

We considered three performance dimensions that are the outcome of employee learning orientation. They are adapted from the work of Ozsomer and Gentcturk (Ozsomer and Gentcturk, 2003), Wang and Wei (Wang and Wei, 2005) and Farrell (Farrell, 2000). The first one involves effectiveness, which denotes the success of company's products or services in comparison to those of its competitors (ex. sales growth compared to those of competitors or changes in market share, customer retention). The second one concerns efficiency, which is described as the outcome in relation to the resources employed (ex. return on investment). The third one, adaptability, is understood as the success in responding to environmental changes and opportunities (ex. number of successful new product introductions compared with those of competitors, the percentage of sales accounted for by products introduced in specific period of time). We expect that employee learning orientation will influence each of the above dimensions. Learning orientation was reported to influence business performance by several studies (Farrell, 2000; Bunderson and Sutcliffe, 2003; Wang and Wei, 2005; Farrell, 1999). Therefore:

*H11: Employee learning orientation influence positively performance measures of efficiency, effectiveness and adaptability.*

The influence of learning on performance measures depends on the environmental context of the organization (Farrell 2002; Bunderson and Sutcliffe, 2003; Farrell 1999; Sinkula, 1994). We included in our framework four environmental characteristics that influence the linkage between employee learning orientation and organizational performance. Three of them were proposed by Jaworki and Kholi (Jaworski and Kholi, 1990) and include market turbulence, technology turbulence and competitive intensity. The fourth characteristic, proposed by Bunderson and Sutcliffe (Bunderson and Sutcliffe, 2003) is market favorability.

Market turbulence is understood as the rate of change in the composition of customers and their preferences (Jaworski and Kohli, 1993, p.57). Organizations that operate in a turbulent marketplace have to continuously adjust their products or services to customer changing needs and expectations. Conversely, organizations in stable markets will require much less product or service modifications. Therefore, organizations in turbulent markets will strive for more learning orientation than organizations in stable markets, which will help them to follow or effectively anticipate changing market needs. Thus, employee learning orientation will be more strongly related to performance if an organization operates in a turbulent market.

*H12: The greater the market turbulence, the stronger the relationship between employee learning orientation and business performance.*

The linkage between employee learning orientation and organizational performance can be also moderate by the rate of technological changes which we call technological turbulence (Farrell, 1999). In industries where technologies are undergoing rapid changes, organizations will have to focus on constant innovation, which lies heavily on learning orientation. High-technology innovations require much more variety of skills (Nieminen, 2004) and capabilities from employees. Thus, it is argued that industries characterized by high rate of technology change will have a greater need to focus on employee learning orientation.

*H13: The greater the technological turbulence, the stronger the relationship between employee learning orientation and business performance.*

The third factor that is supposed to moderate the relationship between employee learning orientation and organizational performance is competitive intensity. In the absence of competition, organizations may perform well without learning orientation. Conversely, under intensive competition, organizations have to be innovative to keep their customers, who otherwise will leave for competitors. Coping with high competition pressures, organizations will need employees that are be receptive to market information, are motivated to track

competitors' behavior, who are able and willing to question organizational practices that are not in line with market changes and who manifest initiative and entrepreneurship behaviors (Nonaka, 1998). In other words, organizations that operate under intensive competition will need greater employee learning orientation.

*H14: The greater the competitive intensity, the stronger the relationship between employee learning orientation and business performance.*

The fourth characteristic considers market favorability that can be assessed using industry growth measure and measure of the firm's profit growth expectations (Bunderson and Sutcliffe, 2003). Organizations in industries that are in their growth stage and that expect considerable profit growth will be more optimistic about their future, which can result in positive organizational climate and more trust and openness. Atmosphere of success might boost employees' self-confidence, increase their commitment, and leverage their willingness to follow an appealing vision of future development. Thus, we believe that market favorability will positively influence employee learning orientation.

*H15: The greater the market favorability, the stronger the relationship between employee learning orientation and business performance.*

## **IMPLICATIONS AND CONCLUSIONS**

Post-modern organizations of today rely heavily on information and knowledge and their application in the decision making process. They constantly transform themselves to adapt to major changes in the environment. This naturally brings much more attention to employees, their knowledge, abilities and motivation to constantly question their mental models and assumptions in an attempt to search for better alternatives. Learning organization facilitates the learning of all its members, encourages employees to cooperatively expand their capacities and challenge their own patterns of thinking and collective assumptions to continuously transform their organization.



The objective of this article has been to construct a theoretical framework that would explain which organizational conditions are fundamental for employee learning orientation. Our model stresses the importance of five conditions of organizational context that might leverage employee orientation. These are adaptive learning practices, generative learning practices, top management emphasis on learning, direct manager's behavior and organizational systems and structure. The true learning organization is an organization that continuously and intentionally reflect on those conditions and investigate their influence on employees' attitudes and behavior. The essence of each learning organization is their employees and their abilities and motivation to pursue learning orientation. Employees are learning-oriented if they strive for innovation and change, act within shared vision, engage in system thinking, strive for self-development, are open-minded, willing to communicate, and committed.

