

# Organizational Learning In the Globalization Process

Le Zhong, Allan Collins & Jean Egmon

School of Education and Social Policy, Northwestern University, Evanston, IL 60208

Tel: (847)467-3869 Fax: (847)491-3957

Email: zhongle@northwestern.edu, collins@bbn.com, egmon@northwestern.edu

**Abstract:** Organizational learning is a critical imperative for global strategic effectiveness. Yet few studies of organizational learning about globalization systematically address its process at different organizational levels, or ground theories with in-depth empirical data. This paper presents our analysis of data from a longitudinal ethnographic study on organizational learning with regard to globalization. Using contrasting cases, we explore organizational learning in the context of a professional society developing its global strategy. These cases include the organization's interactions with potential partners in four countries. Based on the analysis, we present three claims and their practical implications for organizational learning about globalization.

## Problem Statement

As we move into the age of globalization, organizational learning is attracting widespread attention as a critical imperative for global strategic effectiveness (Doz, Santos & Williamson, 2001). In the early stage of globalization, organizations need to learn about foreign markets in order to develop globalization strategies. Research shows that organizations which learn efficiently from experiences in foreign markets are able to expand overseas faster with fewer mistakes (Harrigan, 1988). However, organizations often find this type of learning difficult and frustrating (Parkhe, 1991). One of the questions underlying these learning problems is how an organization learns as it interacts with global informants. What are some of the factors that influence what is learned, and how much is learned at the organizational level? Although these are not typical learning sciences questions in terms of the unit of analysis and type of learning environment, the issue is centered around learning nonetheless. Applying relevant learning theories to studying this phenomena would not only provide insights on the cognitive and social-cultural aspects of organizational learning, but also inform the advancement of learning sciences theories in addressing learning at different levels in complex social systems.

In order to understand how an organization learns as it interacts with global informants, we conducted a longitudinal ethnographic study of a mid-sized non-profit organization in early stages of international development. The purpose of this study was two-fold: 1) to generate theoretical claims about organizational learning processes, which systematically integrate different levels of learning; 2) to contribute empirical evidence to the globalization literature by analyzing an understudied type of organization – professional societies.

## Conceptual Framework

Before we discuss the methodology of this study, it should be acknowledged that the very definition of organizational learning (OL) is subject to controversy and flux in the organizational learning literature. The most popular definitions of organizational learning could be categorized into the following three camps. First, the *adaptive learning* perspective, which focuses on individuals as agents of learning (e.g. Heneman et al., 1989; Argyris & Schon, 1978; Argyris, 1992; Van Maanen & Schein, 1979; Senge, 1994). Second, the *development of knowledge base perspective* (Duncan & Weiss, 1979) and the *institutionalized experience effects perspective* (Abernathy & Wayne, 1974), which focus on organizational change through better knowledge and understanding (e.g., Stata, 1989; Dutton & Duncan, 1981). Third, the *assumption sharing* perspective, which focuses on the changing of shared mental models related to operational policies, norms and performance criteria (e.g. Shrivastava, 1983; Dixon, 2000). In this study, we integrate the above three definitions, and view OL as *change in an organization's potential behavior as a result of acquiring new shared mental models, change in norms, rules, processes, structure, or coordination of behavior*. As a property of the organization, OL is both a process and an outcome. Although it could occur at an individual, group, organizational, or inter-organizational level, the learning outcomes would stay at the organizational level, and not be entirely lost due to the loss of an individual.

Based on our definition of organizational learning, organizational knowledge would include the following two types of knowledge. First, shared social mental mapping of organizational structure and who knows what developed by members of the organization. This is also referred to as *transactive memory* (Wegner, 1987) in the group learning literature. The organization's transactive memory is partly embedded in its structure, division of labor, and social networks. Second, collective knowledge, which includes *shared internal frame of reference and cognitive consensus* (Mohammed & Dumville, 2001). Shared internal frame of references of an organization are often embedded in or based on processes, rules, and organizational culture (e.g. norms, values, vision). Such shared internal frame of references helps members of an organization to develop cognitive consensus on a given situation.

