

Global organizational learning effects on cycle time performance

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Abstract

This study examines the effects of organizational learning (team-, systems-, learning-, and memory orientations) on subjective and objective cycle time performance in the purchasing process of a Fortune 500 multinational services corporation. The focus is on the activities and relationships between the domestic and international strategic business units (SBUs) on the one hand, and the corporate buying center on the other (i.e., defined as the organization's strategic purchasing units). Based on a sample of 346 worldwide SBUs, the results suggest that organizational learning in the strategic purchasing units positively influences the cycle time performance in the purchasing process. © 2001 Elsevier Science Inc. All rights reserved.

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The transformation of organizational systems to reflect “processes of learning, behavior change, and performance improvement” (Slater and Narver, 1995, pp. 63–64) is gaining worldwide momentum. It is almost impossible today to find an industry that is not in a state of dynamic change requiring organizations to focus on continuous learning activities. For example, organizations such as Federal Express, Xerox, CIGNA, General Motors, and Honda are reconfiguring organizational charts and management practices to stress organizational learning for the purpose of obtaining a competitive advantage (De Geus, 1988; Dickson, 1992).

Organizational learning as an important strategy for achieving a competitive advantage is also increasing in the academic marketing field (e.g., Baker and Sinkula, 1999; Hult, 1998; Hult and Ferrell, 1997a,b; Hult et al., 2000a,b; Hurley and Hult, 1998; Lukas et al., 1996; Sinkula, 1994; Sinkula et al., 1997; Slater and Narver, 1994, 1995). However, with the exception of recent studies by Baker and Sinkula (1999), Hult (1998), Hult et al. (2000a,b), and Sinkula et al. (1997), little effort has been devoted to empirically test the effects of such learning (cf. Sinkula, 1994; Slater

and Narver, 1995). Therefore, the present study examines the effect of organizational learning on cycle time performance in the purchasing process of a Fortune 500 multinational corporation that has made documented investments in processes and procedures for purposes of instilling organizational learning in the corporation (cf. Hult et al., 1995).

The examination in this study focuses on how learning emerges in dyadic relationships (i.e., strategic purchasing units) between a corporate buying center and the various strategic operating units it represents and, as such, constitutes a unique and fine-grained approach to the study of organizational learning (cf. Hult and Nichols, 1996). Since purchasing processes are becoming more complex in scope, numerous areas exist where optimizing activities can yield considerable synergies and resulting competitive advantage (Kale, 1986; McCabe, 1987; Venkatesh et al., 1995).

The paper is organized into six sections. First, a brief review of the literature on cycle time and organizational learning is provided. Second, we present the conceptual paradigm for examining organizational learning in purchasing. Third, a set of testable hypotheses is developed pertaining to the effects of organizational learning on cycle time performance in global purchasing. Fourth, the methodology is discussed, including information about the sample, study measures, and the analyses conducted to test the hypotheses. Fifth, the results of the hypothesis tests are presented, followed by concluding remarks.

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1. Cycle time and organizational learning

It has been said that “time is money,” and this is true for most organizations. Today, *time* is in the forefront; in fact, as a strategic weapon, time is the equivalent of money, productivity, quality, and innovation (Griffin, 1993; Stalk, 1988). “Companies have always raced to get to market first. But today, speed is a competitive weapon that requires being nimble as well as quick; used wisely, it can turn a company around” (Stuart, 1994). Thus, organizations focusing on cycle time reduction aim to reduce the time it takes to complete procurement processes in a way that reduces costs and/or increases customer service (Wetherbe, 1995).

