



# Organizational learning as a situated routine-based activity in international settings

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## ABSTRACT

A large body of research has extensively studied the mechanisms behind organizational learning processes. However, there have been few studies of the learning process that explore the influences of history, context, and social meaning in international settings. Rather, the focus within the international management field has been on knowledge transfer. This study adopts a situated routine-based view of organizational learning to highlight the influence of national institutional characteristics on the acquisition and enactment of new knowledge. It is based on in-depth case studies that systematically compare the ways in which Japanese parent company knowledge diffuses to subsidiaries in the UK automotive industry. It concludes that organizational learning within the context of multinational corporations is shaped by actors' enactment of new practices that are embedded in broader institutional contexts, where the links between knowledge transfer and the reinforcement of or change in routines are important in determining the level at which a subsidiary learns.

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## 1. Introduction

The study of organizational learning has proliferated in the field of economics (e.g., Rosenberg, 1982), change management (e.g., Pettigrew, 1988), and strategic management research (e.g., Prahalad & Hamel, 1990). A large body of research has extensively studied the mechanisms behind learning processes (for a review, see Argote, 1999; Huber, 1991). There have been few studies of the learning process that explore the influences of history, context, and social meaning in international settings (see review by Easterby-Smith, Burgoyne, & Araujo, 1999; exceptions include Hong, Easterby-Smith, & Snell, 2006). Most of the international management literature tends to equate organizational learning with knowledge transfer (e.g., Lane, Salk, & Lyles, 2001; Macharzina, Oesterle, & Brodel, 2001; Uhlenbruck, Meyer, & Hitt, 2003) or the transfer of best practice that leads to firm survival and effective performance. Organizational learning as a routine-based, situated activity in international contexts has not received due attention. In the light of this development, this paper aims to highlight how national institutional characteristics influence the learning of alternative practices. Organizational learning in an international context is defined here as some combination of improving actions (Fiol & Lyles, 1985) and acquiring new knowledge (Hedberg, 1981), whether these are new products or processes, that is of strategic importance to the parent company.

Organizational learning is discussed in the following section as a routine-based activity that is embedded in particular institutional settings. This is followed by the introduction of the method and empirical setting. The findings of the exploratory study that examine the influence of national business systems on learning patterns at the British subsidiaries of two Japanese multinational corporations (MNCs hereafter) are presented in Section 4. The final section presents the implications of adopting a routine-based understanding of learning situated in broader institutional contexts for research on the multinational firm.

## 2. Theoretical background

### 2.1. Organizational learning

In line with the stream of research that perceives learning as taking place through participation in communities-of-practice (Lave & Wenger, 1991; Wenger, 1998) or based on practice (e.g., Gherardi, 2000), we are critical of the focus on learning as individual acquisition of knowledge that reflects abstract thinking. Organizational learning in international contexts is conceptualized here as consisting of two aspects: (i) the acquisition of knowledge which relates to the cognitive aspects of learning, and (ii) the impact that acquired knowledge has on routines within a particular context, i.e. the reinforcement of or change in routines. In this section, these two constructs that serve as the unit of analysis are presented. The distinction between acquisition and enactment of knowledge aligns with Brown and Duguid's (1991), and Lave and Wenger's (1991) understanding of learning through

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practice, where 'knowledge acquisition' represents abstract knowledge or the 'what' of learning, and 'the reinforcement of or change in routines' reflects actual practice or the 'how' of learning.

### 2.1.1. Knowledge acquisition

There is broad consensus on Vernon's (1979) assertion that multiple flows of intra-organizational knowledge between international units are an important source of competitive advantage in global industries. It is widely acknowledged that cross-border creation, accumulation and sharing of knowledge enable MNCs to create synergies (e.g., Bartlett & Ghoshal, 1989; Gupta & Govindarajan, 1991). The systemic advantages of combining geographically dispersed external and internal knowledge sources call for a need to establish strong informal ties between subsidiaries (Ghoshal & Nohria, 1989). The ability to capitalize on the resources of individual national subsidiaries and to leverage them to create innovations for exploitation on a worldwide basis is accepted as becoming increasingly important (e.g., Doz, Santos, & Williamson, 2003). This points to the importance of knowledge transfer that presents opportunities for learning at both the subsidiary and the corporate level (Kotabe, Dunlap-Hinkler, Parente, & Mishra, 2007). However, this celebrated notion of knowledge transfer has been widely used as a proxy for organizational learning (e.g., Lane et al., 2001; Macharzina et al., 2001; Uhlenbruck et al., 2003). We argue here that, for learning to be claimed, knowledge upon its transfer has to be manifested in changed behaviour.