### Research Methodology

The research methodology of this study is based on the grounded approach suggested by Martin and Turner (1986). This method allowed the researcher to firmly ground theoretical claims in rich empirical data. One of the researchers was immersed in the organization for ten months as a participant-observer. The role provided access to nearly all activities and artifacts related to globalization. The research site was a medical society located in Illinois. The organizational structure contains three major hierarchical levels: leadership (Board, President and CEO), executive staff, and operational staff. These three levels are in decreasing authority.

The organization's current globalization strategy derived from a project in Brazil based on "societal membership", which differs from the traditional "individual membership" model. The organization partnered with a leading Brazilian medical society, and provided all members access to the US organization's online journal. In return, the Brazilian organization paid a much lower fee per person than the regular membership fee. Due to their large membership, this model generated large financial gains for the US organization. The leadership of the US organization constantly marketed this model to foreign medical societies as they traveled to international conferences.

Several foreign societies responded positively after the US leaders described the Brazil model, namely Argentina, Poland, Egypt, and Peru. Whereas representatives from Argentina and Poland expressed interest in the Brazil model, representatives from Egypt and Peru each proposed an alternative model for their country. Although Argentina claimed interest in the Brazil model, its proposal was different from the Brazil model and very similar to Egypt's proposal. Nevertheless, Argentina was regarded as a country interested in the Brazil model, whereas Egypt was regarded as not interested in the Brazil model. The four contrasting cases are shown in Figure 1.

	Countries interested in the Brazil model	Countries interested in other models
Countries proposed for e-membership	Argentina	Egypt
	Poland	Peru

Figure 1. Four contrasting cases

The organization's learning about the four markets can be summarized as follows. The Argentina society kept communicating with the US organization via email. Although they titled their proposal with the Brazil model, their emails indicated that only part of their membership would join, which differs from the entire-membership-participation of the Brazil model. Nevertheless, Argentina was selected as one of the targeted countries for the Brazil model. Different understandings coexisted until the staff was asked to draft a contract with the Argentina society, and it was clear that Argentina's difference from the Brazil model would lead to financial loss. At this point, the staff confronted the president, established an application procedure, and later on declined Argentina's application upon evaluation.

In the case of Poland, the leadership of the US organization contacted the Polish organization repeatedly after a meeting in Poland. For six months, the president sent emails, reminders, and application forms. However, no proposal or application came from Poland despite positive verbal responses given in face-to-face meetings.

Egypt was at first interested in the Brazil model. Later they proposed an alternative model similar to Argentina's proposal, allowing members to join individually, called e-membership. The dues suggested by Egypt were ten times those proposed by Argentina. In contrast to Argentina, the proposal from Egypt was ignored for four months, although repeatedly presented to the leadership and executive staff. It attracted the executive staff's attention only after the Brazil pilot project started having problems. A team was soon organized to start a pilot project of e-membership in Egypt.

The proposal from Peru has been sent to the organization many times. It is a proposal about organizing touring courses in South American countries. After receiving it again, different members of the organization understood it differently. Like the proposal from Egypt, Peru's proposal did not attract the attention of the leadership until several months later.

### Data Collection and Data Analysis

Data about these four cases were collected through observations, interviews, and artifacts. We observed formal meetings about globalization, informal conversations, and actions taken regarding globalization. Two types of interviews were conducted: structured interviews about the goals, interests, and beliefs of key staff, and semi-structured interviews addressing past events. Also, we collected artifacts, such as email, survey responses, and past records. The wide range of data allows triangulation and systematic analysis of their learning.

These data were analyzed in terms of the knowledge, interests, and actions at the level of individuals, groups, and the organization. Knowledge and interests at a collective level (group/organization) were defined as those shared by all members of the collective. We coded for different types of knowledge, interests, and actions at different levels of the organization (individual, group, organization). All codes were associated with the source (person/group). We analyzed the data to answer the following research question: How does this society learn from interactions with international alliances to develop its globalization strategy?

