Organizational learning in subsidiaries of multinational companies in Russia

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Abstract

More than ten years after the break-up of the Soviet economy, Russia, which continues to undergo long-term change, still represents a very complex business environment. Subsidiaries of multinational companies (MNCs) operating in this environment can adapt successfully only by means of organizational learning. Learning processes should materialize as the mutual exchange of knowledge between expatriates and local employees. However, learning is complicated in a cross-cultural setting. This study examines barriers to learning and discusses management tools to enhance learning, using comprehensive case study data. In-depth personal interviews were conducted with 35 expatriate managers and 36 Russian employees working at 22 different subsidiaries of MNCs in Moscow and the Moscow Region.

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1. Introduction

A growing number of multinational companies (MNCs) are entering the Russian market, particularly with the aim of exploiting the enormous market potential (Ahrend, 2000). After relatively low inflows of foreign direct investment (FDI) in recent last years compared to Central European countries, FDI into Russia is expected to increase in the future (Transition Newsletter, 2001). However, Russia represents a complex business environment, undergoing a transformation process that affects its political, economic, and sociocultural systems. Considerable progress in important areas of reform is still necessary (OECD, 2002).

There has been an increasing interest in management research related to CEE countries (Michailova & Liuhto, 2000). With regard to Russia, existing studies within international management research focus on MNC strategies (McCarthy & Puffer, 1999), cultural traits of Russian managers (e.g., Bakacsi, Sandor, András, & Viktor, 2002), expatriate adjustment (Saatari, 1998), human resource management issues (e.g., Fey & Björkman, 2001), corporate culture (Fey & Denison, 2000), organizational change (Michailova, 2001), and participation and empowerment (Michailova, 2002). Studies about cross-cultural managerial learning in CEE countries cover the importance of language skills and sensitivity to cultural issues as prerequisites for knowledge transfers (Villinger, 1996).

Husted and Michailova (2002a) examined the knowledge sharing behavior of Russian employees in companies with foreign participation. Following the distinction between knowledge transmitters and receivers (Szulanski, 1996), they identified various barriers to knowledge sharing. While the transmission of knowledge was found to be restrained by a lack of incentives for knowledge sharing, departmental
thinking and acting, and fear of admitting mistakes, receiving knowledge was found to be complicated by the reinforcement of the not-invented-here syndrome and the lack of absorptive capacity (Cohen & Levinthal, 1990). The primacy of hierarchical status and physical distance were factors influencing both knowledge transmitters and receivers. Most of these barriers are reflected in the empirical findings of this study.

The central questions to be addressed in this paper are: what are the specific features of organizational learning processes between expatriates and Russian employees in the subsidiaries of MNCs operating in Russia, and which management tools may be used to support mutual knowledge exchange? In answering these questions, our intention is to apply existing organizational learning theory to a particular cross-cultural context. The theory of organizational learning has mainly been developed from a culture-free perspective. Few attempts have been made to examine learning processes in a cross-cultural setting. Organizational learning cannot be separated from the sociocultural context within which it takes place and the distinct sociocultural context of the learning agents concerned. This paper therefore sets out to contribute a cross-cultural perspective, thereby testing the applicability of accepted theoretical ideas of organizational learning. Russia represents, we believe, a learning context which is well-suited to demonstrate potential difficulties in implementing Western ideas of learning, as capitalism was introduced to this country only recently.

2. Theoretical background

The field of organizational learning has expanded rapidly in the last few years and is characterized by fragmentation. It has also attracted the attention of a growing number of companies striving to become “learning organizations.” The reason for this is that organizational learning has gained strategic importance for companies. From a resource-based view (Barney, 1991), knowledge belongs to the intangible resources of companies (Hall, 1992) and should represent a strategic asset upon which competitive advantages can be built (von Krogh, 1998). With regard to MNCs, the ability to transfer knowledge more effectively and efficiently than the market is considered the main reason for their existence (Kogut & Zander, 1993). Within international management research, major studies focus on the acquisition of knowledge through the internationalization process as well as knowledge flows within MNCs and international joint ventures and alliances. Only a few contributions attempt to integrate existing strands of theory by choosing a distinct organizational learning perspective (e.g., Macharzina, Oesterle, & Brodel, 2001).

Organizational learning theory has received contributions from various research disciplines. To introduce the main theoretical ideas on which this paper is based, we draw on Pawlowsky’s conceptual framework (Pawlowsky, 2001), which we believe provides a comprehensive yet consistent concept. It embraces four learning dimensions. First, one may distinguish different system levels on which learning occurs: these are the individual, the group, the organizational and the inter-organizational level, with groups serving as a link between the individual and the organizational level. Individual learning is always embedded in the organizational context and thus very much represents a social phenomenon. Second, there are three learning modes, comprising a cognitive, a cultural, and an action-learning perspective, corresponding to knowing, feeling, and acting. Third, drawing on a learning typology underlying most theoretical approaches to organizational learning (Argyris & Schön, 1978), one may differentiate between the identification of deviations from given rules and their elimination by adjusting action accordingly (single-loop learning), questioning the assumptions and changing the rules behind organizational action (double-loop learning), and reflecting on learning processes themselves (deutero-learning). Fourth, learning processes consist of different phases which are not necessarily sequential; these phases are the identification of relevant information and the generation of new knowledge, the exchange and diffusion of knowledge from the individual to the collective or on the collective level, the integration of knowledge into existing knowledge systems, and the transformation of knowledge into action. Accordingly, learning may be considered a process of developing a potential to improve action (Huber, 1991).

Organizational learning may be blocked by different barriers, which can be grouped into the following
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