Speed was not always a requirement in the global business environment. In fact, as long as every competitor marches to the same beat, speed is not necessary. Speed only becomes a competitive requirement when someone marches faster and they are rewarded for it (e.g., Istvan, 1992; Meyer, 1993). Federal Express is a great example of *innovative speed*. As a graduate student, Frederick W. Smith, founder of Federal Express, conceived the idea of overnight small-package delivery. Responding to Fred Smith’s research paper about overnight small package delivery, his management professor at Yale University said that “the concept is interesting and well-formed, but in order to earn better than a ‘C,’ the idea must be feasible.” At that time, no one was clamoring for such a service. Instead, most air express companies as well as Fred Smith’s management professor disregarded his idea because of the initial high price and unrealistic measures of the service. However, Smith recognized that “as long as the global rate of change continues to accelerate, the competitor who not only recognizes the change but acts on it can achieve a competitive advantage” (Meyer, 1993, p. 11).

Regardless of the nature of the industry, cycle time is a significant key to success. Almost every function of the organization, including marketing functions such as purchasing, product innovation, and customer service has responsibilities that include continuously re-occurring work processes. Given that an organization should be viewed as a system of interconnected cycles of activity, reducing cycle time is usually a challenging ordeal requiring pressure at the right pressure points. This means that fast cycle time is associated with the ongoing ability to identify the cycle time pressure points, and to satisfy and be paid for meeting customer needs faster than anyone else.

However, fast cycle time organizations face a unique problem. The greater one’s need is to reduce the cycle time of its purchasing process the more one wants to get started quickly. The faster one wants to start, the more one is attracted to focus on implementing easy-to-learn tactics and techniques of a new discipline instead of taking the time to integrate the concepts behind the techniques. In this case, change will not be long lasting, resulting in potentially two serious consequences (Meyer, 1993). First, when time is devoted to learn specific organizational tactics, not enough

time will be left to internalize the conceptual foundation required to support the tactics in the long term (e.g., Argyris, 1993; Senge, 1993). Second, the more amenable a tactic is for instant use, the more likely it is that it is not very different from something that employees are already doing, or else it cannot be adopted so fast. In an organization’s quest for improvement, it often creates the “flavor of the month,” where fast cycle time remains confined to one or two projects without challenging the organization’s fundamental operating behaviors. Thus, developing a fast cycle time climate requires a fundamental change in the organization’s operating behaviors such as advocating organizational learning in the corporation.

Organizational learning is a function of two related but different concepts, including (1) the *process* of organizational learning and (2) the *structure* of the learning organization. Slater and Narver (1995, p. 63) state that, “at its most basic level, [the process of] organizational learning is the development of new [purchasing] knowledge or insights that have the potential to influence behavior.” Garvin (1993, p. 80) states that the structure of the learning organization refers to “an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights.” Slater and Narver (1994, p. 2) argue that this type of learning “eliminates organizations that are adept at creating or acquiring new knowledge but unable to apply that knowledge to their own activities, as well as organizations whose behavior may be influenced indirectly by new knowledge.” Thus, learning organizations *learn* and then *behave* accordingly. In this regard, “organizational learning is a complex, multidimensional construct occurring at different cognitive levels . . . and encompassing multiple subprocesses” (Slater and Narver, 1994, p. 2).

Based on Sinkula (1994) and Slater and Narver (1994, 1995), organizational learning is a function of a three-step process, including: (1) information acquisition, (2) information dissemination, and (3) shared interpretation. Information acquisition refers to the “collection and assessment of both [internal purchasing] customer needs/preferences and the forces (i.e., task and macro environments) that influence the development and refinement of those needs” (Kohli et al., 1993, p. 468). Information dissemination is defined as the “process and extent of market information exchange within a given [purchasing] organization” (Kohli et al., 1993, p. 468). Daft and Weick (1984) define shared interpretation as “the process through which information is given meaning” (p. 294) with the constraint to focus on “the process of translating events and developing shared understanding and conceptual schemes” (p. 286) (cf. Huber, 1991; Nevis et al., 1995).

The three steps can be viewed as “intermediate outcomes” of an organizational learning culture, i.e., the elements of learning studied in this research (e.g., Sinkula et al., 1997; Slater and Narver, 1995). Learning organizations stress acquisition and dissemination of information and

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