Organizations that want to leverage their abilities to learn should balance adaptive and generative learning practices to maximize outcomes of experimentation and exploitation. They should look for transformational top managers that will inspire employees to transcend their own self-interests for the good of the organization, energize followers to search for constant improvement and proactivity and that stimulate their employees intellectually, encouraging them to challenge their assumptions and question organizational practices. They should also constantly teach managers their critical role and responsibility in their employee learning orientation. Adding to the above, organizational systems and structure should be also adjusted so that units and individuals are granted more autonomy and flexibility, formalization is decreased, incentive system for learning orientation and skill-development programs that are focused on developing learning competencies and abilities are introduced and proper communication tools are delivered so employees are encouraged to openly communicate across vertical and horizontal boundaries.

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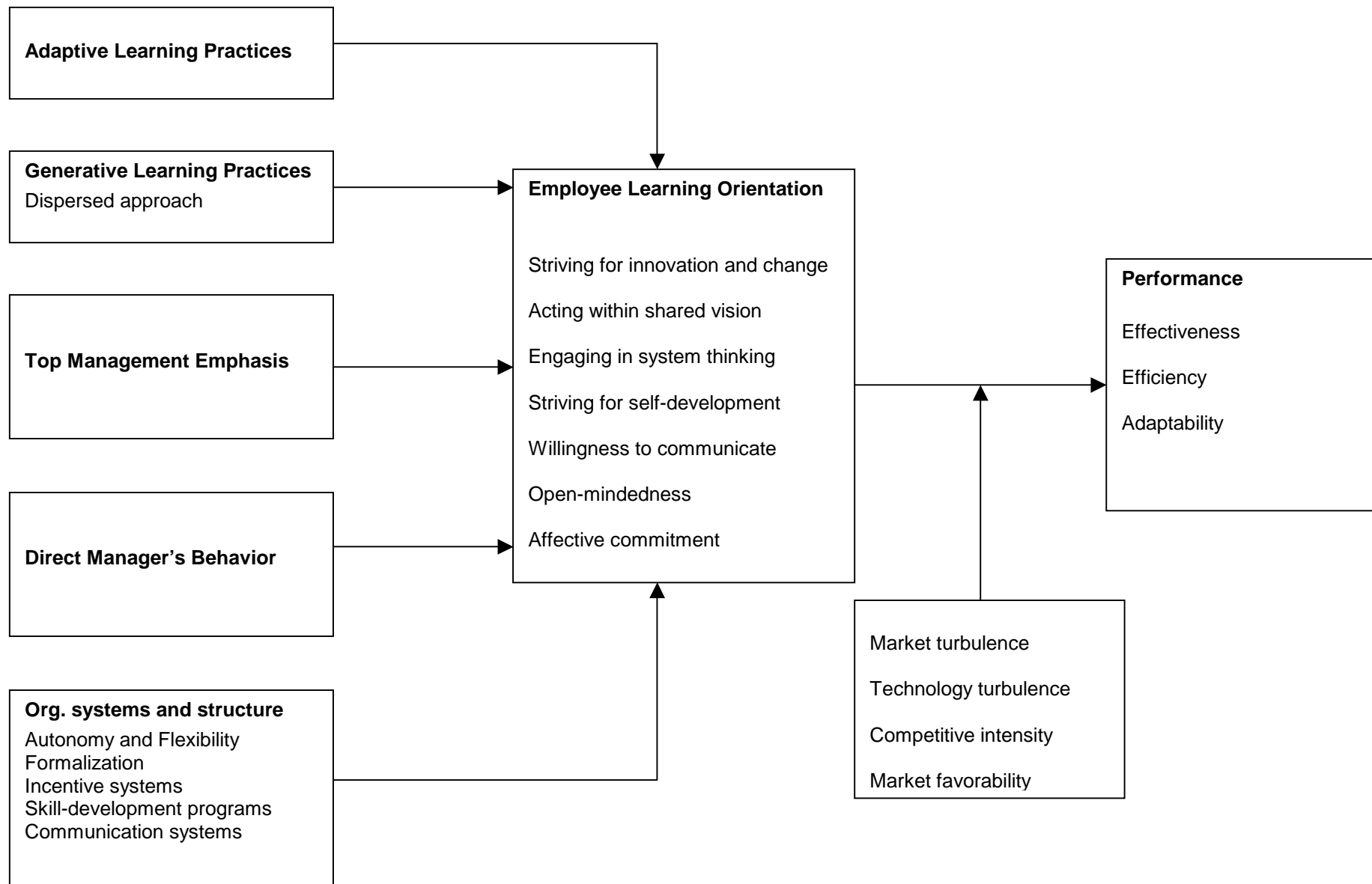
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**Figure 1. Learning Organization Conditions for Employee Learning Orientation and its consequences**