Based on the data analysis, we generated three claims:

1. *What becomes collective knowledge of the organization depends on at least two factors: the degree of match to the organizational interests, and the authority of the sources of the knowledge.* Knowledge with low relevance to collective interests and knowledge from low authority sources tends to be lost as it travels through the organization. For example, the organization generated more collective knowledge about countries interested in the Brazil model (i.e. Argentina and Poland) than countries interested in alternative models (i.e. Egypt and Peru). An analysis shows that whereas 50% of knowledge about Poland and 38% of knowledge about Argentina became organization-wide knowledge, only 25% of knowledge about Egypt and 5% of knowledge about Peru became organization-wide knowledge. In addition, the organization did not act on what it learned about Egypt and Peru until the collective interests of the organization switched from focusing on the Brazil model to searching for alternative models. Table 1 shows the percentage of individual knowledge, which became organizational knowledge, categorized by the relevance to organizational interests and authority of source.

Table 1. Percentage of individual knowledge which became collective organizational knowledge

		Relevance to organizational interests	
		Low	High
Authority of source	High (leadership)	2%	100%
	Medium (exec staff)	0%	92%
	Low (other)	0%	75%

1. Kan (1999) and Brooks (1994, 1995) have argued from a theoretical perspective that learning is negotiated through power relations. Our study provide evidence for this perspective in organizational learning, challenging current models which usually provide rational explanations of organizational learning, assuming people have common goals (e.g., Gnyawali, Stewart & Grant, 1997; Nevis, DiBella & Gould, 1995). The data from this study illustrates that the organization's social mapping knowledge (e.g. power relations) and internal frame of reference (e.g. collective interests, selective encoding and sharing of knowledge) affects its construction of

cognitive consensus by serving as affordances and constraints in the learning environment. Whereas shared internal frame of reference could potentially serve as both affordances and constraints, power relations mainly impose constraints on the learning environment when knowledge is traveling from bottom-up in the organizational hierarchy. This hypothesis is rooted in Brooks' (1994, 1995) studies of group learning in manufacturing firms, which shows that the distribution of formal power is a critical lever in the successful production of knowledge by teams. Although lateral communications (e.g. meetings) could facilitate the construction of shared understanding across organizational hierarchy and thereby prevent knowledge loss due to power differences, socio cognitive conflict from multiple perspectives needs to be confronted in order for such learning to occur. Unfortunately, discussion of different perspectives does not occur spontaneously, as it is not always to a low-authority individual's best interest to voice their cognitive conflicts with high-authority individuals. This point will be discussed further with our second claim.

2. *People distort their interpretations toward the existing schemas for globalization, and distortions introduced by authority figures are reinforced until they fail.* Obvious distortions that led to negative learning could be found in the cases of Argentina, Egypt, and Peru. Proposals from these three countries were all understood differently by different members of the organization. In 82% of the cases in which someone understood a situation differently from a higher-authority person, the person with lower authority accepted the version of understanding provided by the higher-authority source. The only exceptions were times when the higher-authority figure's distorted understanding was not only clearly mistaken, but also would lead to financial loss of the organization. The following quotes show an example of people's distortions of Argentina's proposal and how it was reinforced. The first email excerpt from Argentina indicates that they would like to recruit members progressively over the next two years (different from the Brazil model, which included all members of the organization). The president distorted Argentina's proposal towards the Brazil model and claimed that it wants exactly what Brazil has. Later, the CEO used this distorted interpretation in discussing the business model for Argentina.

*Excerpt, email from Argentina organization (Feb.6)*

"The (Argentina organization) has more than 1200 members, ... We don't know by this moment how many of our members would accept to pay for this (Brazil model), but we speculate that in a couple of years we could have 600 of our members joining the (US organization) this way."

*Fieldnotes, President's speech in the board meeting (Mar.13):*

(I) went to the Argentina meeting and described the Brazil model to them. They are highly enthusiastic about it and want exactly what Brazil has.

*Fieldnotes, CEO in an international planning meeting (Apr.3):*

The Argentina society has 1200 members, let's say they pay \$12, just like Brazil, we'll have \$14,400.