### 2.1.2. Reinforcement of or change in routines

In line with Levitt and March (1988), we ascribe to the definition of learning as embedding or encoding of acquired knowledge into routines that guide behaviour. Learning is perceived here as taking place when acquired knowledge either reinforces or changes routines (adapted from Fiol & Lyles, 1985).

The definition of learning adopted here encompasses more than just a change in states of knowledge and the associated action outcomes. It incorporates the role of agency and the social context in which learning is shaped. Learning is not represented by the adoption of practices alone but is realized upon the routinization of practices or change in pre-existing routines that indicate a particular level of learning. This involves agency or the ability to remember the past, imagine the future, and respond to present circumstances (Emirbayer & Mische, 1998). Discerning the particular intentions of actors helps discern between why routines may change over time or persist.

The reinforcement of routine behaviour by acquired knowledge is conceptualized as *lower-level learning*. We associate lower-level learning with 'those activities which add to the knowledge base or firm-specific competences or routines of the firm without altering the nature of their activities' (Dodgson, 1993: p. 383). This type of learning is directed at simple *maintenance* or *elaboration* of existing routines for efficiency and effectiveness (Hendry, Arthur, & Jones, 1995). By contrast, *higher-level learning* refers to the development of new routines, which can be seen as a discontinuous process, shifting from the state of rules to state of no rules. In considering organizational history and path-dependent behaviour in routine development (Cyert & March, 1963), it can be argued that breakaway from routines constitutes higher-level learning. Lillrank (2003: p. 218) defines this as attaining better interpretative schemes: '[W]hereas routine is guided by procedures established in advance based on past experience, non-routine work is adapted to information learned from the task as it unfolds'. This type of learning is directed at *changing* routines for new orientation to work (Hendry et al., 1995: p. 105).

Given the importance that we assign to the broader context in which learning unfolds, we outline below the institutional features that can shape learning patterns in organizations.

## 2.2. Institutional context of learning

The extent to which institutional differences between home and host countries influence knowledge transfer has been widely studied, in particular, by the historical neo-institutionalists (e.g., Edwards, Almond, Clark, Colling, & Ferner, 2005; Ferner, Almond, & Colling, 2005; Geppert & Matten, 2006). It is this variant of institutional theory, which has informed various studies in comparative research, that informs our investigation (e.g., Djelic, 1998; Hall & Soskice, 2001; Maurice & Sorge, 2000). Its underlying rationale is that the peculiarities of a given national system of industrial production are associated with the variation in actors' ability to act legitimately across institutional settings. Historical institutionalism identifies the governance principles of each market economy or business system as the state, financial system, public training system, legal system, authority relations, and union strength (Whitley, 1996, 2000). Work practices, values, and coordination are commonly observed in these principles or systems. In other words, the dominant practices of firms in relation to work systems, reward systems, and employee governance combine to form distinctive configurations that are identified as 'national business systems' (Whitley, 1999) that play a pronounced role in shaping firm strategies (Whitley, 2007). We argue here that these distinctive configurations shape the way subsidiaries learn from MNCs differently. We examine below the differences in institutional settings between Japan and the UK to highlight the potential variation in the way subsidiaries learn from MNCs located in these contexts.

The highly coordinated national business system of Japan promotes collectivist values and tightly knit networks that encourage low strike activity, absenteeism, and turnover (Whitley, 1999). Berggren and Nomura (1997) refer to this as 'alliance capitalism' where the elements of corporate governance, inter-industry competition, internal labour markets and permanent employment, and long-term supplier relationships are closely linked. Such relations are conducive to the development of firm-specific and highly tacit skills, which are further strengthened by in-house training, job rotation, and long-term commitments (Dore & Sako, 1997; Robinson, 2003). The norms governing trust and authority relations nourish close links between managers and employees and allow greater informal participation in decisions than in 'Western' plants (Lincoln & Kalleberg, 1990). Whitley (1999: p. 92) summarizes these as the paternalistic cultural legacy of Japan where there is relatively low task fragmentation, considerable worker discretion and involvement, considerable managerial control of work organization, variable separation of managers from workers, and high employer commitment to employment security for the core workforce. The economic downturn of the early 1990s has not fundamentally affected Japan's employment practices and the implications they have for participative management, teamwork and on-the-job training (Clegg & Kono, 2002; Dirks, Hemmert, Legewie, Meyer-Ohle, & Waldenberger, 2000). It is argued that firms in highly coordinated systems such as Japan find it challenging to transfer firm-specific advantages to foreign subsidiaries, for they are strongly embedded in social networks of close cooperation and high interdependency (Whitley, 2001).

By contrast, compartmentalized business systems, as that of the UK, encourage reliance on formal rules and procedures that facilitate delegation rather than on social networks and high interdependency (Whitley, 1999). They are characterized by 'arm's length' relationships and a high degree of fragmentation and

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