From a cognitive perspective, distortion of information in encoding and retrieval due to existing schemas is a common phenomena (Norman and Rumelhart, 1975). This could happen unconsciously as one construct and reconstruct knowledge through higher-level knowledge structures, or intentionally as one presents information in a certain way in order to persuade others or achieve other social goals. Either intentional or unintentional, when knowledge distortion is combined with confrontation-avoidance and power relations in the organizational setting, distorted understanding of one individual may escalate to organization-wide negative learning. Evidence presented in claim one and claim two suggests that shared internal frame of reference and power relations (social mapping knowledge) served not only as a knowledge selection mechanism in knowledge sharing, but also as a knowledge modification mechanism, due to a combination of cognitive limits on human memory and confrontation-avoidance. We will further discuss the impact of shared internal frame of reference on organizational learning in claim three.

3. *When people in this organization are reasoning about cases, they know little about the goals of international partners, their settings, explanations linking these goals and settings to the results, and alternative ways to achieve the goals and results.* Key staff were interviewed regarding what they knew about Argentina, Egypt, Poland, Peru and Brazil. We categorized the shared organizational knowledge about these cases into the following components suggested by Kolodner (1993): actor, goals, settings, events, results, explanations, and alternative ways of achieving the goals or results. Each conceptual chunk was counted as one piece of knowledge. Table 2 illustrates the amount of shared knowledge about each market categorized by case

component type. It shows that what the organization learned and did not learn about these five countries is highly consistent. This might be because people in the organization use the Brazil model as their schema for generating questions about foreign markets and remembering features of foreign markets.

Table 2. Shared organizational knowledge categorized by case component type

	Argentina	Egypt	Poland	Peru	Brazil
Actor-Self	-	-	-	-	-
Actor-Int'l	3	2	1	1	5
Goals-Self	3	2	3	0	3
Goals-Int'l	0	0	0	0	0
Setting	0	0	0	0	0
Events	8	5	7	2	9
Results	-	-	-	-	2
Explanations	-	-	-	-	0
Alternatives	-	-	-	-	0

When an organization applies lessons learned from one country to another, knowledge exploitation (March, 1991) is partly achieved through case-based reasoning. As situated learning theories point out, practices are embedded in social and cultural contexts (Lave & Wenger, 1990; Turner, 1994). Lack of knowledge about the contexts and differences in contexts could lead to potential problems when applying best practices from one country to another. The informal shared frame of reference that this organization had at the early stage of globalization did not foster construction of cognitive consensus in these aspects. New processes and tools could be designed following the framework of key case components suggested by Kolodner (1993) to create new affordances in the organization's learning environment, and thereby improve the organization's ability to effectively transfer its lessons learned.

### Implications and Conclusion

In conclusion, this study analyzed organizational learning of a professional society with regard to globalization. We proposed three claims, which have a number of practical implications. First, since power relations could hinder learning and lead to escalated knowledge distortion, organizations might benefit from controlling power-relations in knowledge-sharing activities. This could be achieved by implementing communication structures to request, encourage, and reward multiple perspectives from all major contributors. Such efforts require high-authority sponsors within the organization. Second, in order to reduce knowledge distortions, the organization could implement processes that check for shared understanding, especially with international partners. Examples of such processes include: encouraging synchronized knowledge-sharing activities between leaders and staff to allow discussion, confrontation and reflection; initiating dialogues with international leaders to ensure shared understanding; involving both leadership and staff from the beginning. Third, using key case components as a structure for learning about global markets may help the organization transfer best practices more effectively. This structure could be embedded in knowledge collection processes as well as decision-making processes. Fourth, to make better use of the knowledge resources from low-authority sources, the organization may benefit from integrating decision-making tools with organizational learning tools (e.g. survey data). For example, visually representing knowledge within the organization regarding different countries by contrasting these countries along key case component dimensions could help decision-makers utilize knowledge from low-authority sources.

### Importance

This study contributes to the learning sciences literature and the literature on organizational learning regarding globalization in several ways. First, it integrates learning at different levels, and grounds theoretical claims in in-depth, longitudinal empirical data collected from a natural setting. Second, it challenges current organizational learning models, which rationalize learning and actions. Third, it integrates learning sciences theories with organizational phenomena in an understudied type of setting. By combining empirical data with current learning theories, this study not only provides explanations for how the organization learns, but also mechanisms leading to negative learning and lack of organizational learning.

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